



**JCS, Inc. Policies**

**Julian Charter School, Inc.  
FISCAL POLICIES & PROCEDURES**

**Effective Date: August 13, 2021  
Approved By: Board of Directors**

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## INTERNAL CONTROLS

Internal control policies provide Julian Charter School, Inc. (JCS, Inc. the Corporation) JCS, Inc. with the foundation to properly safeguard its assets, implement management's internal policies, provide compliance with state and federal laws and regulations and produce timely and accurate financial information. Additionally, as a publicly supported entity, JCS, Inc. has additional responsibilities to ensure the public's confidence and the integrity of the Corporation's activities.

Expenditures shall be made in accordance with the amounts specified in the annual budget or any budgetary revisions adopted by the Charter School's governing board;

The Charter School's funds shall be managed and held in a manner than provides a high degree of protection of the Charter School's assets; and

All transactions shall be recorded and documented per this policy and procedures manual in an appropriate manner that allows reporting to the CDE and SDCOE.

### Board of Director Authority

The Board of Directors shall have the sole authority to approve and will incorporate into its own minutes such matters as (i) change of the Schools' names, with school authorizer pre-approval (ii) adoption of the annual operating and capital budgets, (iii) selection or termination of the executive director (iv) executive director's salary and salary changes, (v) incurrence of debt, mortgages or other encumbrances and their covenants and restrictions, within the terms of the charters (vi) investment policies, (vii) depository and investment banks, (viii) purchase or sale of property (ix) opening up or closing checking or savings accounts, and (x) selection of the Corporation's back-office services and auditing firm, and (xi) other activities associated with the operations of the Corporation.

The Board of Directors will meet at minimum quarterly to ensure that its fiduciary duty is maintained. The Board will review the following: prior meeting minutes, business items, educational items, and subcommittee reports as applicable.

### Compliance

The Corporation will follow all the relevant laws and regulations that govern the charter schools it oversees. Additionally, any Federal Government laws and regulations that relate to grant funding will be adopted as the grant funding is received. The following are specific policies of the Corporation:

#### A. Political Contributions

No funds or assets of the Corporation may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. The direct or indirect use of any funds or other assets of the Corporation for political contributions in any form, whether in cash or other property, services, or the use of facilities, is strictly prohibited. The Corporation also cannot be involved with any committee or other organization that raises funds for political purposes.

#### B. Record Keeping

To provide an accurate and auditable record of all financial transactions, the Corporation's books, records, and accounts are maintained in conformity with generally

accepted accounting principles as applicable to Charter Schools. The accounting system will track each school's expenditures separately so that balanced financial reports can be generated for each school location.

Further, the Corporation specifically requires that:

1. No funds or accounts may be established or maintained for purposes that are not fully and accurately described within the books and records of the Charter Schools.
2. Receipts and disbursements must be fully and accurately described in the books and records.

### Conflict of Interest or Self-Dealing

The Corporation will not be operated for the benefit of an affiliated or unaffiliated organization or an individual in his or her own private capacity or individuals related to the Charter Schools or members of its management, unless the private benefit is considered merely incidental. This private benefit preclusion will extend to:

- A. Sale or exchange, or leasing, of property between the agency and an affiliated or unaffiliated organization or a private or related individual.
- B. Lending of money or other extension of credit between an agency and an affiliated or unaffiliated organization or a private or related individual.
- C. Furnishing of goods, services or facilities between the agency and an affiliated or unaffiliated organization or a private or related individual.
- D. Payment of compensation, unless authorized by the Board of Directors or its governing body, by a School of the Corporation to an affiliated or unaffiliated organization or a private or related individual.
- E. Transfer to, use by, or for the benefit of a private or related individual of the income or assets of the Corporation or its Schools.

Thus, the Corporation will be guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private or related individual(s).

Related party transactions shall include transactions between a school and members of the board, management, contracted management organization, employees, related individuals and affiliated companies. Related individuals within the scope of this definition include spouses, parents, children, spouses of children, grandchildren, siblings, father in law, mother in law, sister in law and brother in law of a board member or school employee.

### Signature Authority

To properly segregate duties within the Corporation, the Board Treasurer and the Executive Director are the only individuals with signatory authority and are responsible for authorizing all cash transactions. Individual checks for non-recurring expenses greater than \$10,000 are pre-approved by the Board Treasurer and the Executive Director. Two signatures will be required on all checks.

### Government Access to Records

The Executive Director or contracted business Back-Office Service Provider will provide access to the Corporation's records in accordance with the Charter petitions and applicable state and federal laws.

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## SECURITY

### Financial Data

- A. The system's accounting data is backed up by the business' Back-Office Service Provider to ensure the recoverability of financial information in case of hardware failure. The back-up will be stored in a fire safe area and properly secured.
- B. All other financial data, revolving cash box, unused checks and unclaimed checks will be secured by the Executive Director or designee from unauthorized access.

### School Documents

Originals of the following corporate documents are maintained, and their presence is verified on a periodic basis:

- A. Charter and all related amendments
- B. Minutes of the Board of Directors
- C. Banking agreements
- D. Leases
- E. Insurance policies
- F. Vendor invoices
- G. Grant and contract agreements
- H. Fixed asset inventory list

### Use of School Assets

No Employee may use any of the Schools' property, equipment, material or supplies for personal use without the prior approval of the Executive Director of his/her designee.

### Use of School Credit Card(s) and Debit Cards

- A. Credit cards should only be issued with the formal approval of the Board of Directors and with proper justification. The cost/benefit to the Corporation should be fully reviewed to ensure that no other method is appropriate. Credit card usage should not be used to bypass the established purchasing procedures, including the approval process, and the use should be minimal and infrequent. A credit card is issued and assigned to the Executive Director and will only be used only for school-related expenditures when a purchase order (PO) cannot be approved in time or when a vendor will not accept a PO. All charges must be supported by invoices or travel reports to be eligible for payment by the corporation/schools.
- B. Monthly credit card statements are reconciled to invoices and travel reports and are approved by the Board Treasurer and ratified at the next scheduled Board Meeting.

## FINANCIAL MANAGEMENT

### Basis of Accounting

The Corporation will maintain their accounting records and related financial reports on the accrual basis of accounting.

## Accounting Policy

The accounting policies and financial reporting adopted are consistent with the not-for-profit requirements of the Financial Accounting Standards Board (FASB). FASB is the recognized standard setting body for establishing not-for-profit accounting and financial reporting principles.

## Basis of Presentation

The accounts of the Corporation and its Schools are organized on a basis of the School Account Code Structure or SACS. The operations of the fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net assets, revenues and expenditures. The Corporation uses a "Main Fund".

### Main Fund Defined:

This fund of the Corporation is used to account for all financial resources associated with the operation of the Schools. In addition, all activities relating to Student Activities should be separately identified and recorded within this fund.

## Revenues

Under the accrual basis of accounting, revenues are recognized when earned and recorded to the appropriate School's books.

## Expenditures

Under the accrual basis of accounting, expenses are recognized when services are incurred or goods are received. Expenditures will be recorded to the appropriate School's books and expenses shared between the Schools the Corporation oversees will be divided on an ADA basis percentage will be adjusted at Budget Adoption, First Interim, and Second Interim reporting periods.

## Incurred Costs

For the purposes of invoicing funding sources for allowable costs under cost reimbursement contracts, the term "costs incurred" is defined as follows:

- A. Costs related to items or services incurred directly for the contract and received at the time of the request for reimbursement and are not specifically disallowed by the funding source.

## Cash Management

The School maintains cash accounts at the following banks:

- A. Operating – Wells Fargo
- B. FSA—Wells Fargo
- C. Central Office Revolving Cash—Wells Fargo
- D. SDORI (San Diego, Orange, Riverside, and Imperial) Charter School Properties, LLC—Torey Pines
- E. Bond Trustee--Zions
- F. Treasury accounts established through our local County Offices (SD Treasury/RCOE).
  - a. JCS LIVE-County of San Diego Treasury (Oracle)
  - b. JCS Mountain Oaks-County of San Diego Treasury (Oracle)
  - c. JCS Pine Hills-Riverside County Office of Education

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- d. JCS Pine Valley-County of San Diego Treasury (Oracle)
- e. JCS Cedar Cove-County of San Diego Treasury (Oracle)
- f. JCS Manzanita-County of San Diego Treasury (Oracle)

### Grant/Contract Invoicing

- A. If applicable, invoices are submitted to the funding sources by dates specified in the grant or contract agreement.
- B. If applicable, the invoicing format is that specified by the funding source.

### Budget(s)

- A. The Corporation prepares an annual operating budget for each of its Schools based off projected LCFF revenues and expenses, a cash flow projection, and a capital budget. These budgets and projections are reviewed and approved by the Board of Directors, prior to the first week of June each year, modified, as necessary and finalized by the back office for approval by the Board prior to June 15 of each year.
- B. Financial statements displaying budget vs. actual results are prepared by the back-office services provider and reviewed by the Executive Director and presented to the Board of Directors at each regular board meeting.

### Insurance & Bonding

- A. The Corporation maintains at least a minimum level of coverage, as deemed appropriate by the Board of Directors, for the following:
  - 1. General liability
  - 2. Business & personal property (including auto/bus)
  - 3. Computer equipment/Cyber
  - 4. Workers' compensation
  - 5. Personal injury Liability
  - 6. Directors and Officers
- B. The Corporation requires proof of adequate insurance coverage from all prospective contractors, as deemed applicable by the Board of Directors.

### Record Retention/Disposal.

- A. Records are maintained for the following indicated minimum periods:
  - 1. Books, records, documents and other supporting evidence including paid, cancelled or voided checks, accounts payable records, vendors' invoices, payroll sheets and registers of salaries and wages, tax withholdings or otherwise covered by rules of the Internal Revenue Service are retained for three years from the end of the fiscal year in which the records were originally prepared.
- B. All financial records are maintained in chronological order, organized by fiscal year. The current year and the previous year's will be maintained at the Central Office, the remaining will be archived and maintained in off-site storage, yet easily accessible.



- C. In connections with the disposal of any records, a memorandum of record disposal is prepared by the Executive Director or designee listing the record or the class of records disposed of. The Board of Directors certifies this memorandum of records disposal.

## Reporting

The Back-Office Service Provider maintains supporting records in sufficient detail to prepare each Schools' financial reports, including:

- A. Annually:
  - 1. Financial statements for audit
  - 2. Annual budget
- B. Monthly:
  - 1. Trial balance
  - 2. Internally generated budget vs. actual financial statements
  - 3. Updating the cash flow projection
- C. Periodically:
  - 1. IRS Forms 941 and payroll tax returns and comparable state taxing authority returns
  - 2. Other reports upon request

## Audit

The Board of Directors arranges annually for a qualified certified public accounting firm to conduct an audit of each Charter Schools' financial statements, and subsidiaries in accordance with *Generally Accepted Accounting Principles* and the *Financial Accounting Standards Board* in one consolidated annual Corporation Audit.

The audit reports will be submitted to the granting agencies, California Department of Education, County Offices of Education (SDCOE and RCOE), and State Controller's Office by December 15 of each year. (Education Code 47605(m))

## Audit/Finance Committee

The full Board of Directors acts as the audit/finance committee or may appoint a sub-committee of the board. This committee will nominate the independent auditor and review the scope and results of the audit. The audit/finance committee also receives notice of any consequential irregularities and management letter comments that the auditor noted during the engagement. Additionally, the committee will develop a corrective action plan to address all relevant weaknesses noted by the auditor. The audit/finance committee will also review all financial information of the Corporation and its Schools and provide recommendations to the Board of Directors.

## ASSETS, LIABILITIES & FUND EQUITY

### Assets

#### Bank Accounts

Bank accounts for the indicated purpose and limitation(s) have been authorized by the Board of Directors of the Corporation at the indicated Federal Deposit Insurance Corporation (FDIC)-insured banks: *Wells Fargo, Torrey Pines, and Zions.*

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## Revolving Cash Account

The purpose of Revolving Cash accounts is for payment of incidental or emergency expenses when there is insufficient time for processing through the General Checking Account and related procedures as noted herein this Fiscal Policy and Procedures Manual. Revolving Cash may only be used at the discretion of the Executive Director for purchases of \$25 or less, subject to Board oversight and consistent with the approved budget and school rules, regulations and board approved policies. Revolving cash shall not be used for teacher reimbursements, employee expense reimbursement or independent contractor payment.

The Executive Director and/or Designee, shall be provided access to no more than \$250.00 at any one School site. The initial revolving cash fund of \$250 shall be approved by the governing board. Only minimal use shall be approved, and all payments must be supported by invoices, receipts, and/or reports which will be reviewed and approved by the Board at the Board meeting immediately following the expenditure.

The revolving cash must be stored in a locked location at each school or business office and access is limited to a designated revolving cash custodian, namely the Executive Director or authorized administrator/Principal. Any other designee must be approved by the governing board. **(POLICY)**

When presented with a request for revolving cash, the petty cash custodian should verify whether the item to be purchased is available in the organization's stock of supplies. If it is, the revolving cash reimbursement is unnecessary; if it is not, the custodian can initiate a revolving cash disbursement by doing the following:

- Prepare a revolving cash reimbursement request form.
- Assign a budget account number based on the type of expenditure to record the expenditure amount in the financial system.
- Approve the request for revolving cash expenditure and ensure that the transaction is complete.
- When the purchase is completed, the custodian should verify that all receipts or other proofs of purchase agree with the total petty cash advanced. Any leftover cash, and the revolving cash reimbursement request form, should be returned to the revolving cash custodian.
- Maintain and update the revolving cash reconciliation form to keep a reconciled running revolving cash balance.

Whenever the revolving cash balance falls below an established amount, \$20, it should be replenished. An expenditure summary and accompanying transaction documents should be forwarded to the business office. Once these are verified and reconciled, a replenishing check is issued to the revolving cash custodian for any outstanding purchases. The revolving cash custodian cashes the check and replenishes the revolving cash account.

## Central Office Revolving Cash Account

The Governing Board has established a revolving cash fund for use by the Executive Director or designee in paying for goods, services, and other charges within the Executive Director's fiscal limits. All revolving cash funds shall be subject to the internal control procedures established by the Corporation to prevent and detect fraud, financial impropriety or irregularity and shall be maintained in accordance with the law and the California School Accounting Manual (CSAM).

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The Board may at any time reduce or discontinue the revolving cash fund. The fund shall be established in a bank or other institution where deposits are federally insured and shall be within the maximum limit specified by law. Any person who issues a check drawn on the fund shall be personally liable for the amount of the check if the expenditure is in violation of the Corporation's rules and regulations with respect to the fund.

No funds maintained in a revolving cash account shall be used in an attempt to influence government decisions, for entertainment purposes.

## Liabilities and Fund Equity

### Accounts Payable

Only valid accounts payable transactions based on documented vendor invoices, receiving report or other approved documentation are recorded as accounts payable.

1. A/P Payment Policy: Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis.

### Accrued Liabilities

Salaries, wages earned, and payroll taxes, together with professional fees, rent, and insurance costs incurred, but unpaid, are reflected as a liability when entitlement to payment occurs.

### Liability for Compensated Absences

- A. Compensated absences arise from employees' absences from employment due to vacation leave. If compensated absences, such as vacation leave, is offered, each School caps an employee's vacation accrual at 120 hours. The supervisor will work with the employee to take time off to reduce their hours on the books. A liability for the estimated probable future payments is accrued if all the following conditions are met:
  1. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee.
  2. The employee's right to receive the compensation for the future absences is vested or accumulates, not to exceed 120 hours.
  3. It is probable that the compensation will be paid.
  4. The amount of compensation is reasonably estimable.
- B. Compensated absences not required to be paid upon employee termination is only recorded when paid.

### Debt

- A. When applicable, short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial statements. Long-term debt consists of financing that is not expected to be repaid within one year and is recorded in the general ledger.
- B. Loan agreements approved by the Board of Directors should be in writing and should specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.

## Revenue

The Corporation records each of the School's revenue on the accrual basis of accounting, consistent with generally accepted accounting principles (GAAP) applicable to not-for-profit units.

## FACILITIES

### Disposal of Property and Equipment

- A. No item of property or equipment shall be removed from the premises without prior approval from the Executive Director or designee.
- B. The Corporation has adopted standard disposition procedures for the Charter School's staff to follow. The asset must be identified, the reason for disposition, and signature of the requester. Documentation allows for an identification of the asset's book value, condition of the asset, and supervisory approval or denial.
- C. When property is retired, the appropriate asset in the fixed asset schedule will be adjusted and properly reflected in the general ledger.

## PROCUREMENT POLICY/PROCEDURE

### A. Bids Policy

The Corporation shall ensure that each of the Schools purchase equipment, supplies, and services using competitive bidding when required by law and in accordance with board policy. In those circumstances where the law or board policy does not require competitive bidding, the Board of Directors may request that a contract be competitively bid if the Board determines that it is in the best interest of the individual school to do so.

When the Board has determined that it is in the best interest of the school, the Board may piggyback onto the contract of another public agency or corporation to lease or purchase equipment or supplies to the extent authorized by law.

To ensure that good value is received for funds expended, specifications shall be carefully designed and shall describe in detail the quality, delivery, and service required.

To assist the school in determining whether bidders are responsible, the Board may require prequalification procedures as allowed by law and specified in procedures.

### B. Bids Procedure

1. The Corporation shall seek competitive bids from no less than two (2) vendors for contracts involving an expenditure of:
  - a) \$0 to \$4999 Written proposal optional/not required;
  - b) \$5000-\$9999 One (1) written proposal. Proposal should include company name, items, and amounts requested, and price.
  - c) \$10,000-49,999 Two (2) written proposals must be obtained unless it is for an educational material such as textbooks from a specific publisher. Proposals should include company name, items, amounts requested, and price.
  - d) \$50,000 and above 3 proposals At least three (3) written proposals must be obtained. Proposals should include company name, items, amounts requested, and price.

2. "School construction project" includes construction, reconstruction, erection, alteration, renovation, improvement, painting, repainting, demolition and repair work involving a school owned, leased or operated facility.
3. Competitive bids shall be sought for contracts exceeding \$50,000, or current federal threshold for the following:
  - a. The purchase of equipment, material or supplies to be furnished, sold or leased to the school.
  - b. Services, not including construction services, or special services and advice such as accounting, financial, legal or administrative matters.
  - c. Repairs, including maintenance, that is not a public project.

"Maintenance" means routine, recurring and usual work for preserving, protecting and keeping a school facility operating in a safe, efficient and continually usable condition for the intended purpose for which it was designed, improved, constructed, altered or repaired. "Maintenance" includes, but is not limited to, carpentry, electrical, plumbing, glazing and other craft work designed to preserve the facility as well as repairs, cleaning and other operations on machinery and other permanently attached equipment. This definition does not include, among other types of work, janitorial or custodial services and protection provided by security forces, nor does it include painting, repainting or decorating other than touchup. Unless otherwise authorized by law, contracts shall be let to the lowest responsible bidder who shall give such security as the Governing Board requires, or else all bids shall be rejected.

4. When letting a contract for the procurement and/or maintenance of electronic data processing systems and supporting software, the Board may contract with any one of the lowest responsible bidders.
5. No work, project, service or purchase shall be split or separated into smaller work orders or projects for the purpose of evading this policy for contracting after competitive bidding.
6. Instructions and Procedures for Competitive Bids  
The Executive Director or designee shall seek competitive bids according to the process outlined below.

The Executive Director in his/her discretion may recommend the vendor and present that one (1) vendor to the Board of Directors for approval. The Board of Directors need not review all bids unless specifically requested.

7. Bids Not Required
  - a. Upon a determination that it is in the best interest of the school/s, the Board may authorize the purchase, lease or contract for data-processing equipment, purchase materials, supplies, equipment, automotive vehicles, tractors and other personal property through a public corporation or agency without seeking competitive bids.
  - b. Supplementary textbooks, library books, educational films, audiovisual materials, test materials, workbooks, instructional computer software

packages, or periodicals may be purchased in any amount without taking estimates or advertising for bids.

- c. Perishable commodities such as foodstuffs may be purchased through the open market.
  - d. In an emergency when any repairs, alterations, work or improvement to any school facility is necessary to permit the continuance of existing school classes, or to avoid danger to life or property, the Board, by unanimous vote, may contract for labor and materials or supplies without advertising for or inviting bids.
  - e. Bids shall also not be required for day labor under circumstances specified in law. Day labor shall include the use of maintenance personnel employed on a permanent or temporary basis.
- C. Pre-Approval  
The Corporation will execute a pre-approval for all purchases and it shall be approved by the Executive Director for purchases less than \$10,000 and by the Board Treasurer if greater than \$10,000. Principals/Directors may approve purchases under \$1000. Purchases may not be split into smaller increments to avoid Executive Director or Board Treasurer approval.

## ACCOUNTING PROCEDURES

In this section, procedures are described for the overall accounting system design, General Ledger activity and General Ledger closeout for the Schools and LLC.

### General Ledger Activity

#### **Control Objective**

To ensure that all General Ledger entries are current, accurate and complete.

#### **Major Controls**

- A. Timeliness of Entries  
All entries are made soon after the underlying accounting event to ensure the financial records and reporting is current.
- B. Support Documentation  
All entries are supported by adequate documentation that clearly shows the justification and authorization for the transaction.
- C. Audit Trail  
A complete audit trail is maintained by use of reference codes from source documentation through the books of original entry and General Ledger, to monthly reporting statements.

#### **Procedures**

- A. Financial data on source documentation is verified against original documents (e.g., invoice, purchase order, etc.) by the Back-Office Service Provider before entering into the accounting system.
- B. Each entry in the accounting system is reviewed and approved by the Back-Office Service Provider.

- C. Provision is made for using recurring General Journal entries for certain transactions, such as recording the monthly portion of prepaid insurance.
- D. Non-recurring entries, such as for correcting entries, recording accruals and recording non-cash transactions, are prepared as circumstances warrant and on a monthly basis.
- E. All entries in the books of original entry (e.g., cash receipts journal and checkbook) are made soon after the accounting event from authorized forms, and are prepared and reviewed by qualified accounting personnel.

## General Ledger Close-Out

### Control Objective

To ensure the accuracy of financial records and reports.

### Major Controls

- A. Trial Balance  
Monthly, a trial balance is prepared to ensure the accuracy of the General Ledger account balances for each school and the Corporation as a whole.
- B. Reconciliation of General Ledger Control Accounts with Subsidiary Ledgers  
Reconciliations are prepared on a monthly basis.

### Procedures

- A. At the end of each month, a trial balance of all General Ledger accounts is prepared by the Back-Office Service Provider for the Executive Director and included in the monthly Board Fiscal Report.
- B. Reconciliation between the General Ledger control accounts and the subsidiary ledgers are completed by the Back-Office Service Provider.
- C. At fiscal year-end and after the annual audit, all income and expense accounts are closed out, and the general ledger balances are agreed to the audited financial statements.

## Cash Management

In this section, procedures are described for cash receipts, cash disbursements, and petty cash funds and prepaid items.

### Receipts

#### Control Objective

To record cash receipts completely and accurately and to prevent the diversion of cash assets.

#### Major Controls

- A. Cash Flow Projection  
The Back-Office Service Provider annually prepares and updates monthly a cash flow projection for operations and capital cash needs to monitor and ensure adequate cash flow for each school.
- B. Cash Receipts Policy  
Each School has internal controls systems in place to monitor cash receipts, and ensure that deposits are made in a timely manner. The Corporation also uses electronic fund transfers to accelerate deposits on behalf of each School. (See Attached Exhibit C - Cash Handling Policy)
- C. Internal Accounting Controls
  - 1. Opening of mail assigned to an employee with responsibilities independent of access to files or documents pertaining to accounts receivable or cash accounts.

2. Listed receipts and credits compared to accounts receivable and bank deposits.
3. General Ledger control accounts reconciled with Accounts Receivable Subsidiary Ledger.

### **Procedures**

#### **A. General**

1. Mail is opened by the Records Clerk or Finance Manager, or Designee who sorts the checks and forwards them to the Finance department or appropriate recipient.
2. All checks are restrictively endorsed immediately by the Finance department.
3. The Back-Office Service Provider prepares journal entries.
4. A copy of each check to be deposited is made and attached to copy of the deposit slip and filed to provide support for all deposits.
5. The Back-Office Service Provider reviews and signs off on journal entries.
6. The Back-Office Service Provider inputs journal entries.
7. The Executive Director or designee makes deposits no later than on a weekly basis. If deposits are made other than daily, the deposit should be maintained in a secure area locked and with limited access.
8. Reconciliation of cash receipts to deposit slips and bank statements are performed by the Executive Director or designee and the Back-Office Service Provider on a monthly basis.

### Disbursements

#### **Control Objective**

To disburse cash for authorized purposes and record cash disbursements completely and accurately.

#### **Major Controls**

##### **A. Cash Disbursement Policies**

Check preparation and signatures are delayed until the due date, consistent with available discounts if available.

##### **B. Internal Accounting Controls**

1. Pre-numbered checks and special check protective paper.
2. Match disbursement records against accounts payable/open invoice files.
3. Bank statements reconciled to cash accounts and any outstanding checks verified by the Back-Office Service Provider, if applicable.
4. Supporting documentation canceled to prevent resubmission for payment.
5. Detailed comparison of actual vs. budget disbursements on a periodic basis.
6. Separation of duties to the extent possible for an organization the size of the Corporation and School.
7. Back-office services provider accounting system does not allow duplicate invoices to be input and each invoice must have an invoice number on it.

### **Procedures**

- A. When the transaction is complete and payment is due, a pre-numbered check is prepared by the Back-Office Service Provider who attaches all supporting documentation: (e.g. vendor invoice, purchase order, purchase requisition, etc.) and submits the package to the Principal for approval.



- B. All invoices submitted for payment will include approvals for payment, check stub with check number and date of payment visible.
- C. The Executive Director approves checks, after examining the supporting documentation. All checks over \$10,000.00 must bear two approvals either manually or electronically, from the Executive Director and a member of the Board (except recurring payments that are detailed in the approved budget).
- D. After having been approved and/or signed, the checks are mailed directly to the payee by Back-Office Service Provider.
- E. All supporting documents are filed by Back-Office Service Provider.
- F. On a periodic basis, cash disbursement records are matched against accounts payable/open invoice files for any discrepancies.
- G. Bank statements are reconciled soon after receipt by either the Back-Office Service Provider and are available for review by the Executive Director or designee.

## Petty Cash Funds

### **Control Objective**

To control the use of petty cash funds for valid transactions.

### **Major Controls**

#### A. Internal Accounting Controls

- 1. **Revolving Cash Account.** Only the Executive Director and Associate Director of Finance have authority to sign petty cash checks. If one fills out the check, the other signs the check. All checks are photocopied and filed with back-up documentation. When check registers are received, they are uploaded to apply payments to the requisitions by the back-office service provider.

## Payroll

Payroll procedures are organized under six categories: personnel requirements, personnel data, timekeeping, preparation of payroll, payroll payment, and payroll withholdings.

## Personnel Requirements

### **Control Objective**

To ensure that the School hires only those employees, full or part-time, it absolutely needs and exerts tight control over hiring new employees.

### **Major Controls**

Implement Payroll Policies and Procedures with Back-Office Provider. Note in Employee Handbook.

#### A. New Employees

- 1. Requests for new employees are initiated by the Supervisor approved by the School Principal/Director and confirmed by the Executive Director. Each New hire

request is compared with the approved annual personnel budget. The Board approves all New Hires, Terminations, and Resignations at Regular Board Meetings.

2. New employees complete an *Application for Employment*.
3. New employees complete all necessary paperwork for payroll.
4. Employee is fingerprinted and tested for tuberculosis (TB). Fingerprint and TB clearance must be received by the school before any employee may start work.
5. Employee submits a Live Scan.
6. Employees are reimbursed for the cost of Live Scan.
7. Employees are paid for two hours of HR orientation.
8. New hires are paid for completion of required HR trainings such as:
  - CPR & First Aid
  - Mandated reporter
  - Sexual Harassment
  - Bullying & Youth suicide
  - Bloodborne Pathogens

B. Vacation and Sick Pay

1. Vacation and/or Sick Leave Pay, if applicable, is governed by the Corporation's Board Approved Employee Handbook.
2. If applicable, employees' vacation and/or sick leave balances are adjusted monthly to reflect time earned and taken. Time accrued for sick time and time accumulated for vacation are automatically updated in *Swipeclock* each month.
3. Sick leave taken is monitored against each employee's available sick time through an electronic time clock system. Sick leave is taken per the Corporation's Board Approved Employee Handbook.
4. The Corporation's Human Resource department monitors vacation and sick time through the electronic time clock reporting system.
5. If applicable, a General Journal entry is prepared at year-end to record the vacation liability.

## Personnel Data

### Timekeeping

#### **Control Objective**

To ensure that payment for salaries and wages is made in accordance with documented time records.

#### **Major Controls**

- A. Timekeeping Policies  
Employees are instructed in their employment agreement and the Board approved employee handbook on the proper charging of time to assure the accuracy of recorded time to cost objectives.
- B. Time Sheet  
Labor hours are accurately recorded and any corrections to timekeeping records, including the appropriate authorizations and approvals, are documented.
- C. Internal Accounting Controls  
Reconciliation of hours charged on time sheets to attendance records.

## Procedures

### A. Time Sheet Preparation

1. Hourly employees maintain time on a daily basis using *Swipeclock* to record daily timekeeping.
2. In preparing time sheets, employees:
  - a. Clock in/out using the *Swipeclock*
  - b. Approve their hours by clicking on the employee approval button at the end of the pay cycle. (10th & 26th of each month).
  - c. Request for any edits through their Supervisor or HR prior to approving their timecard in *Swipeclock*.

### B. Approval and Collection of Time Sheets

1. Each employee's time sheet is automatically maintained in *Swipeclock*. At the end of the payroll cycle, using *Swipeclock*, Supervisors review all subordinate timesheets and if accurate, click the *Supervisor Approval* button to approve.
2. HR reviews all hours worked and approval submitted for each employee and then submits final approval to the Back-Office Service Provider for processing.

### C. Reconciliation of Payroll to Time Sheets

1. HR runs an 'hours worked' report in *Swipeclock* and reconciles to the hours recorded on the Pay Register sent by the Back-Office Service Provider.

## Preparation of Payroll

### Control Objective

To ensure that payment of salaries and wages is accurately calculated.

### Major Controls

#### A. Internal Accounting Controls

1. Time records are periodically reconciled with payroll records.

## Procedures

- A. HR submits final timecard approval to the Back-Office Service Provider through *Swipeclock*.
- B. The total time recorded on time sheets and the number of employees is calculated by the Back-Office Service Provider.
- C. Recorded hours from the monthly time sheets are accumulated by the Back-Office Service Provider and communicated to the Payroll Service.
- D. The payroll documents received from the in-house payroll software (e.g., calculations, payrolls and payroll summaries) are compared with time sheets, pay rates, payroll deductions, compensated absences etc. by the Back-Office Service Provider.
- E. The back-office business provider verifies gross pay and payroll deductions.
- F. The total hours and number of employees are compared with the totals in the Payroll Register by the Back-Office Service Provider.
- G. The Payroll Register is reviewed and approved by Human Resources.

## Payroll Payment

### Control Objective

To ensure payment for salaries and wages by check, direct deposit, cash or other means is made only to employees entitled to receive payment.

## Payroll Withholdings

### **Control Objective**

To ensure that payment withholdings are correctly reflected and paid to the appropriate third parties.

### **Major Controls**

- A. Reconciliation of Payment and Payroll Withholdings  
Payroll withholdings are recorded in the appropriate General Ledger control accounts and reconciled with payments made to third parties.
- B. Internal Accounting Controls  
The Principal determines payroll withholdings and the Back-Office Service Provider verifies.

### **Procedures**

- A. HR determines payroll withholdings and the Back-Office Service Provider verifies payroll withholdings for each employee. These are summarized by pay period and recorded in the General Ledger.
- B. Payments for payroll withholdings are reconciled with the amounts recorded in the General Ledger control accounts by the Back-Office Service Provider.
- C. The Back-Office Service Provider reviews the accuracy and timeliness of payments made to third parties for payroll withholdings.
- D. Original withholding and benefit election forms, maintained in the employee file, are prepared by employee and reviewed and approved on a periodic basis by the Back-Office Service Provider.

## DEPRECIATION

### CAPITALIZATION THRESHOLD

The Schools will capitalize all individual assets with a cost of \$5,000 or more and that have an estimated useful life of three years or more.

The Schools capitalize all fixed assets when acquired and records the historical cost of these items in the general ledger. In accordance with generally accepted accounting principles (GAAP) and under FASB guidelines, depreciation expense must be recorded in the statement of revenue, expenditures and changes in net assets. The Schools will use the straight-line method of depreciation over the assets useful life as determined as follow:

### GROUPED OR NETWORKED ASSETS

IT/Technology equipment acquisition and leasehold facility improvements are considered “system assets” that operate as part of a network system (in the case of IT) or as part of an aggregate installation (in the case of leasehold improvements). Such IT acquisition and leasehold improvement costs are capitalized at costs of \$2,000 or more. A network is determined to be

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where individual components may be below normal capitalization thresholds but are interdependent and the overriding value to the School JCS, Inc. is on the entire network/facility and not the individual component assets.

## EXPENSE REIMBURSEMENT

### Travel

Non-school-related purchases are prohibited. The use of the Schools' funds for personal use is prohibited, including the submission of any non-school-related purchases for reimbursement. Individuals who use or attempt to use the Schools' funds or seek reimbursement for non-school related purposes shall be subject to disciplinary action. Any individual who the Executive Director or his/her designee determines has sought reimbursement for irregular or unauthorized transactions, whether personal or unauthorized business transactions, will be subject to disciplinary action.

## MANAGEMENT REPORTING PROCEDURES

### Annual Budget

#### **Control Objective**

To effectively support the preparation of the annual budget and its periodic review. The Board of Directors accepts responsibility for adopting a sound budget that is compatible with the Corporation and Schools' vision and goals. The Board shall establish and maintain a reserve that is sufficient for contingencies and unforeseen emergencies. Each School shall strive to maintain reserve levels between 5-10% of total expenses or that which is permissible or required by law.

#### **Major Controls**

##### A. Budget Process

The Executive Director works with the Back-Office Service Provider and prepares the annual operating and capital budgets and cash flow projection, with input from the School's Principal/Director and community. The budgets and projection are submitted to the Board of Directors for approval.

##### B. Internal Accounting Controls

Accuracy and completeness of the budget and projections. The Board encourages public input in the budget development process and shall hold public hearings in accordance with law. Each School will also share budgets with their respective School Site Council on a quarterly basis.

#### **Procedures**

- A. In preparation of the annual operating and capital budget and cash flow projection, the Back-Office Service Provider prepares a preliminary budget and projection for review by the Executive Director in consultation with the Principal/Director and stakeholders as appropriate.
- B. The schools' budgets shall be prepared annually from the best possible estimates that individual schools and school administrative staff can provide. Appropriate consolidation shall occur as the budget progresses through the various levels of review.

- C. To support budgets and projection estimates, the Back-Office Service Provider prepares current year-to-date financial data with projections of year-end totals. Each School's budget shall be developed in accordance with standards and criteria for fiscal accountability adopted by the State Board of Education.
- D. The Back-Office Service Provider and the Executive Director review the budgets and projection submitted for completeness and reasonableness. Before adopting the budget, the Board of Directors shall review the budget at a scheduled board meeting. The proposed budget shall be available for public inspection.
- E. The Board of Directors approves and adopts the final budgets and projection.
- F. The adopted budget totals are entered in the General Ledger by the Back-Office Service Provider for the new fiscal year in order to prepare budget to actual reports.
- G. The Executive Director, with the assistance of the Back-Office Service Provider, shall file the adopted budget with the authorizing agency or agencies as directed and in accordance with the schools' charter or charters and existing MOU(s). The budget and supporting data shall be maintained and made available for public review.
- H. No later than forty-five (45) days after the Governor signs the annual Budget Act, the Back-Office Service Provider shall make available for Board of Director review any revisions in budgeted revenues and expenditures which are consequently necessary.
- I. The Board shall adopt the budget on or before June 15th and shall file it timely with the authorizing agency(ies).
  - 1. On or before September 15, the Board shall revise the budget to include:
  - 2. Changes after July 1 related to income and expenditures, and
  - 3. Any response to the authorizing agencies recommendations.
- J. Before revising the budget, the Board shall again review the budget at a scheduled board meeting. The budget shall be available for public inspection.

## Financial Reporting

### Control Objective

To ensure the accuracy, completeness and timeliness of financial reporting to support decision-making.

### Major Controls

- A. Schedule  
Monthly managerial reports are prepared based on a schedule.
- B. Review and Approval  
Financial reports are reviewed for accuracy and completeness.
- C. Audit  
The annual financial statements of the School are audited by a certified public accounting firm.

### Procedures

- A. The Back-Office Service Provider prepares monthly budget vs. actual financial reports and cash flow projection for the Board of Directors meetings.
- B. The Corporation, its Schools, and subsidiary submit to an audit of its financial statements by a Board selected qualified certified public accounting firm.
- C. The Corporation shall automatically submit all financial reports required under Education Code Section 47604.33 and 47605(m).

## Payroll Tax Compliance

### Control Objective

To accurately prepare and file required tax documents on a timely basis.

### Procedures

- A. The School maintains a schedule of required filing due dates for:
  1. *IRS Form W-2* - Wage and Tax Statement.
  2. *IRS Form W-3* - Transmittal of Income and Tax Statements.
  3. *IRS Form 941* - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.
  4. *IRS Form 1099 MISC* (also *1099-DIV*, *1099-INT*, *1099-OID*) - U.S. Annual Information Return for Recipients of Miscellaneous Income.
  5. Quarterly and annual state(s) unemployment tax return(s).
  
- B. Before submission, all year-end tax documents and the supporting schedules are reviewed and approved by the Back-Office Service Provider for accuracy and completeness.

## Reserve Designation

In order to prepare adequately for future expenditures, the Corporation's board implements the following reserve designation trigger points, once a year, based upon the previous year's Unaudited Actual Results for each school:

1. Maintain a minimum reserve of 5% total expenditures
2. Up to 15% of the reserve amount for each school shall be maintained for economic uncertainties
3. Once a school's reserve balance exceeds 15%, JCS's Management Team will determine the designation among the following categories during an August Management Meeting:
  - a) Legal
  - b) Special Education
  - c) Facilities
  - d) Site Specific Needs

Results will be reported out during the September Regular Board Meetings.