

JOHN HANCOCK CHARTER SCHOOL

FINANCIAL POLICY

Purpose

John Hancock Charter School (JHCS) is a Utah Public School as defined under Titles 53E (State Administration), 53F (Funding), and 53G (Local Administration) of the state statute. Specifically, JHCS has been authorized under UCA 53G-5-3. JHCS is a not-for-profit organization as established under federal law, and is designated as a 501(c)(3) entity. In accordance with federal law, state statute and Utah Administrative Rule, JHCS will comply with all requirements necessary to provide an effective learning environment for the children of the Great State of Utah.

Definitions

Accounting System: means the financial reporting system where every transaction is recorded to prepare financial statements to be checked and validated by internal and external controls (i.e. Pelorus, or Pelorus Methods, Inc)

Accrual Basis of Accounting: means a basis of accounting that records revenue when earned and expenses when incurred; and transactions irrespective of the dates on which any associated cash flows occur.

Administration or Administrator (as pertaining to this policy): means the Executive Director, the Deputy or Associate/Assistant Director, or the Business Administrator/Manager.

Arm's Length Transaction: means a transaction between two parties acting in their own self-interest that is conducted as if the parties were strangers so that no conflict of interest exists.

Authorized Individual: means the Executive Director or a member of the Board given authority, by the Board, to take part in financial and legal transactions for and on behalf of the LEA.

Authorized Person: means a person the Board has given authority to take part in financial and legal transactions for and on behalf of the LEA, which may include temporary or situational authority.

Bank Authorized: means a member of the Board authorized by the bank as a signatory on bank accounts and documents.

Board, JHCS Board, or the Board: means the John Hancock Charter School's Board of Directors, or the Board of Directors of the John Hancock Charter School Foundation.

Business Office, or JHCS Business Office: means the John Hancock Charter School business office.

Coded: means the assignment of a numeric object, function, program, and location classifications consistent with the USBE and Accounting System's chart of accounts.

Department Head: means Executive Director, Business Administrator, Child Nutrition Director, IT Administrator, Human Resources Manager, or Facilities' Administrator.

Director: means Executive Director of the LEA.

Document Workflow System, or Workflow System: currently is understood to mean DocuWare.

Exclusive Contract or Arrangement: means an agreement requiring a buyer to purchase or exchange all needed goods or services from one seller.

GAAP: means Generally Accepted Accounting Principles or a common framework of accounting rules and standards for financial reporting promulgated by GASB.

GAAS: means Generally Accepted Auditing Standards or a set of auditing standards and guidelines promulgated by the Auditing Standards Board of the American Institute of Certified Public Accountants.

GAGAS: means Generally Accepted Government Auditing Standards or a set of auditing standards and guidelines promulgated by the Government Accountability Office.

GASB: means the Government Accounting Standards Board whose purpose is to establish GAAP for state and local governments within the United States.

Independent External Auditor: means a certified public accountant (CPA) who examines the financial records and business transactions of the LEA, and who has no affiliation with the LEA.

Internal Controls: means the process for assuring of the LEA's objectives in operational and financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to the LEA.

JHCS: means John Hancock Charter School, or John Hancock Charter School Foundation.

LEA: means a Local Education Agency as defined in federal and state statute.

Modified Accrual Basis of Accounting: means a basis of accounting, commonly used by government agencies, that recognizes revenues when they become available and measurable and recognizes expenditures when liabilities are incurred.

Non-Operating LEA: means an LEA that has not received minimum LEA school program funds or federal funds and is not providing educational services during a fiscal year, such as an LEA in a start-up period.

N-Size: means the minimum size necessary to disclose or display data to ensure maximum student group visibility while protecting student privacy.

Operating Funds: means current balances and other funds that are to be disbursed for operation of the state government or any of its boards, commissions, institutions, departments, divisions, agencies, or other similar instrumentalities, or any county, city, school district, political subdivision, or other public body, per [UCA 51-7-3\(23\)](#).

Operating LEA: means an LEA that has received state minimum LEA school program funds or federal funds and is providing educational services during a fiscal year.

Professional Service: means labor, effort, or work that requires an elevated degree of specialized knowledge and discretion, including labor, effort, or work in the field of accounting; law; architecture; construction design and management; engineering; financial services; information technology; the law; medicine; psychiatry; or underwriting.

Provided, Sponsored, or Supported by a LEA: means the same as that phrase as defined in UAC [R277-407-2](#). “Provided, sponsored, or supported by a LEA school” does not apply to non-curricular clubs specifically authorized and meeting all criteria of [UCA 53G-7-704](#) through [UCA 53G-7-707](#).

Public Funds: means money, funds, and accounts, regardless of the source from which the money, funds, and accounts are derived, that are owned, held, or administered by the state or any of its boards, commissions, institutions, departments, divisions, agencies, bureaus, laboratories, or other similar instrumentalities, or any county, city, school district (aka LEA), political subdivision, or other public body per [UCA 51-7-3\(26\)](#).

Public Treasurers Investment Fund (PTIF): means an investment fund available to state and local government entities as a short-term cash investment vehicle. The PTIF invests only in securities authorized in the [Utah Money Management Act](#).

Signature Stamped: means that, in lieu of (2) two authorized individuals personally signing a check draft, the Business Administrator may signature stamp a check draft with a mechanical or electronic signature device.

Stakeholder(s): means an individual(s) with an interest or concern in something, especially the LEA.

Title IX: refers to that portion of the United States Education Amendments of 1972 codified as 20 U.S.C. 1681 through 20 U.S.C. 1688.

UAC: means Utah Administrative Code, or Utah Administrative Rule

USBE: means Utah State Board of Education.

Utah Money Management Council (aka MMC): means the council created within UCA 51-7.

Utah Public Officers' and Employees' Ethics Act: means the act created in UCA 67-16, which provides standards of conduct for officers and employees of the State of Utah and its political subdivisions in areas where there are actual or potential conflicts of interest between public duties and private interests.

Authority of the Board of Directors

John Hancock Charter School LEA's Board of Directors is responsible for the operation of the LEA in accordance with all applicable state and federal laws. The Board is also responsible for ensuring that the LEA is operated in accordance with the representations made in its charter and bylaws. The Board has the sole authority to take the following actions:

- Development and documentation of Board policies including fiscal and operational policies;
- Review of fiscal policies annually, and monitoring their compliance and effectiveness;
- Requiring the Administration to develop a written system of internal control procedures supporting Board policies;
- Any changes to the LEA's name, charter, bylaws, and similar documents, as approved by the authorizer;
- The adoption and amendment of the annual budget;
- Monthly review of interim financial reports;
- Selection of the LEA's independent external auditor.

- The selection and termination of the Executive Director and the Business Administrator;
- Approval of all contracts;
- Supervision of procurement processes and determination of the appropriate scope of contracts with management companies that provide business or student services (as required in UAC R277-113;
- Assessment of the performance of management companies and the implementation of internal controls over the function of management companies if applicable;
- Monitoring the procurement and use of systems and software applications for compliance with financial and student privacy laws;
- Monitoring LEA expenditures of restricted funds to ensure compliance with applicable laws and grant terms and conditions;
- The establishment of key administrative staff salary and benefits, including on-going changes, through the approval of the annual budget;
- Incurring debt, mortgages, or other encumbrances, including acceptance of loan or bond covenants and restrictions, as allowed by the LEA's charter and bylaws;
- The purchase or sale of real property;
- Overseeing legal matters, including delegation to the Executive Director or an appropriate Board Committee, as determined by the Board;
- Appointments of Board members and other persons (non-administrative) for service on the LEA's Audit and Finance Committees.
- Receive subcommittee reports
- Insurance and Bonding

The Budget and Budgeting Process

The LEA's budget should be created according to governance and management priorities as the LEA seeks to achieve its mission and vision. Although the Board of Directors works closely with the Business Administrator and Executive Director to create the budget, only the Board of Directors has the authority to approve and amend the LEA's budget.

Budget Officer

Per UCA 53G-7-3, the LEA must have a designated Budget Officer, usually the Board Treasurer. The Budget Officer may be another board member selected by the Board of Directors.

Budgeting Process

Per UCA 53G-7-3, to ensure compliance with state budget deadlines, the LEA's Administration and Business Administrator shall prepare an annual operating budget of revenues and expenses (forecast and/or budget) for the upcoming year and a final draft budget compared to actual expenses for the year ending. These tentative annual budgets shall:

- Be presented to the Board of Directors in a Budget Hearing prior to June 1, with adoption at least 10 days after the Budget Hearing
- Be available for public inspection at the LEA for at least 15 days before the date of proposed consideration of the budget by the Board of Directors
- Be approved by the Board of Directors no later than June 30
- The budget must be filed with the State Auditor and USBE within 30 days of approval
- The budget and supporting documents should include the following:
 - The revenues and expenditures of the preceding fiscal year;
 - A detailed estimate of the essential expenditures for all purposes for the next succeeding fiscal year;
 - The estimated financial condition of the charter LEA by funds at the close of the current fiscal year
- The copy of the budget filed with the Utah State Board of Education must be submitted through the UPEFS system utilizing GASB accounting and financial reporting standards

Budget Hearing

The LEA's Board of Directors shall comply with all budget hearing requirements per [UCA 53G-7-303](#).

Adherence to Board-Approved Budget

The Board-approved budget shall be adhered to by Administration at all times. Without prior Board approval, the Administration does not have the authority to amend the budget or spend outside of the approved budget. The Administration may propose and the Board may approve budget amendments at any time during a fiscal year.

Monthly Budget Reports

The Business Administrator and/or Budget Officer shall provide each governing board member with a monthly report that includes:

- The amounts of all budget appropriations
- The disbursements from the appropriations as of the date of the report
- The percentage of the disbursements as of the date of the report;

- Internally generated interim income statement, including Board-approved budget vs. actual data
- Interim balance sheet
- Within five days of providing the monthly report to the governing board, the Business Administrator or Budget Officer shall make a copy of the report available for public review

The Board may request to review the reconciliation of all bank statements, credit cards, and other loan or investment accounts.

Quarterly Budget Reports

- The Board may request program level reporting, including prior year(s) restricted program fund balances, year to date revenue and expenses in comparison to approved program budgets for all individual restricted programs

Annual Budget Reports

- Financial statements for audit, with supporting statements as needed
- Annual budget(s)

Financial Statement Reporting

As required by UAC R277-113, the Administration shall ensure the Board of Directors is provided fiscal reports on a monthly basis, regardless of the occurrence of an official Board meeting. The Business Administrator is required to provide reports to the Board or Finance Committee as delegated by the Board.

Finance and Audit Committees

The finance committee monitors financial transactions; the audit committee makes sure things are done according to policy and with adequate controls. The finance committee provides guidance about what can be done; the audit committee ensures that independent oversight occurs.

Audit Responsibilities of the Board of Directors

The Chair of the LEA's Board of Directors shall ensure the members of the Board and Audit Committee are provided with training on the requirements of UCA 53G-7-4, Internal Audits, and UAC R277-113-4 as part of the member on-boarding process.

The annual LEA audit shall be performed in accordance with Generally Accepted Auditing Standards (GAAS) generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, (GAS) and, if applicable, the U.S Office of Management and Budget's relevant circulars. The selected firm must be properly licensed to perform the audit and certify the LEA school's financial statements. The firm must also be familiar with all relevant standards and related state and federal regulations in order to properly conduct and certify the LEA school's fiscal audit.

Audit Committee

The Board shall designate a number of its members (not to equal or exceed a quorum, but not less than three Board members), to serve on an Audit Committee, consistent with UCA 53G-7-401; and, maintain on the LEA's website the names of the governing board members who serve on the audit committee. The committee has advisory authority only. The Board shall appoint a member of the Audit Committee as chair.

The Audit Committee shall take the following actions on behalf of the LEA:

- Ensure that the LEA obtains all audits, agreed-upon procedures, engagements, and financial reports required by UCA 51-2a-201 and UCA 53G-5-404;
- Provide an independent forum for internal auditors, internal audit contractors, and other regulatory bodies to report findings of fraud, waste, abuse, non-compliance, or control weaknesses - particularly if the LEA Administration is involved;
- Ensure that corrective action on findings, concerns, issues, and exceptions reported by independent external auditors, internal auditors, or other regulatory bodies are resolved in a timely manner by the LEA's Administration;
- Present, as appropriate, information and reports from the Audit Committee's meetings to the Board of Directors;
- Receive, as appropriate, reports of reviews, monitoring, or investigations conducted by the LEA's Administration; and,
- Ensure appropriate corrective action is taken in a timely manner.

With regards to engagements completed by an independent external auditor, the Audit Committee shall:

- Manage the audit procurement and quality process in compliance with UCA 63G-6a, State Procurement Code;
- Advise the Board of Directors in contracting for internal audit services in accordance with UCA 53G-7-402 (when the LEA has 10,000 students, or more)
- Conduct or advise the Board of Directors in an annual evaluation of the contractors providing internal audit services (when the LEA has 10,000 students, or more, per UCA 53G-7-402);

- Ensure that the independent external auditor has access to direct communication with the Audit Committee;
- Review disagreements between the independent external auditors and the LEA's Administration;
- Consider the LEA's responses to audits or agreed-upon procedures;
- Receive final audit reports from independent external auditors providing auditing services;
- Ensure the LEA obtains and retains copies of all audits, agreed-upon procedures, engagements, and financial reports required by UCA 52-2a-201;
- Review monitoring or any internal audit reports, if applicable, prior to submission to any outside party or authority, ensuring that direct communication with the Audit Committee is provided to audit firm representatives.

The Audit Committee shall perform these additional functions on behalf of the Board of Directors:

- Prioritize an auditing or monitoring plan based on risk;
- Receive regular updates on the progress of the LEA's monitoring plan;
- Report to the Board information and reports from the Audit Committee's meetings, and any relevant discussions with management, external auditors, and among committee members;
- Provide an independent forum for the LEA's stakeholders to report findings of fraud, waste, abuse, non-compliance, or control weaknesses, particularly if Administration is involved;
- Ensure that corrective action on findings, concerns, issues and exceptions reported by independent external auditors or other regulatory bodies are resolved in a timely manner by the Administration;
- Review and sign off on original bank statements and account reconciliations from the accounting system for each reconciled period, or delegate this action to the Executive Director in writing;
- Review the LEA's processes, procedures and forms to ensure adequate internal controls are in place and consistently used;
- Ensure completion and submission of the annual *Fraud Risk Assessment* as required;
- Ensure all Audit Committee members complete the required annual training provided by the State Auditor and the USBE Internal Audit department, and that documentation of such training is retained;
- Ensure that the Board of Directors annually review the LEA's finance policies and periodically review associated procedures;
- Perform periodic internal audits of the LEA's fiscal records.

Finance Committee

The Board shall designate a number of its members (not to equal or exceed a quorum), as well as others, to serve on a Finance Committee, and maintain on the LEA's website the names of the governing board members, and others, who serve on the finance committee. The committee has advisory authority only. The Board shall appoint a member of the Finance Committee, who is a Board member, to serve as the chair.

Members of the Finance Committee shall work closely with the Executive Director and the Business Administrator to provide the Board with useful advisory information, so as to minimize the time necessary for the Board to research and process complex financial activities associated with the Board's responsibilities, provided for throughout this policy.

The role of the finance committee is primarily to provide short- and long-term financial advisory oversight and consultation with the LEA's Board.

Key responsibilities of the finance committee include:

- Budgeting and Financial Planning and Review
- Reporting and Monitoring of LEA Financial Activities
- Accountability, Transparency, and Risk Management Review
- Reviewing Audits and Investments
- Providing Advisory Findings to the Board

Insurance and Bonding

The Board is responsible for procuring and renewing all commercial insurance. The Board may delegate clerical and administrative tasks to the Administration; however, all decision-making authority rests with the Board which retains responsibility to ensure insurance is adequate and in force. As deemed appropriate by the Board, or per state law or rule, the LEA must maintain at least the minimum levels required of appropriate commercial coverage for the following insurance products or policies:

- General liability.
- Business and personal property.
- Property (building/facilities—earthquake coverage not included without express inclusion for a fee).
- Directors and Officers.
- Errors and Omissions/Professional Liability.
- Sexual Abuse and Molestation.

- Employment Practices Liability Insurance.
- Automobile insurance (as necessary).
- Workers' Compensation.
- Unemployment Insurance (a tax).
- Treasurers' Bond (Public Official Bond).
- ERISA Bond (as applicable for retirement plan).
- Other insurance as needed.

A Treasurer's Bond (fidelity bond or Public Official Bond) is required of the person who has investment control over the LEA's public funds, typically the Business Administrator, Executive Director, or the Board Treasurer UCA 51-7-15. The LEA requires proof of adequate insurance coverage from all prospective service providers performing work on behalf of the LEA on-site such as contractors or subcontractors.

Administrative Authority

The Executive Director may be authorized by the Board to operate the LEA and execute all transactions for the LEA, with exceptions noted herein, and to make all purchases and disbursements necessary according to policy for the operation of the LEA. The Business Administrator shall provide an independent report to the Board's Finance Committee and to the full Board as one of the Board's internal controls.

In general, the Executive Director shall have the authority to take the following actions, if so authorized by the Board of Directors:

- Establishment of sound internal controls within the parameters of this policy
- Providing oversight of the day to day financial operations
- Implementing systems to mitigate the risk of fraud or gross errors in compliance with state and federal laws
- Supporting the Board of Directors in reviewing policies and monitoring compliance effectiveness
- Preparation of the annual budget in collaboration with the Business Administrator
- Ensuring that all staff and volunteers are provided annual training on financial policies and procedures that are relevant to their job or volunteer duties
- Monitoring staff compliance with state and federal laws and rules, Board policy, and administrative procedures
- Monitoring the financial performance and outlook of the LEA
- Collaborating with the Business Administrator on financial matters and in reports of financial data to the Board

- Providing approvals for expenditures and allocation of resources based on sound financial considerations and approved budget
- Selecting, compensating, and terminating personnel, with the exception of the Business Administrator who is hired by and formally reports to the Board
- Overseeing the LEA's procurement process
- Establishing written internal financial controls and monitoring staff compliance with state and federal procurement laws and rules, Board policy, and administrative procedures
- Monitoring the LEA's expenditure of restricted funds to ensure compliance with all applicable laws, rules, regulatory guidance, and grant terms and conditions
- Assessing the performance of all contracted services and ensuring sufficient implementation of controls over contracted service providers
- Making policies and procedures available to LEA staff and to the public

Fiscal Policies and Procedures

The Board of Directors shall ensure the LEA is compliant with UAC R277-113.

The LEA shall ensure that its finance policies and procedures follow all applicable state and federal laws and regulations in the United States of America and the State of Utah, including, but not limited to what is in UAC R277-113

A. Fiscal Responsibilities of the Board of Directors

- a. The Board of Directors shall ensure that the LEA is compliant with UAC R277-113-6

B. Accounting requirements

- a. The Board of Directors shall ensure that the LEA is compliant with UAC R277-113-8

C. Fiscal policies for LEA Activities

- a. The Board of Directors shall ensure that the LEA is compliant with UAC R277-113-9

Use of LEA Assets

Except for incidental use of LEA-issued personal equipment (laptop, iPad, mobile phone, etc.) and authorized rentals per policy, LEA employees, Board members, or others may not use any of the LEA's assets for personal use without prior expressed or written approval from the Executive Director.

Banking, Cash Management and Expenditures (Disbursements)

The Board authorizes deposit and loan accounts for general or specific purposes. LEA fiscal assets may only be kept at any bank or financial institution that is currently on the approved list of institutions by the Utah Money Management Council.

The Board shall ensure that at least three authorized individuals, currently serving in good standing, are Account Owners and signers on all accounts at all financial institutions or mortgage/loan providers, as permitted by the financial institution.

The Business Administrator or other business office staff shall not be signers on financial accounts, but may be granted limited online access to financial accounts to view reports, download statements, view account balances, and transfer funds between internal accounts as allowed by authorized individuals.

Invoiced Transactions (may include a Quote/Purchase Order)

In normal workflow, the following steps should be completed in order:

- Quote for item(s) of interest is obtained from potential vendor (purchase cannot exceed Board purchasing limits, without approval)
- Quote is reviewed, approved and signed by an authorized person
- Purchase Order is generated through the accounting system, delineating quoted item(s) as required
- Purchase Order is reviewed and signed/dated by an authorized person(s)
- Quote and Purchase Order are returned to vendor via authorized transmittal method (i.e. email, FAX, postal service, etc.)
- Purchased item(s) is received by John Hancock Charter School, and shipping ticket is received and filed in workflow system

If the process above DOES NOT APPLY to invoiced transactions because NO PURCHASE ORDER IS REQUIRED by a potential vendor or the LEA, the following steps should be completed in order:

- Vendor's invoice is received by JHCS business office (purchased item may or may not already be in possession of JHCS)
- Invoice/purchase document(s) entered into workflow system
- Invoice/purchase document coded for accounting system processing
- Invoice/purchase document sent for approval in workflow system
- Approval of invoice/purchase document by two (2) authorized individuals in workflow system. (If document is rejected by either, or both, authorized individual(s) then review between JHCS business office and rejecting individual(s) is triggered.)
- Invoice/purchase recorded in accounting system
- Check draft or Automated Clearinghouse (ACH) is generated by JHCS business office

- A check draft is signed by two (2) authorized individuals and sent to vendor. In lieu of the check draft being signed by (2) authorized individuals, the check draft may be signature stamped by the Business Administrator only after (2) two authorized individuals have approved an invoice or purchase order in the workflow system
- Check stub (3rd part, of three-part check) is filed by JHCS business office
- If ACH payment method is used, payment/transaction receipt is filed in workflow system
- “Check Summary” (whether by check or by ACH) of transaction is filed in workflow system (no approval necessary)

Credit Card Transactions

In normal workflow, the following steps should be completed in order:

- Purchase executed (cannot exceed Board purchasing limits, without approval)
- Purchase “receipt” (document) forwarded to JHCS business office (i.e. email or hard copy)
- Purchase document scanned into workflow system
- Purchase document coded for accounting system processing
- Purchase document sent for approval in workflow system
- Approval of document by two (2) authorized individuals in workflow system
- (If document is rejected by either, or both, authorized individual(s) then review between JHCS business office and rejecting individual(s) is triggered.)
- Purchase recorded in accounting system, as credit card purchase
- “Check Summary” of transaction filed in workflow system (no approval necessary)

School Credit Card Use and Authorization

All credit card purchases shall be authorized by a JHCS Administrator prior to any expenditure.

Credit card purchases must include coding (program) information, prior to expenditure.

The LEA's credit cards and purchase cards (P-Cards) shall only be issued with the formal approval of the Board and with proper justification. If credit cards are issued, they should be assigned to specific LEA employees (cardholder), used only by the cardholder, and should be used only for LEA-related expenditures.

Credit card payments shall be made periodically throughout the statement period and finalized upon the reconciliation of the monthly statement. Online credit card payments require the approval of two (2) authorized individuals.

Reimbursements

Teacher and other authorized staff reimbursement for classroom and LEA purchases (other than purchases utilizing the ClassWallet system).

In normal workflow, the following steps should be completed in order:

1. Review the submitted Expense Reimbursement Form and accompanying receipts for accuracy
2. Generate workflow/expense approval in document workflow system
3. After receiving approval from two (2) authorized individuals, generate a check draft (all reimbursements are provided by check draft ONLY)
4. Check draft is signed by two (2) authorized individuals. In lieu of the check draft being signed by (2) authorized individuals, the check draft may be signature stamped by the Business Administrator only after (2) two authorized individuals have approved an invoice or purchase order in the workflow system.
5. Files the check stub.
6. Files the Expense Reimbursement Form and accompanying receipts in the workflow system.
7. "Check Summary" of transaction is filed in workflow system (no approval necessary).

Checks are not to be made payable to an employee, a specific department, or a program. Appropriate internal controls and segregation of duties should be implemented for all cash activity. These may include tickets, pre-numbered receipts, deposit slips, cash tally sheets, receipt registers, lists, cash reconciliations, reports, etc.

Documents should be available and should demonstrate that proper cash controls are in place (signatures for approval, tally sheets, reconciliations, etc.). Under no circumstances are disbursements to be made directly from cash receipts (i.e. for purchases, reimbursements, refunds, or to cash personal checks).

Investments

While ensuring sufficient cash balances are maintained in the LEA's general operating account to cover all regular monthly expenditures, the LEA shall consider the deposit interest rates of the Public Treasurers Investment Fund (PTIF) compared to other approved institutions and propose investment plans consistent with this policy to the Board. All transfers of cash between LEA accounts must be made consistent with Board policy.

Petty Cash

John Hancock Charter School is a cashless LEA.

Fees

John Hancock Charter School is a free public school and does not charge or collect fees.

Recordkeeping for Flexible Use of Restricted Funds

The LEA may reallocate funds for flexible uses as described in [UCA 53F-2-209](#) as

long as the LEA complies with state statute.

Capitalization of Property

All tangible personal property, land, capital improvements or buildings with a use beyond a single annual reporting period are recorded and capitalized on the property schedule. The asset capitalized cost includes actual costs, tax, shipping/handling, and other expenses incurred to bring the asset ready for its intended use.

Per GASB, property may be expensed rather than depreciated over the fiscal year it was purchased.

Liabilities

Encumbrances, debt or other non-payroll-related liabilities may only be executed by the Executive Director when authorized by the Board of Directors. Encumbrances, debt, liabilities or other obligations are recognized and measured in conformity with GAAP and GASB standards in both the modified and full accrual basis of accounting. Liabilities also include certain other deferred amounts that are not obligated, but are recognized and measured in conformity with GAAP and GASB standards.

Debt

All short-term and long-term debt must be approved by the Board of Directors. Short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial statements and shall not be recorded as a liability on the balance sheet. Long-term debt consists of financing that is not expected to be repaid within one year and shall be recorded as a liability on the balance sheet.

Loan agreements approved by the Board shall be in writing and specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.

The Administration may not enter into loan agreements without the approval of the Board of Directors.

Procurement

For procurement thresholds, LEA will follow procurement threshold as outlined in UCA 63G-6a, Utah Procurement Code

- The “individual procurement threshold” for the LEA is \$1,000. This is the maximum amount that the LEA can expend to obtain a single item/service from one vendor at one time without requiring competitive purchasing. It is recommended that all purchases require competitive quotes.
- The “single procurement aggregate threshold” for the LEA is \$5,000. This amount is the maximum amount that the LEA can expend to obtain any combination of individual procurement items/services costing less than \$1,001 from one vendor at one time up to \$5,000, without requiring competitive purchasing. Example: You can purchase 4 laptops from a single vendor when those laptops, individually, cost \$1,000.99 or less each. You can purchase five if they cost \$999.99 or less each. In the event any single item on an order is over the \$1,000 single item threshold, ALL items on the order require competitive purchasing.
- The “annual cumulative threshold” for the LEA is \$50,000. This amount is the maximum total annual amount that the LEA can expend to obtain individual procurement item(s) costing less than \$1,001 purchased from the same vendor during the fiscal year (July 1 – June 30) not to exceed \$50,000. If a purchase exceeds \$50,000, it is not considered a small purchase and shall be processed through a bidding process or a request for proposal (RFP) process.

Child Nutrition Program Procurement

John Hancock Charter School will follow “Buy American” provisions as required to operate and maintain its Child Nutrition Program. John Hancock Charter School will comply with all relevant federal and state procurement laws.

Professional Services

All third-party vendors contracting with the LEA must be compliant with Utah’s Student Data Protection Act (SDPA), UCA 53E-9-300. Vendors determined not to be compliant may not be allowed to enter into future contracts with the LEA without third-party verification that they are compliant with federal law, state law, and board rule.

- Professional services costing less than \$50,000 can be awarded through direct negotiation with the service provider.
- Professional services costing between \$50,000 and \$100,000 need a minimum of two competitive quotes.
- Professional services costing over \$100,000 shall be acquired using a competitive bidding or Request for Proposal (RFP) process, or by selecting a

provider from an approved potential vendor list created using an invitation for bids or an RFP.

Small Construction Projects

- Small construction projects costing less than \$25,001 may be procured by direct award without seeking competitive bids or quotes after documenting that all applicable building code approvals, licensing requirements, permitting and other construction related requirements have been met.
- Small construction projects costing between \$25,001 and \$100,000 may be procured by obtaining a minimum of two (2) competitive bids or quotes that include minimum specifications and be awarded to the contractor with the lowest bid or quote that meets the specification after documenting that all applicable building code approvals, licensing requirements, permitting and other construction related requirements have been met.
- Small construction projects costing more than \$100,000 require an RFP procurement process. Large construction projects over 2.5 million must follow the requirements contained in UCA 53E-3-703, LEA Construction.

Emergency Purchases

An “emergency purchase” is defined by the Board as the purchase of goods or services that are so badly needed that the LEA will suffer financial or operational damage if they are not procured immediately, or if there is a gravely unsafe condition. A decision to purchase may be declared at the Executive Director’s discretion only in an emergency, but after consultation with the Business Administrator and/or Board Chair, or the Chair’s designee. “Best value” procurement guidelines must be followed, and supporting documentation for purchases made under an emergency shall include a written explanation of the emergency condition.

Sales Tax

The LEA is exempt from sales tax as both a governmental entity and as a charitable organization. The Board and the Executive Director shall ensure the LEA’s tax-exempt status is not compromised and is properly maintained by complying with government regulations at all times. The LEA shall follow the law and the policies of a vendor (when properly administered) relating to sales tax exemption.

As authorized and when allowed by law, LEA employees or volunteers may use the LEA’s non-profit tax exemption registration number (and exemption form) for bona fide

LEA purchases made utilizing LEA funds at the point of sale. Authorization granted to employees or others for the use of the LEA's tax exempt status for LEA-related purposes may be revoked by the LEA at any time.

Based on regulations, employees or volunteers may not be reimbursed for sales tax except under certain conditions defined in regulations. If sales tax is paid by the LEA (LEA employees or volunteers utilizing LEA funds at the point of sale) as allowed by law, the LEA may seek reimbursement of sales tax consistent with law and procedures of the Utah State Tax Commission.

Ethics

All members of the Board of Directors, employees and approved volunteers shall comply with UCA 67-16. Utah Public Officers' and Employees' Ethics Act.

Deposits

Check Deposits

The Business Administrator ensures the following is done:

- Secures all checks in a safe locked location
- Utilizing the Cash-Check-Credit Card Daily Consolidation Form, two (2) authorized persons together count all checks received, agree to the categorical and final amounts, record the amounts on the form, then sign/date the form
- Enters the check deposit amount into the financial system
- Verifies deposit amount and prints Bank Deposit Summary
- Makes deposit at bank location, ensuring proper chain of custody
- Attaches the check Transaction Receipt to the Bank Deposit Summary and files them

Cash Deposits

JHCS is a cashless entity. Verified cash collection systems may be utilized to mitigate the possibility of cash being collected by the LEA (i.e. Square, Zeffy, Secure Instant Payments, Venmo, etc.). In the event cash is received on campus, the business administrator ensures the following is done:

- Secures all cash and coin in a safe locked location
- Utilizing the Cash-Check-Credit Card Daily Consolidation Form, two (2) authorized persons together count all cash received, agree to the categorical and final amounts, record the amounts on the form, then sign/date the form
- Enters the cash deposit amount into the financial system
- Verifies deposit amount and prints Bank Deposit Summary
- Makes deposit at bank, ensuring proper chain of custody
- Attaches the cash Transaction Receipt to the Bank Deposit Summary and files them in the workflow system

Check Deposit and Cash Deposit processes may be combined when appropriate to consolidate deposit forms.

All bank statements shall be reconciled upon receipt and filed with the Bank Reconciliation report generated by the financial system. Bank statements shall be retrieved directly from online bank account(s) sources. Reconciliation forms and bank statements shall be approved by authorized individuals, and filed.

Check draft is signed by two (2) authorized individuals. In lieu of the check draft being signed by (2) authorized individuals, the check draft may be signature stamped by the Business Administrator only after (2) two authorized individuals have approved an invoice or purchase order in the workflow system.

The business administrator shall not sign checks.

The business administrator may inquire about all JHCS accounts.

Electronic Transfers (Deposits)

All directly deposited electronic transfers to JHCS accounts shall be verified by two (2) authorized individuals, this includes internal transfers between JHCS checking and savings accounts, as well as JHCS associated accounts (i.e. CORE/SIP, SQUARE, PayPal, PayPal Giving Fund, Zeffy, etc.)

Classroom or Hall Funds

The Board annually approves school funding through the statutorily required budgeting process.

Monies appropriated by the Utah State Legislature are distributed by the USBE to JHCS. The Board, through the budgeting process, distributes federal, state, and local funds to school programs, halls, and classrooms.

Grants or donations awarded to a particular classroom or hall, are accounted for by the business office. Approved classroom or hall expenditures are deducted from grant or donation monies.

Teachers shall not spend more than is available in their classroom fund, unless first approved by the executive director.

Postage

Postage stamps and other postage related services are to be utilized only by authorized persons associated with the LEA and its operations. JHCS's not-for-profit (NFP) postal permit shall only be used to promote the LEA, and requires the authorization of use by the LEA's

Executive Director, or Board chair. Use of the NFP requires the permit “John Hancock Charter School Foundation” moniker, and permit number.

Political Contributions

No funds or assets of the LEA may be used by or contributed to any political party, political organization, or to any individual who either holds public office or is a candidate for public office.

Employee Travel

The Executive Director shall establish and maintain procedures for all travel and student transportation activities. Employees or volunteers (travelers) must follow the law, LEA policies, and established procedures when operating a motor vehicle on LEA-related business. Travelers who travel for the LEA typically travel using their own personal motor vehicle or a LEA-rented vehicle. Travelers using their own personal vehicle for LEA-related travel may be reimbursed at the current federal standard mileage rate (per mile, at time of travel). In addition, parking fees and tolls paid are reimbursable if properly supported. Moving violations or parking violations may not be paid using LEA funds.

Travelers who travel may receive reimbursement for meals they purchase and document during approved travel that is more than 100 miles from the LEA's primary facility. Travelers will be reimbursed for actual expenses, including tax and gratuity, for the reasonable cost of meals or a per diem as outlined in administrative procedures.

Employee Travel Out of State

Employees and other Travelers who travel out of state (or on overnight travel within the state) will do so with itineraries approved by or booked through the Administration, except as otherwise approved. Employees may not use public funds to pay for (or submit for reimbursement) personal expenses while traveling for the LEA. In addition, parking fees and tolls paid are reimbursable if properly supported.

Travelers who travel may receive reimbursement for meals they purchase and document during approved travel that is more than 100 miles from the LEA's primary facility. Travelers will be reimbursed for actual expenses, including tax and gratuity, for the reasonable cost of meals or a per diem as outlined in administrative procedures.

Payroll and Employee Financial/Health Information

All salaries, hourly wages and benefits are approved annually by the Board.

Retirement plan benefits are approved annually by the Board. Plan payments are made consistent with law and plan requirements.

Employees' human resource file contain the following information necessary for the accuracy of financial compliance and reporting:

- W-4
- I-9
- Direct Deposit
- Information obtained for insurance purposes
- Other deductions and appropriate forms

Payroll information is entered into the approved payroll/financial system.

Part-time Employee Compensation and Payroll

Part-time employees' payroll schedule is outlined in their individual COMPENSATION AGREEMENT.

All employees required to use the timesheet program to track hours and activities shall record timely and accurately the data required for staff to generate payroll no later than the end of the period.

All employee hours are approved by the human resources director prior to the generation of payroll.

The Board, at its discretion, may authorize the use of a monthly COMPENSATION AGREEMENT with part-time employees.

Three-quarter & Full-time Employee Compensation and Payroll

Full-time and Three-quarter time employees' payroll schedule is outlined in their individual COMPENSATION AGREEMENT.

Payroll Checks (Hard Copy)

Hard copy payroll checks are provided only in the case of a direct deposit error.

Contracts

All contracts shall be reviewed and approved by the Board of Directors unless otherwise delegated to the Executive Director. The LEA shall engage in arm's length contracts, and any related party contracts must be properly disclosed in writing prior to consideration by the Board of Directors. All contracts shall:

- Comply with UAC R277-113 and UCA63G-6a, Utah Procurement Code

- Not exceed five (5) years, unless the Procurement Officer determines (in writing) that a longer period is necessary in order to procure the item, customary for industry standards, or is in the best interest of the LEA
- Include specific scope of work and pricing language
- Include language for any state or federal requirements
- Include language regarding data privacy and use if applicable
- Follow procurement code bidding requirements
- Have a legal or business review prior to LEA approval per UAC R277-113

The LEA shall follow sound procedures and maintain documentation in the event the LEA enters into exclusive contracts or arrangements, or enters into “sole source” procurements.

Reports

All federal, state and USBE required reports shall be executed in a timely manner.

Measurability of Revenues

The LEA recognizes funds as measurable and recorded in the accounting records if the revenues are collected within ninety (90) days by year end. A receivable may be recorded on the books if it is anticipated that the funds will be received within this timeline. In the event that the funds are not received, an adjustment will be entered on the books before issuing the audited financial statements.

Taxes and Reports

Employee payroll taxes are due within one day of payroll. As per IRS rules, 941s are filed quarterly. Utah withholding taxes are due within the month following the payroll month. Yearly reconciliation is due by the end of January of the next year. The Department of Workforce Services Report and Utah unemployment money is due quarterly. W-2s are distributed by the end of January for the preceding year. 1099s are distributed by the end of February for the preceding year. The 990 is completed by an accounting firm and filed in a timely manner.

Financial information is made available to persons inquiring with a GRAMA request, consistent with state and federal law.

The Board has unlimited access to all financial records.

Vendors bills are paid upon receipt of invoice unless otherwise agreed.

Packing slips are archived for future reference by auditors, as required.

Systems Passwords

Passwords should be established on the accounting system computers and changed periodically.

Fundraising & Donations

Fees and fundraising shall be allowed under strict compliance with state statute and administrative rule [UCA 53G-7-5](#), Student Fees; [UAC R277-407](#), School Fees; [UCA 53G-7-503](#), Fees-Prohibitions-Voluntary Supplies-Enforcement-Penalties & [UCA 53G-7-504](#), Waiver of Fees-Appeal Decision; and [UAC R277-408](#), School Fundraising.

Fundraising is permitted within the LEA to allow the school to raise additional funds to supplement school-sponsored academic and co-curricular programs.

“School Sponsored,” as applied to this section, means activities, fundraising events, clubs, camps, clinics, programs, sports, etc., or events, or activities that are authorized by the school, school board, administration, or board committees, including the parent organization or authorized curricular school clubs, activities, sports, classes or programs that also satisfy one or more of the following criteria. The activity:

1. Is managed or supervised by school administration, staff or authorized volunteers.
2. Uses the school’s facilities, equipment, or other school resources
3. Is supported or subsidized, or than inconsequently, by public funds, including the school’s activity funds or minimum school program dollars.

All monies raised through fundraisers for school-sponsored activities are considered public funds. All funds shall follow the Cash Receipt section of this policy and other applicable school policies and state laws and rules. This includes all donations to the school, regardless of whether such donations are part of any fundraising activity or event.

Properly approved school-sponsored activities may:

1. Use the school’s name, facilities, and equipment.
2. Utilize school employees and other resources to supervise, promote, and otherwise staff the activity or fundraiser.
3. Be insured under the school’s liability insurance policy.
4. Provide additional compensation or stipends for school employees with the approval of the director or immediate supervisor and under school payroll policies and consistent with the school’s budget School-sponsored activities must comply with all fee approval and fee waiver provisions established in Utah statute and Utah State Board of Education Administrative Rules and school policies.

Donations, Gifts and Sponsorships

The school may accept donated products that carry the donor company's name, trademark, logo, or limited advertising on the product (e.g. cups, T-Shirts, hats, etc.). These items shall be valued at fair market value at the time of the contribution. If advertising or other services are offered in exchange for the donation or gift, this may alter the contribution amount.

Monetary Donations

Monetary donations are welcomed and may be accepted from private individuals, companies, organizations, clubs, foundations, and other appropriate entities.

Monetary donations may be used to fund or enhance programs, facilities, equipment, supplies, services, etc.

Donor and Business Partner Recognition

Donor and business partner recognitions may be placed on equipment, furniture, and other donated gifts that are not considered capital or fixed assets. Non-permanent recognitions may be placed on the school's buildings or structures with written approval from the director. The board may grant approval for the naming of buildings, structures, rooms or other facilities.

The director may authorize banners, flyers, posters, signs or other notices recognizing a donor or school business partner.

Equipment, Supplies, or Goods

The school may accept donated equipment, supplies or goods for use in the school or school programs. These items shall be valued at the fair market value at the time of the contribution. If advertising or other services are offered in exchange for the donation or gift, this may alter the valuation amount.

Record Retention and Disposal

The LEA shall have an Appointed Records Officer (ARO) as required by the Utah State Board of Education (USBE) who will ensure the proper management and security of all the LEA's records, including student and financial records. The ARO will oversee the handling, retention, dissemination, and destruction of records in compliance with state and federal laws. The ARO will be certified annually.

Records may be retained in electronic format as allowed for State and Federal.

By this policy, the Board delegates to the Administration the responsibility for establishing criteria for maintaining, classifying, preserving, accessing, and destroying the LEA's financial records in compliance with state law. The Board further authorizes the Executive Director to be the general ARO, or whomever is designated for the LEA and the Business

Administrator to be Records Officer for all records and documents related to fiscal matters such as property, budgets, payroll, accounts, contracts, etc.

Records must be maintained for the minimum period according to state law and guidelines established by the Utah State Archives and Records. As the LEA exhausts storage space in the LEA building, the ARO may establish an account and transfer LEA records to the Utah State Archives and Records.

The following records supporting federal contracts, as required by U.S. Office of Management and Budget, are retained for the indicated minimum periods, or consistent with state law, for three years after submission of the final report of expenditures:

- General ledger;
- Trial balance;
- Accounts payable and accounts receivable ledger;
- Payroll register;
- Check register and checks; and,
- Invoices.

If any litigation, claim, or audit is started before the expiration of the three-year period, records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken. Records for real property and equipment acquired with Federal funds shall be retained for three years after final disposition.

Student Records

All student records are stored as required in a secured location.

All students registered with JHCS must complete the Registration Packet, which includes the following forms (these are found in each student's file):

- Student Information
- Parent/Guardian Information
- Medical Information & Emergency Information
- Student Health Information
- Special Programs Information
- Acknowledgement of Special Notices
- Annual Acceptance of Policy
- Field Trip Permission
- Fee Policy & Fee Waiver Policy
- Fee Waiver Application
- Declaration of Household Income
- Fee Schedule and Receipt of Payment (7th and 8th Grade ONLY)

- Utah Charter Network (UCN) and Utah Association of Public Charter Schools (UAPCS) Mailing List Approval

John Hancock Charter School Current Year Calendar Parents must also provide the following at registration (these are found in each student's file):

- A copy of the student's original birth certificate, or passport
- A copy of the student's Social Security card (voluntary)
- Proof of Immunizations or an exemption form If a student is transferring from another school, the Transfer of Records form must be filled out
- All student test scores, report cards, current immunization records, and special honors are also filed in their cumulative file. All student data is entered into the SIS system
- A SSID number is also obtained from the SSID system using the proper USBE outlined procedures
- An existent Individual Education Plan (IEP), and/or a 504 Plan

When a student voluntarily leaves JHCS, the appropriate JHCS administrator does the following:

- Copies the student's cumulative file
- Upon request, mails the original documents to the new school
- Files the copies of the student's documents alphabetically in the appropriate file

When an eighth-grade student graduates from JHCS, the appropriate administrator does the following:

- Copies the student's cumulative file
- Upon request, mails the original documents to the new school. If there is no request, the appropriate administrator contacts the parent or likely school to determine where the student is enrolled.
- Files the copies of the student's documents alphabetically and chronologically in the graduate's file.

A student's cumulative file is available to his or her teachers, parents, special education team, school administrators, and school nurse. A log is kept of all inquiries.

All clearinghouse reports are filed as per USBE requirements.

Discretionary Right to Amend

The Board of Directors reserves the right at its sole discretion to amend or change this policy and its procedures or directives at any time.

Date of First Reading:10/30/2024

Date of Second Reading: 11/13/2024

Date of Passage:11/13/2024