



Fenton Charter Public Schools

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**GENERAL ACCOUNTING POLICIES AND
PROCEDURES MANUAL**

LEGAL STRUCTURE

Fenton Charter Public Schools (FCPS) is a California Corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. FCPS operates five charter schools in four locations in Los Angeles, California, sponsored by Los Angeles Unified School District.

Charter Name	Charter Number	Location	Start Date of Charter (new or renewal)	Expiration Date of Charter
Fenton Avenue Charter School (FACS)	30	Lake View Terrace	7/1/2017	6/30/2022
Fenton Primary Center (FPC)	911	Pacoima	7/1/2017	6/30/2022
Santa Monica Blvd. Community Charter (SMBCCS)	446	Los Angeles	7/1/2017	6/30/2022
Fenton Charter Leadership Academy (FCLA)	1613	Sun Valley	7/1/2013	6/30/2019
Fenton STEM Academy (STEM)	1605	Sun Valley	7/1/2013	6/30/2019

FCMAT GUIDANCE

The Governing Board of the Fenton Charter Public Schools adopts, on an ongoing basis, the most recent Fiscal Crisis and Management Assistance Team (FCMAT) *California Charter School Accounting and Best Practices Manual* to supplement the FCPS General Accounting Policies and Procedures Manual. In the event of any conflict between the most recent FCMAT Charter School Accounting and Best Practices Manual and the Fenton Charter Public School's accounting policies and procedures, the Fenton Charter Public School's policies and procedures will prevail.

METHOD OF ACCOUNTING

The school maintains its records using the accrual method of accounting. Revenues are recognized when received and accrued at the end of the year and expenses are recognized when incurred throughout the year.

ACCOUNTING SYSTEM

Effective 7/1/14, FCPS uses NetSuite (aka ESP) for maintaining its general ledger activities and has contracted with EdTec, a third-party back-office service provider, to ensure accurate and timely processing of accounting transactions, budgets, cash flow projections, and financial reporting and compliance. FCPS follows the Standardized Account Code Structure (SACS) and utilizes Resources to track restricted activities.

CASH ACCOUNTS

FCPS obtains board approval before opening or closing any bank or investment accounts.

FCPS currently maintains the following cash/bank accounts:

- Los Angeles County Treasury (FACS, FPC, SMBCCS, FCLA, STEM)
- FCPS Main Checking Account – East West Bank (7895)
- SMBCCS CD – East West Bank (8961)
- SMBCCS old Main Account – East West Bank (1922)
- Petty Cash (\$500 per school as necessary)

All bank accounts are reconciled on a monthly basis by EdTec and all accounting records are kept in a secured location.

Investments

At the June 30, 2015 Regular Meeting of the FCPS Board of Directors, the Board unanimously approved the establishment of the FCPS Public School Employee Retirement Healthcare Benefits Trust. This action was taken to address the liability created by Other Post-Employment Benefits (OPEB) as noted in the organization's yearly GASB 45 Valuation Report for Post Retirement Benefits Other than Pensions for the Fenton Charter Public Schools.

On February 25, 2016, the Board approved the first transfer of funds into the trust (\$1,874,365) and then into an investment account.

On March 28, 2016, funds were moved to Cetera Investment Services LLC. Transfers of funds to the trust, and then to the investment account, are scheduled quarterly as cash flow and budget projections allow.

The goal of the trust, and the investment account, is to fully fund the OPEB liability for the future retirees of the Fenton schools.

AUTHORIZED CHECK SIGNERS

The following parties are authorized to sign checks for FCPS:

Executive Director
Designated Service Provider/CFO/Agent

Chief Academic Officer

There is no dual signature requirement but authorization limits and approvals must be followed. Authorization limits apply to specific individuals for purchases (see following sections for details).

Reimbursements to any members with check signing ability must be approved by an authorized individual other than the person being reimbursed.

CASH RECEIPTS AND DEPOSITS

Cash receipts are processed by the school as follows:

1. Direct transfers into the County Treasury by LACOE, LAUSD and CDE
 - Monthly LAUSD revenue payments
 - Monthly CDE Apportionment payments
 - State & Federal program income

- Interest income earned in the pooled fund (i.e. County Treasury)
2. Checks delivered to the school are deposited into the Main EWB account
- E-rate payments
 - Mandated cost payments
 - Monthly Nutrition revenues
 - SB740 revenues
 - Food sales
 - Any other checks received directly by business office

When checks are received directly by the school, they are delivered to the Executive Director who reviews and delivers to the Business Manager for processing. The Business Manager then makes a copy of the checks and delivers the deposits to the bank (usually no less frequently than once a week). When the deposit has been completed, the Business Manager completes a Cash Receipts Form indicating the details of the deposit and coding. The Cash Receipts Form, deposit slip, check copies and all supporting documentation are scanned and emailed to the Client Manager at EdTec who ensures timely and accurate processing in the accounting system.

Cash Receipts, deposit slips, and supporting documentation, are filed in the business office.

Generally once a week, the cash deposits from food sales are counted, totaled and deposited by the cafeteria supervisor and a second staff member. When the deposit has been made, the cafeteria supervisor delivers the deposit slip to either the Business Manager or the administrative assistant. The Business Manager then follows the same procedures indicated above with regard to submitting the deposits for entry in the accounting system.

No other cash transactions flow through the School accounts. Any cash earned from fundraising activities is handled by the Fenton Foundation, a separate entity and is not included in the operations of the charter school.

A running accounts receivable balance is maintained during the year to monitor receipt of prior year accruals. However, month-to-month accruals are generally not made for revenue until the end of the year when earned revenues are known.

PURCHASES AND CASH DISBURSEMENTS

Ordering Procedures/Inventory control

Orders for all materials, equipment and services for the school are generally approved by the Director in writing via signature on a Purchase Order or invoice. The following approval table has been copied from the FCPS Procurement and Purchasing Procedures Policy dated 10/2/14:

Dollar Threshold	Approvals
\$1 to \$10,000	Approving official: Director of School, IT Manager, or Facilities Manager
\$10,001 to \$25,000	Approving official: Executive Director
\$25,001 and above	Approving official: FCPS Board of Directors

Please refer to the Policy for more details.

In all of the above cases, the Executive Director and/or Directors will have final authorization by signing the Purchase Order or invoices prior to payment.

Procedurally, the initiating source (Business Manager, facilities management, cafeteria management, technology personnel) places an order. When an order arrives, the initiating source completes an inventory, signs the packing slip (if applicable), and delivers all documentation to the business office or informs the business office of delivery if no packing slip has been received.

The Director or assistant Director utilizes School Purchase Orders (SPO) for purchases and enters his/her purchase order info in an SPO log located in the business office. When orders are received, he/she signs off and indicates date of receipt and amount of purchase. This is referenced when invoices are received for payment that fall within these categories. In this case, the packing slips will likely not be attached to the invoices.

Orders for supplies and materials from the sponsoring district are generated by the supply room aide or office assistant on an "LAUSD Requisition" form and must be signed by the Director or assistant Director prior to placement of the order. When the complete order has been received, the supply room aide or office assistant checks the order against the packing slip and delivers the packing slip to the business office. The packing slip is later matched to the invoice and the Business Manager or Director monitors LAUSD charges to ensure that proper payment is taken by LAUSD (usually a 2-3 month lag between receipt of orders and charge to school by LAUSD). LAUSD charges are paid via a reduction of the monthly revenue received from LAUSD.

Procedures for receiving/approving invoices for payment

Invoices are received in the business office. Every week, the following occurs:

1. The Administrative Assistant matches all invoices to packing slips and/or purchase orders.
2. All invoices are reviewed for accuracy and stamped with an OK to Pay Stamp. In some cases the School Directors may sign an invoice before it arrives at the business office indicating their approval of the purchase.
3. The Administrative Assistant codes the expenses on the stamp using the Board Approved Budget as the guide and submits the invoices to the Business Manager who reviews coding. Once coding is confirmed, the package is delivered to the Executive Director for approval prior to further processing. The Executive Director reviews each invoice and signs as approval and returns the AP batch to the Administrative Assistant for processing.
4. The Administrative Assistant enters all bills in the accounting system and prints checks.

Processing payment

1. Once the checks are printed, they are reviewed for accuracy, matched up with their invoices and submitted to the Executive Director for final review and signature.
2. Once signed, the checks and supporting documentation are returned to the Administrative Assistant who assembles and mails checks.
3. After the bank accounts are reconciled each month, the EdTec client manager generates a Check Register for that month and reviews it for reasonableness. The Check Register is a standard report included in the monthly financial package that is distributed to the Board each month.

Classification of expenditures

All expenditures must contain Object code, Location Code and Resource Code. Object classifications will be aligned with the budget and applied consistently. The Business Manager is responsible for reviewing the appropriate object and resource classifications, which are again reviewed by the Director during the approval process.

Organization of records

Checks and supporting documentation are filed alphabetically by vendor in the business office.

PETTY CASH

Petty cash in the amount of \$500 is maintained by each school and kept in a locked safe in the office.

All petty cash disbursements are made utilizing the "Petty Cash Reconciliation" form. The forms should be accompanied by appropriate receipts and/or invoices. The forms are approved with account classifications noted by either a Director, assistant Director or the Business Manager. The office manager at each school is responsible for accurate and timely reporting of petty cash to the business office.

The completed forms are kept with the petty cash until replenished, at which point they are attached as backup for the check.

The petty cash fund is replenished as needed via check, and corresponding expense classifications are recorded based on the receipts for the amounts being replenished.

The petty cash is reconciled by the Business Manager and/or EdTec Client Manager at least once annually.

CREDIT CARD TRANSACTIONS

General

FCPS has several credit cards that are used for school purchases when necessary. The Executive Director is authorized to make purchases on the designated credit card and the following staff members are authorized to make purchases on the other credit cards including Home Depot, Office Depot, Staples and Elan cards: Executive Director, Chief Academic Officer, Directors, Facilities Manager, and IT Manager. The monthly spending limit on all cards is \$5,000 for Directors and \$10,000 for the Facilities and IT Managers, Chief Academic Officer, and Executive Director. Only the Executive Director is authorized to make purchases on an AMEX card.

Credit cards may only be used for the purchase of items directly related to the instructional program or the repair or upgrading of equipment as necessary to ensure the safety and security of each site.

The charter school governing board has established policies and procedures regarding the issuance and use of credit cards. Debit cards will not be utilized by FCPS. The ability to use credit cards is a convenience that will be extremely limited and carefully controlled and monitored. Using a credit card is the same as handling cash and will be subject to the same precautions and requirements.

Issuing Credit Cards

Corporate or charter school credit cards will be issued only to personnel who have a legitimate need to purchase goods and services, either in person or online, when a purchase order cannot be approved in time or when a vendor will not accept a purchase order. Credit cards will not be used to bypass

established purchasing procedures, including advanced approval processes, and the use will be minimal and infrequent.

Every staff member who is authorized to use a credit card will be required to sign a credit card use certification statement annually, acknowledging that the card shall be used exclusively for legitimate charter school-related business purposes and that the cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and the organization.

The credit card use certification statement form is provided on the following page.

Credit Card Use Certification

Certification of Receipt of the Fenton Charter Public Schools Policy and Procedures on the Use of Credit Cards

I, _____ (Print name of employee) _____ (position)

hereby certify that I have received and understand the charter school's credit card policy and procedures, and I will comply with those procedures. Failure to comply with the procedures may subject me to disciplinary action, up to and including termination of employment, as outlined in the Fenton Charter Public Schools Employee Handbook and General Accounting Policies and Procedures Manual.

Signature of employee Date

Chief Executive Officer Date

Cardholder Responsibilities

To be issued a card, an individual must be a full-time, permanent employee of the charter school and agree to all terms and conditions established by the charter school. Cardholders will be personally liable for all inappropriate charges and personally responsible for settling any dispute over any purchase from a vendor.

Credit cards should be used only when a supplier does not accept a purchase order; whenever possible, cardholders should plan activities and submit travel and purchase order requests early enough to use the regular purchasing system rather than a card.

The charter school has established and all cardholders will adhere to the following rules and conditions:

- When using a credit card for internet purchases, cardholders should ensure that the website uses secure socket layer encryption (such websites' addresses will start with https:).
- Purchases shall not exceed \$750 in total unless the Executive Director has expressly approved a higher amount in writing or higher purchasing levels are determined necessary and are established when the card is issued.
- Credit cards shall not be used for personal expenses, gift cards, or meals,.
- All credit cards must be requested by the Business Office and approved for use by the Executive Director.
- Cardholders shall not make personal use of a credit card, assign to someone else the use of a credit card, or pay for another employee's or person's expenses with the credit card, without express permission from the Executive Director.

Credit Card Reconciliation Process

Every month, each cardholder will be provided with a statement detailing the expenditures charged to their charter school credit card and a Credit Card Coversheet. The cardholders will complete the Credit Card Coversheet, including further explanation for each purchase and account coding (account, resource, location) and will submit along with all receipts for purchases of goods and services to the accounting department by the close of the last business day of the first week of the month following the month in which the credit card statement was issued. For example, if the credit card statement date is March 18, the required documentation must be submitted to the accounting department no later than the last business day of the first week in April.

All original, detailed receipts must be attached to the credit card's monthly statement.

All documents should be initialed by the cardholder.

If a receipt is missing, payment will be the responsibility of the cardholder, unless the Executive Director determines otherwise.

If the accounting department identifies any inadvertent personal charges or unauthorized uses of the card, the card statement and all backup documentation will be forwarded to the Executive Director for review.

The Executive Director will discuss with the cardholder any charges of concern, and the cardholder will be required to reimburse the charter school immediately for any inadvertent personal charges or unauthorized charges. Reimbursement will be in the form of a personal check or money order, not cash, from the cardholder.

The Executive Director will determine whether to revoke the cardholder's credit card privileges and whether any disciplinary actions will be taken. The Executive Director's credit card privileges may be revoked by the governing board.

Purchases made using a credit card are subject to the same criteria and requirements as all other purchases.

Review and approval procedures are as follows:

- The credit cardholder will review the card statement to ensure it includes only their own approved charges.
- The accounting department will review all charges on the card statement against all purchase documents the cardholder submits.
- Any charges not made by the cardholder will be identified and discussed with the accounting department staff and forwarded to the Executive Director.
- The Executive Director will review and approve or disapprove principals' and other approved users' credit card use, and the chairperson of the governing board will review and approve or disapprove the Executive Director's credit card use.
- The Executive Director will review charges and supporting documentation for the monthly statement before approving any payment.
- All cardholders are to report the loss or theft of their charter school credit card immediately to the credit card company and the Executive Director, even if the loss or theft occurs on a weekend or holiday. If a credit card is stolen, the cardholder is to file a police report, and a copy of the report is to be maintained for insurance purposes.

Employees' Personal Credit Cards

An employee may use his/her personal credit card for legitimate charter school business-related purchases and submit a request for reimbursement, but only with prior approval for the purchase, not to bypass established purchasing procedures, including advanced authorization requirements.

TRAVEL EXPENSE REIMBURSEMENT POLICY

In general, employees will be reimbursed for any actual expenses incurred – up to the limit of the prevailing Federal Per Diem rate – while on school-related travel. These expenses must be submitted on a Travel Reimbursement Request Form and require approval by the Director. If the Director is requesting reimbursement, the Executive Director must approve the form. Any expenses greater than the per diem rate must be approved by the Executive Director.

Mileage is also reimbursable for necessary business travel that takes an employee further from their home than their usual commute to work or that requires an employee to travel to an additional location beyond their normal work location. Mileage will be reimbursed at the prevailing Federal mileage reimbursement rate (currently 54 cents per mile as of 1/1/16).

Overnight hotel stays are only approved in cases where an employee is attending a conference or event that is outside of the greater Los Angeles area. Any overnight travel must be approved in advance by the Director, Executive Director or Board of Directors.

Advances for travel will generally not be provided prior to travel.

Reimbursement requests must be submitted within 60 days of travel for payment to be honored. Any reimbursement requests that are not submitted in a timely manner may not be paid. If travel occurs in June, reimbursement requests must be received no later than July 31st in order to be included in the proper fiscal year.

PERSONNEL AND PAYROLL

A personnel file is maintained for each employee by the HR Department and will be kept in a locked file cabinet or other secure location in the FCPS business office.

Payroll is processed by the business office for FCPS via LACOE's HRS system. Payroll registers and all other required reports are maintained by the business office.

Pay dates are as follows:

<u>Pay Date</u>	=	<u>Pay Period Covered</u>
5 th	=	16 th -31 st of previous month – Salary Staff
20 th	=	1 st – 15 th of current month – Salary Staff
10 th	=	16 th -31 st of pervious month – hourly staff
25 th	=	1 st – 15 th of current month - hourly staff

Salaried employees, including teachers, are paid on a 12-month cycle. All staff are paid July – June of each year. Hourly employees are paid based on hours worked. Hourly staff login into a computerized timekeeping system at the beginning and end of each work period and during breaks. At the end of each pay period, the Office Managers for each location run time reports for hourly staff and review for accuracy. Time is reviewed by each school's Director and is submitted to the business office for processing. Any changes to salaried personnel are also communicated to the business office at the end of each pay period or as needed.

Salaried staff also maintain manual time cards to track days worked or time off.

The designated payroll staff review information received from office managers and enter all time and changes into the HRS system and process payroll. There are at least 2 staff working on payroll and they review each other's reports before final processing occurs.

Hiring

All new hires are approved by the Human Resource and Personnel Council (for FACS) or Personnel Committee (for FPC, SMBCCS, FCLA and STEM), which is made up of teachers and staff, with final approval by the Board of Directors. All new hire information is given to the Business Manager and Assistant Business Managers who then set up a personnel file and schedule new employees for fingerprinting and background checks. The business office payroll reps also make sure employees complete Form W-4 and provide proper documentation to complete Form I-9.

The HRS system is designed for schools and has built-in functions to verify proper calculations of STRS/PERS withholding as well as all tax calculations, etc.

Once all payroll has been input into HRS, a "Time Report" is generated. The person who did not input the time reviews the time report, informs the input person of any errors or changes, and signs off on the

report. Once the Time Report has been reviewed, the administrative assistant electronically sends payroll information to HRS/LACOE for processing.

Payroll checks get distributed to the employees in individually sealed envelopes and are available after 8am on payroll dates. In the event a payday falls on a weekend or holiday, employees get paid on the preceding workday.

Posting payroll to the general ledger

Each time a payroll is processed, the HRS payroll system automatically records all activity in the PeopleSoft general ledger. Payroll transactions are indicated by a source code of "HRS" in the general ledger and have a 3-character code (all schools have the same payroll number for the period, and the number is the same for a given pay period from year to year. For example, payroll dated 3/10/14 for salaried employees is "E4P", the payroll for 3/10/14 will be the same number next year). Supplemental/Adjustment payrolls are indicated by 3 numbers rather than letters and numbers. An example of a supplemental payroll would be "018".

For each employee, the general ledger account strings are input in the HRS system for the proper expense accounts, and they get "mapped" to the general ledger. If an employee is processed through payroll and has an invalid account string, it will post to error accounts "1999, 2999, 3999" in PeopleSoft. When this happens, the Business Manager determines the source of the error by reviewing the payroll reports, and they fix the account string in the HRS system for the employee(s) affected. A journal entry is then prepared to re-class the error postings to the proper expense accounts.

At the end of each month, EdTec pulls a General Ledger Transaction Detail Report (LAGL111C) from an online portal and uploads all PeopleSoft transactions to the FCPS accounting system via Journal entry.

Monthly review

As part of the review process at the end of each month, financial reports are prepared which compare budget to actual for each payroll expense account. The EdTec client manager reviews each line item and, together with the Business Manager and Directors, investigates all material differences.

Note – this is a self-checking system. It would be cost/time prohibitive for the Director to review the time cards each pay period. Any material overstatements of payroll would likely be caught during the month-end review process, and any understatements of payroll would likely be caught by the employee.

Payroll Reports

The following reports are generated by the County and provided to FCPS:

PP4400	Shows details of payroll recorded by employee, including gross to net, all withholdings, etc. - does not show grand totals for the period. Hourly employees (HXX on county payroll reports) Salaried employees (EXX on county payroll reports)
PP6600	Shows totals by pay period, totaled by fund and g/l account, also taxable earnings and employer expense for SUI, etc. by employee
PP4900	(Payr121) – details all deductions taken from employees' pay, subtotaled by third party (i.e. TSA, Health package, credit union, life insurance, etc)

Payroll Taxes

Payroll taxes are paid via the HRS system and automatically recorded in the general ledger at the time of payment.

The payroll tax liabilities are verified at the end of each month as part of the month-end close process. Any errors in tax deposits (very rare) are noted and included in the next payroll tax deposit. State unemployment tax accumulates and is paid at the end of each quarter.

Payroll Tax Returns

At the end of each quarter, the Business Manager prepares Federal Form 941 and State Forms DE-9 and DE-9423 from the quarterly summary reports provided by HRS. The Director reviews the returns and signs them. State Forms DE-9c are prepared by LACOE and are filed directly with EDD via magnetic media.

FCPS has 3 state ID numbers because they are members of the School Employer's Fund (SEF) for unemployment insurance. Therefore, there are 3 Forms DE-9 submitted each quarter. The 3 ID numbers are:

1. PIT account – begins with an “8”
2. SDI account – begins with a “7”
3. SUI account – begins with a “9”

This numbering applies to all schools in the SEF

Credentialed employees

Credential expiration dates are maintained by the Directors and/or Assistant Directors and reviewed at least monthly for all applicable employees by the Assistant Business Managers. The Directors and Assistant Business Managers review a report of approaching expirations generated by the HRS system and notifies those employees to ensure that renewals are processed timely.

Independent contractors

The Business Manager and Administrative Assistant understand the rules regarding independent contractors, and it is FCPS's practice to obtain a completed Form W9 for all service contracts in excess of \$600 in any calendar year prior to releasing payment to the vendor.

FCPS contracts with several people for various services including accounting, custodial assistance, gardening, visiting artists, etc. If the cost of services is expected to exceed \$600 in any calendar year and the independent contractor is not known to be a corporation, the Business Manager will request a completed Form W-9 before issuing the first payment. This information will then be used to complete Form CA DE 542 – Report of Independent Contractors.

At the end of each calendar year, 1099s are prepared by the Business Manager or EdTec for all eligible independent contractors.

For further details regarding personnel policies and procedures, please refer to the personnel handbook.

CONTRACTS AND AGREEMENTS

Agreements entered into by FCPS which obligate FCPS to more than \$10,000 must be approved by the Board of Directors. All other authorization rules of purchases apply to contracts. *Please refer to FCPS Procurement Policy for more details.*

CAPITAL ASSETS

Assets purchased or acquired with an original individual cost of \$5,000 or more and a useful life exceeding one year are capitalized and reported at historical cost or estimated historical cost. This includes new or replacement items such as computers, furniture, equipment, fixtures, etc. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the various estimated useful lives ranging from 3 to 39 years.

NON-CASH DONATIONS

Non-cash donations of equipment, books, or other supplies received by FCPS shall be recorded at their fair market value at the time of donation.

RECORD RETENTION POLICY

Fenton maintains a policy of retaining all accounting records for a minimum of 7 years. Accounting documents include:

- Cancelled checks (where applicable) and supporting documentation for all check requests
- Deposits
- Bank reconciliations and supporting documentation
- Journal entries
- Payroll registers and pay records, including quarterly and annual tax filings
- Capital additions schedules and supporting documentation
- Depreciation schedules
- Grants and other pertinent financial correspondence from third parties
- Year-end workpapers and audit correspondence
- IRS correspondence

CONFLICTS OF INTEREST

Please refer to the FCPS Conflict of Interest Code Bridge Policy for details.

FISCAL REVIEW AND BUDGET PROCESS

Fiscal Review Process

A Finance Committee consisting of the CFO, Executive Director, and at least one board member reviews financial reports each month. Monthly financial reports consist of:

- Financial Summary highlighting key financial indicators and variances and State Budget info
- Consolidated Balance Sheet
- Consolidated Budget vs. Actual – Year to Date - compares budget to actual activities and includes latest annual Forecast
- Check Register for the Month
- Review of cash balances and forecasted info as needed

Any material variances between budget and actual/forecasted amounts are reviewed and discussed with the Finance Committee and actions are proposed as needed to keep the school within budget overall.

Budget Process

The budget process begins in March-April of each year for the following year. During initial budget discussions, the current year forecast is reviewed in detail, and key assumptions are discussed and gathered.

The CFO works with the Executive Director, Board Chair and Directors to develop initial draft. The draft is then reviewed with the Finance Committee prior to being presented to the Board for approval. The preliminary budget is approved by the Board by June 30th of each year.

In the fall of each year, generally mid-October, forecast is reviewed and a revised budget may be drafted (when material assumptions have changed) with newest assumptions and latest enrollment info. The same process as above is followed and a revised budget may be approved, generally by November 30th.

In January, when the Governor's budget review is conducted, the budget is again reviewed and revisions are made only if budget changes are material.

MONTHLY, INTERIM AND YEAR-END FINANCIAL PROCEDURES

At the end of each month, the following procedures are completed by EdTec:

- Reconcile all bank and credit card accounts
- Reconcile all balance sheet accounts with activity or large balances
- Review all revenue and expense activities for accuracy
- Review revenues and expenses against current year budget and research large variances
- Prepare financial statements for distribution to the Finance Committee and Board

Financial statements will be prepared and presented to the Finance Committee and Board each month.

Interim reports are required by LAUSD three times a year. EdTec prepares these reports based on reviewed year-to-date financial reports. Interim reports are shared with the Board.

At the end of each fiscal year, all balance sheet accounts are reconciled. Accounts receivable is determined and accrued based on those revenues for the current year that have been apportioned but not received as of June 30th. EdTec communicates directly with the auditors on all financial matters affecting the audit.

An Audit Committee consisting of the CFO, Executive Director, and at least one board member participate in the annual independent audit conducted by a Certified Public Accounting firm selected through an RFP process and approved by the Board of Directors. The annual audit report is presented to the Board of Directors for review, discussion and filing on or before December 15th of each year.