

Hālau Kū Māna

Painted Desert Demonstration Projects dba The STAR School's Fiscal/Financial Policies Introduction

Painted Desert Demonstration Projects dba The STAR School, as a public charter school, has the responsibility to ensure that the entire community has confidence and believes in the integrity of the school's activities. The following policies will provide Painted Desert Demonstration Projects dba The STAR Public Charter School with the necessary tools to properly protect its resources, put into practice the administration's internal policies, produce timely and accurate financial reports, and provide adherence with state and federal laws and regulations.

There are seven regularly accepted control principles, which Painted Desert Demonstration Projects dba The STAR School will use to ensure a correct internal system:

1. THE STAR SCHOOL shall establish fiscal/financial responsibilities within a given structure
2. THE STAR SCHOOL will maintain adequate records following accepted board guidelines.
3. The administration will insure all THE STAR SCHOOL assets.
4. There shall be a separation of recordkeeping from the custody of assets
5. The Governing Board shall divide responsibility for related transactions
6. If possible the administration will apply technological controls
7. Once a year the administration will perform an independent review

The internal control responsibility lies solely on the Governing Board who will, in consultation with the CEO of the School, ensure the adherence to all financial/fiscal policies and procedures. Good record keeping is vital to the proper functioning of the school. All THE STAR SCHOOL employees are subject to proper recordkeeping to protect school assets. In order for the administration to monitor the performance of the school, records must be easily accessible to the school board, the CEO of the School, the Governing Board, and all other properly appointed senior administrators.

Painted Desert Demonstration Projects dba The STAR School should take all appropriate actions to ensure that all assets are both insured and secured. THE STAR SCHOOL's employees who are responsible for certain assets should not keep accounting records for those assets. The school's Business Manager should keep all accounting records. Painted Desert Demonstration Projects dba The STAR School's division of responsibilities for related transactions between two and more individuals will ensure that the work of one acts as a check on the other. The separation of duties should not create duplication of work but a way to facilitate accountability and fiscal responsibility by creating a system of checks and balances. Moreover, internal controls should be facilitated by the use of technology such as an electronic inventory bar code system. Since no

internal control system is totally effective THE STAR SCHOOL will contract independent auditors who are CPAs to conduct audits once per year.

Painted Desert Demonstration Projects dba The STAR School will adhere to all laws and regulations that preside over its functions, both at the state and federal levels.

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Policies

Section 1.

Internal Control Policies

Painted Desert Demonstration Projects dba The STAR School uses internal control polices to protect assets, ensure reliable accounting, promote efficient operations, and urge adherence to board policies. This control system is an integral part of the decision making process used by the administration team of the school. Moreover, the intent of having internal control system is to lower the chances of loss from uncontrolled transactions and/or actions.

1.1 Adherence to State and Federal Laws and Regulations:

This Painted Desert Demonstration Projects dba The STAR School manual includes fiscal/financial policies and procedures for the school. Periodical revisions and amendments, in accordance with applicable and laws and regulations as approved by the school board, will be made as needed. The Governing Board at least once per year should review the manual and his/her recommendations for changes, amendments, and new policies should be submitted to the school board in a timely manner after the review. Painted Desert Demonstration Projects dba The STAR School follows all laws and regulation that govern Charter Schools within the State of Arizona. Moreover, the school adheres to all United States Federal laws and regulations as they pertain to grants, fundraising or any other relevant undertakings.

1.2 Financial Conflict of Interest Between THE STAR SCHOOL and Second or Third Parties

Painted Desert Demonstration Projects dba The STAR School should not have any financial conflict of interest between itself and any second or third parties. A conflict of interest is regarded, as one in which there is a questionable or illegal financial gain from transactions between the school and an official or unofficial entity or individual. The school should not engage in any dealings that will benefit any affiliated or unaffiliated organization or individual if they are based on perceived or evident conflict of interest. Conflicts of interest could exist, but not limited to, in regards to credit, furnishing of goods, services, the payment of unauthorized compensation, or the transfer of anything for the benefit of a second or third parties from and to Painted Desert Demonstration Projects dba The STAR School, and within certain contractual agreements. Where there might be a conflict of interest or the appearance of a conflict of interest regarding any issue of relevance to the STAR School Governing Board , the board member or board members who may have a conflict of interest will publicly say so in the Board meeting and will excuse himself or herself from deliberation and voting on that topic. By taking this action, the Governing Board can assure that there is not a conflict of interest in the governance of the school.

1.3 Record of All Transactions in accordance to GAAP

All transactions should be reflected with accuracy in a timely manner and must be ready for auditing after they have been properly recorded through a systematic and approved record keeping system. Painted Desert Demonstration Projects dba The STAR School 's Business

Manager shall ensure that all accounts, records, and transactions conform to generally accepted accounting principles (GAAP) as required by Arizona and Federal Laws.

1.4 Accountability and Relevant Record Keeping

All receipts and disbursements must be completely and accurately reflected in the books and records of the school. Also, no funds or accounts will be established or maintained for purposes that are not fully and accurately described within the books and records of the school. Moreover, no incorrect or false entries shall be made on any books or records nor any false or misleading reports issued or made public. Payments should only be made for actual work or services rendered or provided. No fictitious invoices, payments, disbursements may be made by any school official or staff member. All checks and deposits should be accounted for and properly assessed to their specific budget line items. In addition, all payments, deposits, disbursements, refunds, and etc., must be matched to a specific line item within the budget. If no specific line item exists at the time of any transaction one should be created following previously accepted budget revision standards.

1.5 School Board Authorities

In summary, Painted Desert Demonstration Projects dba The STAR School's board shall have the authority to approve the annual operating/capital budgets and any revisions of such. The Board has authority to accept or decline incurrence of debt, mortgages or other encumbrances and their covenants and restrictions, within the terms of the charter. Moreover, the board must operate and adhere to its own bylaws. Furthermore, the board has authority to guide and empower the CEO of the School to create investment policies, depository and investment bank activities, purchase or the sale of property, opening or closing checking or savings accounts, the selection of an auditor or a certified public accountant and any other activities associated with the operations of the school.

1.6 Cash Control

The basic guidelines to handle cash include the separation between the handling of cash from its bookkeeping. Cash receipts should be deposited within three days in the bank, and all cash disbursements must be made by pre-approved checks. In order to control cash disbursements THE STAR SCHOOL requires that all expenditures be made by check unless such expenditures are less than \$100.00 in which case petty cash can be used. All petty cash transactions require the submission of original invoices.

1.7 Purchase Orders, Invoices, Vouchers

Whenever possible THE STAR SCHOOL must use purchase orders for goods and services. Purchase orders must have 2 copies, with copy one going to the vendor as a purchase request, copy 2 is sent, along with a copy of the purchase requisition to the accountant where it is entered in the voucher and used in approving payment of the invoice. All internal copies must be filed. Invoices are itemized statements of goods given by the vendors and/or suppliers to THE STAR SCHOOL and must be kept together with the requisition and/or the purchase order. The administrative department must retain a copy with the original going to the Business Manager. Invoice approval or check authorization must be created to ensure that the voucher, purchase

requisition, purchase order, and invoice are in order and it is the sole responsibility of the Governing Board. In order to grant final approval the Governing Board should ensure that the following steps were followed:

1. Requisition check must be performed in which all items on the invoice are requested, as shown on purchase requisition.
2. Purchase Order Check must be performed in which all items on the invoice are ordered, as shown of the purchase order.
3. Invoice Check must be performed and the agreed price for the purchase is correct. Moreover, all calculations are checked and they have no mathematical errors. Finally all terms agreed by the vendor must also be double-checked.

THE STAR SCHOOL must also use a voucher to summarize the transaction. The voucher shows a transaction is certified as correct and it authorizes recording an obligation. The voucher also contains the approval for paying the obligation on an appropriate date. All invoices and other related documents must be placed inside the voucher folder. The complete voucher shall be kept at the accounting office and must be readily available to internal and external auditors. A final review of all vouchers must be made a month before the closing of the tax-year and shall be performed by the Business Manager. All voucher obligations should be approved for payment and recorded as liabilities within 3 days of their issuance. This practice must be applied to all transactions.

1.8 Petty Cash System of Control

Petty cash disbursements should not exceed \$100.00 and a total of no more than \$500.00 must be kept at the petty cash box within the control of the Governing Board. The Governing Board is the cash custodian and responsible for the allocations and expenditures of petty cash (no other individual has to access the petty cash box unless pre-approved by the Governing Board). The Governing Board should keep a petty cash report. The petty cash fund should be realigned once per month. A check for petty cash must be requested to replenish the fund by the Governing Board. Each petty cash transaction requires a signed petty cash receipt. All bills, invoices, receipts must be stapled to the petty cash receipt as soon as the person requesting the petty cash returns to the administrative office. The petty cash receipt must include the reason for the disbursement of petty cash, what accounting line item it is charged to, the date, amount, approval signature and who received the petty cash.

1.9 Bank Services (Bank Accounts, Deposits, Checks, Electronic Funds Transfer, Bank Statements,)

Bank accounts should be kept in accordance to grant guidelines as well as THE STAR SCHOOL's fiscal policies. If separate accounts are used, due to different grant requirement, no checks from one account can be used to pay for another account's line items. Moreover, if the bank account for which funds are requested has no sufficient funds then all efforts to secure them must occur before checks from the operating account are used. If there is a shortage of funds,

and funds are expected momentarily, a check must be written to cover approved expenses from the operations account only. Immediate replacement of general operations funds must be made as soon as funds for affected accounts are deposited (within five days of receiving such funds).

Bank deposits must be made within five days of the receipt of the check or fund. All incoming checks must be received by the administrative office and copied before they are passed to the Business Manager for deposit. All deposit slips must be kept at the Business Manager's office as proof for the deposit.

1.10 Bank Reconciliation

In order to prove the accuracy of THE STAR SCHOOL's deposits a reconciliation of the school accounts has to be performed against bank records. This process should be done as soon as the monthly statements reach the Business Manager in consultation with the Governing Board. Standard procedures should be maintained for outstanding checks, deposits in transit, deductions for uncollectable items and for services, and additions for collections and for interest.

In order to reconcile bank balances the following steps should be taken:

1. A comparison of the deposits on the bank statement with the deposits in the accounting records must be conducted.
2. Inspection of all credits on the bank statement and the determination that each is adequately reflected on the schoolbooks must be performed when doing THE STAR SCHOOL bank reconciliation.
3. All canceled checks on the bank statement must be compared with the actual checks returned with the statement. Once this is done all returned checks need to match THE STAR SCHOOL books.
4. All outstanding checks need to be identified and marked as such in an outstanding checklist.
5. All debits made on the bank statement need to be accurate as compared to THE STAR SCHOOL books.

Notes to the Business Manager:

THE STAR SCHOOL's Business Manager must identify the bank balance of each account. Furthermore, he or she must identify and list any unrecorded deposits and bank errors and add them to the internal bank balance as an adjustment. Next, identification and listing of any outstanding checks and any bank errors overstating the bank balance should be deducted from the internal bank balance. An adjusted bank balance must reflect any changes or errors made by either the bank or Painted Desert Demonstration Projects dba The STAR School. An identification of THE STAR SCHOOL's book balances as they reflect cash or operating accounts needs to be clearly stated on a standard report form. An identification and list of any unrecorded credit memoranda from the bank and interest earned should be added to the THE STAR SCHOOL books. Identification and listing of any unrecorded debt memoranda from the bank, service charges, and errors overstating the book balance must be deducted from THE STAR SCHOOL's books. Also, a computation of the adjusted book balance must be reflected on THE STAR SCHOOL's books.

1.11 School Property or Assets

No employee shall use any school property, equipment, material supplies for personal use without the prior approval of the overall or Governing Board. If the school issues a credit card to certain employee(s) it should only be issued with the formal approval of the CEO of the School and subject to all restrictions set up by the Governing Board. All credit card purchases must be preceded by a budget unless the item is inconsequential (for example, petty cash items) or standard and reoccurring like gasoline for buses, or less than \$50.00 in which a funds request form must be submitted to the Admin Office prior to the purchase. The issuance or decision to cancel a credit card is reserved to the Governing Board who must consult with the CEO of the School. All credit card purchases must be accompanied by their appropriate receipt and matched to the specific bill and budget. Monthly credit card statements need to be reconciled to their original invoices and travel reports and are approved by the CEO of the School.

1.12 Security of Financial Data and Other School Documents

Quick Books Pro, the accounting program used by THE STAR SCHOOL since its inception, until replaced by another program or system shall remain the school's accounting software. This software should be updated and reviewed periodically to ensure that all application controls to unauthorized access of data are denied. The password to the system should be created by the Business Manager and shall remain secret. A copy of the password together with basic instructions (not to exceed the capacity of a regular business envelope) should be placed in the safe. The envelope in the safe should be sealed and signed on the back and the only other persons who can access this envelope, via memo to all other secured personnel, in case of emergency should be the CEO of the School, the Governing Board, and the chair of the local school board. Any law enforcement individuals and/or external auditing entities should request access to the accounting system by a written memo to the Governing Board and/or the CEO of the School. The Business Manager is responsible for the safekeeping of all financial information/documents and shall be accountable only to the Governing Board who in turn is accountable to the CEO of the School and the local school board.

Quick Books Pro should be backed up bi-weekly by the Business Manager to ensure recoverability of financial information in case of natural disasters, theft or hardware failure. The backup should be stored in the safe or in a secure location per the discretion of the Business Manager (the Business Manager must notify the Governing Board about the location of the backup).

The following school documents should exist in hardcopy and in electronic storage when possible:

1. Tax and relevant documents
2. Charter with all amendments
3. Local School Board Meetings
4. Banking Documents
5. THE STAR SCHOOL contracts and agreements
6. Insurance Policies
7. Grant and contract documents
8. Vendor Invoices

9. Individual (be it special or extended) project budgets and all relevant documents
10. Inventory control assets and all relevant documents
11. All community, administrative, and program documents deemed binding or relevant by any CEO
12. Copy of all communications to any external costumer of THE STAR SCHOOL
13. Copy of all official communications or documents to internal costumers of THE STAR SCHOOL

Section 2

Financial Management Policies

2.1 Accounting

Painted Desert Demonstration Projects dba The STAR School must maintain its own accounting records and related financial report on the accrual basis of accounting. The accounting policies should adhere to GAPP and state/federal accounting and financial reporting principles. THE STAR SCHOOL's accounts and financial activities must be deemed as being of a business type. All fund operations must be accounted by providing self-balancing accounts, which comprise of its assets, liabilities, net assets, revenues and expenses. All grants and funds must be accounted for and all procedures, when possible, should be homogenous in nature. THE STAR SCHOOL recognizes its accounting period as being from July 1st through June 30th.

2.2 Revenues, Expenditures, Incurred Costs

Revenues shall be recognized based upon the accrual standard when earned. Moreover expenses are recognized when services are incurred or goods are received. All costs related to terms or services incurred directly for a contract and received at the time of the request for reimbursement must be recorded at the time when they occur.

2.3 Cash Management, Grants Receivable Aging Criteria, Grant/Contract Invoicing

The school should clearly and succinctly identify all banks in which accounts are maintained and which funding source(s) the account represents. No money can be borrowed, appropriated, or apportioned from the different accounts unless the Governing Board, via the Business Manager, can legally do so. The grants receivable aging criterion is based on a thirty, sixty, ninety, and over-ninety day basis. When grant or contract invoicing is permitted all invoices must be submitted to the funding sources by the dates specified in the grant or contract agreement. The invoicing format must adhere to that specified by the grant or contract.

2.4 Internal Activity and Overall Budgets

Internal budgets must be submitted for all activities or events requiring funds. The Governing Board in consultation with the CEO of the School and/or the local school board can deny a fund request based upon a specific activity or event budget due to: non-compliance to standards; no source of money that can be allocated to that specific event or activity; and CEO of the School or local school board veto.

The school must prepare an annual operating budget of revenues and expenses, a cash flow projection, and a capital budget. These budgets and projections must be reviewed and approved by the local school board, at the annual budget meeting and modified as necessary. Financial statements displaying budget vs. actual results are prepared by the Business Manager and presented to the local school board by the Governing Board at every month's board meeting.

2.5 Insurance and Bonding

Painted Desert Demonstration Projects dba The STAR School must maintain appropriate coverage as instructed by the local school board. THE STAR SCHOOL must demand proof of adequate insurance coverage from all independent contractors. The following insurance policies should be secured by the, and are the direct responsibility of the, Governing Board:

1. General Liability
2. Local School Board Insurance
3. Business and Personal Property Insurance
4. Worker's compensation
5. Personal Injury liability
6. Fidelity Bond

2.6 Financial Reporting

The administrative and/or the CEO of the School(s) must maintain supporting records in sufficient detail:

- 1.0 Annually:
 - 1.1 Financial statements for audit
 - 1.2 Annual Budget

2.0 Monthly

- 2.1 Trial balance
- 2.2 Internally generated budget vs. actual financial statements
- 2.3 Billing invoices to funding sources
- 2.4 Updating the cash flow projection
- 2.5 Updating the business plan financial forms

3.0 Periodically

- 3.1 IRS Forms
- 3.2 Payroll forms for taxing purposes
- 3.3 Other reports requested by the local school board or a school CEO
- 3.4 Any discrepancies or illegal activities report (School Board or Local Law Enforcement Agency(s)).

2.7 Chart of Accounts

A chart of accounts must be generated and appended to the fiscal/financial policies document.

2.8 Internal/External Audits

The local school board must arrange annually audits by a qualified certified public accounting firm. An internal pre-audit must be conducted before the annual audit is performed. The local school board will select an independent auditor and review the scope and results of the audit. The governing board also receives notice of any consequential irregularities and management letter comments that the auditor noted during the engagement. Additionally, the board will develop a corrective action plan to address all relevant weaknesses noted by the auditor and report any illegal irregularities to the proper authorities.

Section 3

Accounting Policies

3.1 Assets

Assets are considered economic resources expected to produce future benefits. THE STAR SCHOOL considers land, buildings, equipment, inventories, accounts receivable, fixed assets, intangibles, supplies, cash, and all investments as Assets. Assets are recorded at the price paid plus related incidental costs. If an asset is recorded for the incurrence of a liability, the asset is recorded at the present value of the payments.

3.2 Petty Cash Disbursements

Petty Cash payments are made from the fund not to exceed \$200.00, and should be for cash advances, local expense reimbursement and small-dollar direct vendor purchases, provided proper documentation is furnished via each request (petty cash request form). Each petty cash request form must be approved and disbursed by the CEO of the School. This account shall be balanced monthly by the Business Manager and the replenishment check shall be made out to the school with a note at the bottom of the check indicating petty cash replenishment fund. In case of sale of school items such as snacks, t-shirts, cd's, and, the such, the money can be placed in the same safe box as the petty cash but should not be accounted in with petty cash. Each account source must be correctly identified and the cash placed in separate labeled envelopes (deposit of such envelopes should be immediate).

3.3 Equipment Records (Assets)

All tangible THE STAR SCHOOL property with a useful life of more than six months and a unit acquisition cost of \$500, or more, is capitalized in the appropriate fund. Depreciation associated with the fixed asset will be calculated on the bases of its useful life in a straight-line depreciation method. The depreciation expense will be recorded in the appropriate fund.

3.4 Betterments

Expenditures for significant betterments of existing leased THE STAR SCHOOL properties must be recorded at cost. Maintenance and repairs are expensed as incurred. Depreciation associated with the betterment will be calculated based on its useful life and in a straight-line depreciation method. The depreciation expense must be recorded in the appropriate fund.

3.5 Liabilities and Fund Equity

THE STAR SCHOOL considers liabilities as any claims creditors have against the school. Moreover, estimated liabilities must be booked when it is probable that an asset has been impaired or liability has been incurred by year-end, and the amount of loss is subject to reasonable estimation. An accrued liability may also be made for future absences. Short-term debt may be rolled over to long-term debt but it should be reported and booked immediately. THE STAR SCHOOL must disclose all long-term obligations.

3.6 Accounts Payable

Only valid accounts payable transactions based on documented vendor invoices, receiving report or other approved documentation shall be recorded as accounts payable. Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, the CEO of the School and the Business Manager will make payments on a greatest dependency/greatest need basis as determined.

3.7 Accrued Liabilities

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

Compensated absences due to vacation leave are allowable by strict adherence to individual employee contract. A liability for the estimated probable future payments is accrued if: (1) The employee's right to receive compensation for the future absences is attributable to services already performed (2) It is probable that the compensation will be paid (3) The employee's right to receive the compensation for the future absences is vested or accumulates per contract or limitations thereof. (4) The amount of compensation is reasonably estimable. Compensated absences not required to be paid upon employee termination is only recorded when paid.

3.8 Debt

When applicable, short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial system. Long-term debt consists of financing that is not expected to be repaid within one year and is recorded in the appropriate fund. All short-term and long-term debts are approved the local school board and may not exceed the duration of the charter, without the appropriate board of education consent (if applicable). Loan agreements approved by the local school board should be in writing and should specify all applicable, terms including the purpose of the loan, the interest rate, and the repayment schedule.

3.9 Net Assets

Net assets are recorded in the appropriate fund in accordance with GAAP applicable to special purpose governmental units is appropriate.

Section 4

Revenue, Consultants, Independent Contractors and Inventory Control

4.1 Revenue

THE STAR SCHOOL records revenue on the accrual basis of accounting, consistent with GAAP applicable to special funds and/or grants.

4.2 Consistency in Cost Accounting

Practices used by THE STAR SCHOOL in estimating, accumulating, and reporting actual costs in grant or contract proposals must be consistent with its generally practiced accounting policies and procedures and also should adhere to GAAP. The accounting practices used by THE STAR SCHOOL in accumulating and reporting actual costs is consistent with its practices used in estimating costs in its grant and contract proposals.

4.5 Unallowable Costs

Costs expressly unallowable or mutually agreed to be unallowable are identified in separate ledger accounts and excluded from billings to grant or contract with the respective funding source. Moreover, Separate records must be kept for unallowable costs.

4.6 Cost Accounting Period

The fiscal year of for THE STAR SCHOOL is July 1st through June 30th. The same accounting period is used for all adjusting entries and accruals.

4.7 Gain/Loss from Disposition of an Asset

Gains and losses from the disposition of property are recorded as revenue in the year in which they are incurred, and are reflected as such on the Statement of Revenue, Expenditures and Changes in Net Assets.

4.8 Physical Property and Equipment.

THE STAR SCHOOL must maintain detailed records of all its property and equipment, and when possible with a computer generated barcode system (WASP). Account of all equipment must be done at the end of the fiscal year and any lost or misappropriated equipment must be recorded and accounted for (either through a lost or theft report or a destroyed or inoperable report)

The following should be used as standards for the recording of THE STAR SCHOOL property:

- A. Name and description
- B. Serial number, model number, or other identification
- C. Whether title vests with THE STAR SCHOOL or an outside agency
- D. Vendor name, acquisition date and cost
- E. Location and condition of the equipment
- F. Ultimate disposition data, including date of disposal and sales price or method of disposal

Physical inventories of all property in THE STAR SCHOOL possession or control must be done annually and at the start of the fiscal year. The physical inventory record must include each asset, the related control number, the location, and a brief description of its condition. The physical inventory is reconciled to the detailed fixed asset subsidiary account, and the differences are investigated and reconciled. Disposal of property and equipment must be approved by the Governing Board or/and the CEO of the School. An asset disposal form must be generated every time an asset is disposed of. The asset disposal form must identify the asset, the reason for disposition, and the signature of both the requester and the Governing Board as proof of the approval of the disposition of such asset. No asset can be disposed unless the disposition has been authorized and recorded by the CEO of the School. When property is retired, the appropriate asset in the fixed asset subsidiary will be adjusted and properly reflected in the appropriate fund.

4.9 Consultant Utilization

The utilization of all consultants and contract personnel must be sufficiently evidenced by details of all agreements with the individuals or organizations providing the services and details of actual services performed. Invoices or billings submitted by consultants, including sufficient detail as to the time expended and nature of the actual services must be given to the Business Manager within one week of the end of the contractual or invoice agreement. Moreover, the use of a management contract for educational and administrative services will clearly identify the

contractor's performance requirements, including student's academic achievement, contractor's compensation and THE STAR SCHOOL's rights to educational curricula and intellectual property developed. If the contract provides substantially all educational services then the Governing Board and/or the CEO of the School prior to the start of the work will approve the contract.

4.10 Independent Contractors

Independent contractors must not have set hours for work and shall not be controlled as to what services will be performed and how these services will be performed. Consultants must adhere to a precise contract scope of services, recomputed or at least adjusted annually. This consultant agreement will specify the obligation of the consultant to pay his or her own self-employment taxes, if applicable. An independent contractor must not receive any fringe benefits as such, although their fee may include provision for fringe benefits. An independent contractor may not be assigned permanent workstations. Independent contractors must make their services available to other organizations. Independent contractors must use their own stationary or time sheets in billing for services.

Section 5

Travel Policy

5.1 The policy is based on the following principles:

All Painted Desert Demonstration Projects dba The STAR School trips enhance the cultural, educational, and social lives of those who participate, as well as the STAR School community at large, by showcasing positive STAR School values throughout the world while proudly representing the school. Staff are not out of pocket as a result of officially representing the THE STAR SCHOOL, neither should they receive or recover more than is reasonable or incurred; Staff are provided with appropriate levels of safety, convenience and comfort at minimum cost to the school; THE STAR SCHOOL and all its staff is required to comply with all legal (taxation) obligations;

5.2 Scheduling and Requesting Travel:

All travel requests must be submitted a minimum of three weeks prior to start of travel. Trips, especially those involving students, should be scheduled over weekends and breaks when at all possible. Staff requesting travel should realize they are responsible for meeting deadlines, helping find others to fill their area of responsibility (i.e. teachers should find substitutes and provide lesson plans in advance), and obtaining information missed while gone. The trip coordinator or staff member in charge is responsible for ensuring that all educational guidelines are met and that Travel Individual Learning Plans are followed to maintain a routine of academic work while on the trip.

5.3 Approving Travel:

THE STAR SCHOOL's travel policies are designed to inform and guide staff in the purchase of travel, and the affecting their work and overall program needs during the time of requested travel

Unless exceptional circumstances apply all travel must be approved, by the CEO of the School and/or the local school board, at least four weeks before departure. The CEO of the School should determine whether person(s) requesting travel may do so without significantly affecting Painted Desert Demonstration Projects dba The STAR School's educational vision, mission, and goals. The Governing Board and/or the CEO of the School should determine whether requested travel is directly related (THE STAR SCHOOL sponsored), semi-related (networking that will benefit THE STAR SCHOOL in some way) or unrelated to THE STAR SCHOOL affairs as explained on THE STAR SCHOOL's employee handbook.

Before approval of travel a budget needs to be provided (at the same time the travel approval form or request is presented to the CEO and/or the Governing Board(s)). All THE STAR SCHOOL staff will discuss the travel request at their weekly meeting immediately following the travel request. The CEO of the School upon the project CEO's consensus must determine if the travel request should be approved. After approval, the CEO of the School should notify those who were intending on traveling about the decision and request any additional documents if needed.

5.4 Documentation for Travel

- 1) purpose of the travel and its relationship to THE STAR SCHOOL goals (letterhead/special THE STAR SCHOOL form)
- 2) whether the travel is fully funded or partially funded (i.e. the staff member is responsible for covering some costs);
- 3) the means of payment for the trip and one to two other staff members. Members of partner organizations for travel being requested may also be included in this committee. Alternates will be determined should person(s) selected be unable to attend. The Business Manager is responsible for the implementation and application of this policy. The approving supervisor for the trip is responsible for ensuring that any expenses paid or reimbursed comply with this policy. Economy class airfares must apply in all instances.

For THE STAR SCHOOL sponsored trips where applicants exceed determined number of teacher spaces available, the CEO of the School will determine who will be given permission to travel.

5.5 Pay, Personal Leave, Vacation, Leave of Absence:

Staff on approved travel directly related to THE STAR SCHOOL will continue to be paid at the full rate for travel occurring on scheduled workdays. Travel for salaried staff on days that are not scheduled work days will not be paid additionally for their travel time. Staff on approved travel semi-related to THE STAR SCHOOL will be paid at half their regular daily rate for each day traveling during scheduled workdays. Staff on approved travel not directly related to THE STAR SCHOOL will take personal leave or leave without pay for travel occurring on scheduled work days. Note: Those on prorated pay (i.e. teachers) traveling over breaks will continue to receive pay.

5.6 Travel Arrangements

When traveling on school business, the purchase of travel services should be made on the following basis:

- traveler safety;
- value for money;
- use of a reputable travel agency that is cost efficient and reliable;
- traveler convenience e.g. flight times, stopovers, length of flight;
- in common with current administrative purchasing policy all expenses related to travel have to be accounted under the trip's budget.

5.7 Fares paid by Painted Desert Demonstration Projects dba The STAR School:

If a trip is approved, and no additional fundraising is to supplement it, the following are expenses that could be covered by THE STAR SCHOOL

- air fares - economy;
- train - economy, including sleeper;
- Bus- economy
- Car-economy or least expensive to transport teachers, staff, and students
- Other means - rate to be determined in each case in conjunction with the Governing Board;
- Accommodations- economy hotel or motel;
- Conference or applicable convention fees;
- Meals- maximum allowable expenditures according to policy;
- Parking-economy

5.8 Accommodations

- Staff traveling overnight is responsible for ensuring the most reasonable lodging rates are obtained.
- Obtain non-profit corporate rates whenever possible
- In making reservations the supervisor in charge of the trip should request information regarding special rates for Arizona's DOE, employees, or any special discount clubs the staff is a member.
- An individual on travel status accompanied by husband, wife, or any other person who is not an employee on official THE STAR SCHOOL business needs to notify the administration and sign an agreement stating that his or her companion will not use or benefit from any THE STAR SCHOOL funds.

5.9 Road transportation

- Employees traveling by personal vehicles will not be reimbursed for mileage
- Car rentals must adhere to the same principals of economy, safety, and comfort as air travel.

- Staff of THE STAR SCHOOL is entitled to reasonable reimbursement for parking fees and tolls
- No personal vehicle long term parking will be allowed to be charged to the trip expenses
- The use of commercially leased vehicles will be left to the discretion of the Governing Board
- Staff on official THE STAR SCHOOL travel status may be reimbursed for necessary costs of transportation by bus, taxi, or airport vans for the following situations:
 - Between the individual's departure point and the common carrier's departure point
 - Between the common carrier's arrival point and the individual's lodging or meeting place; and
 - Between the lodging and meeting places if at different locations
- Determination of rental car usage should be considered if this alternative is less costly than other ground transportation methods
- No reimbursement for baggage handling services

5.10 Separate Line Item from Submitted Budgets:

- Official entertainment costs (to be determined during the CEO's approving meeting);
- Charges for official phone and facsimile calls;
- Costs of taxis;
- Airport taxes;
- Visas, etc.

5.11 Travel Diaries

Travel diaries are mandatory for all travel periods greater than three nights. The diary may be any document providing it includes the following details for each business activity:

- The date the entry was made;
- The place where the activity was undertaken;
- Date and approximate time when the activity commenced;
- The duration of the activity; nature of activity;
- Costs associated with activity.
- Receipts or other documentation are always required.

The record may be prepared in advance. A detailed travel itinerary that includes the above details (except, of course, the costs) prepared before the trip is an acceptable travel diary, provided that the staff member endorses that it was followed or records any variations that occurred.

The administration must retrieve travel diaries and receipts from staff and retain them for five years. They must be readily available upon request.

5.12 The following are unallowable travel expenses:

- Laundry
- Valet services
- Non Approved Theater or Movies
- Non Approved Entertainment
- Alcoholic beverages
- Meals that exceed the pre-approved meal cost plan.

513. The following are accepted daily maximum allowable meal expense

Generally, 3 meals per day-Breakfast/Lunch/Dinner-Daily Maximum Allowable Expense per individual \$35.00. This is dependent on the approved current travel rates for specific areas as defined by current Arizona School Travel Guidelines.

Section 6

Purchasing and Acquisitions

6.1 Procurement

THE STAR SCHOOL procures only those items and services that are required to perform the mission and/or fill a true need. Procurements are made using best value contracting which includes assessing the best value considering quality, performance and price. THE STAR SCHOOL will use a competitive procurement, which requires sound business reasons for purchases less than \$15,000.00. THE STAR SCHOOL will select the best value by obtaining three verbal quotes for items greater than \$15,000 and less than \$40,000. The STAR School will select the best value by obtaining three written quotes for items greater than \$40,000 and less than \$100,000. Finally, a formal bid process will be used for items greater than \$100,000.00, in which three bids will be received and evaluated by all THE STAR SCHOOL CEOs.

6.2 Purchases and Acquisitions Criteria

Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable related considerations such as delivery, quantity, quality, etc. THE STAR SCHOOL will make all purchases in the best interest of the institution and its funding sources. THE STAR SCHOOL will only buy from responsible sources of supply. Moreover, THE STAR SCHOOL will obtain quality supplies or services needed for delivery at the time and place required. Also, THE STAR SCHOOL will obtain maximum value for all expenditures as well as deal fairly and impartially with all vendors. The institution must maintain dependable sources of supply and be above all suspicion of unethical behavior at all times avoiding any conflict of interest, related parties or even the appearance of a conflict of interest in the school supplier relationship.

6.3 Purchase Orders

The school will execute a purchase order for all applicable purchases (vendors who accept our Po's) and it shall be approved by the CEO of the School for purchases less than \$15, 000 and by

the CEO of the School in consultation with the Governing Board for purchases greater than \$15,000.00

6.4 Lease Agreements

A lease will evidence all lease agreements or sublease agreement approved by the local school board and signed by the CEO of the School. The agreement will identify all the terms and conditions of the lease. Any real estate agreement to rent or sell will require a beneficial interest disclosure if need be.

Procedures

Section 7

Implementation of GAAP

7.1 General Accounting Procedures

Throughout this section the different general accounting procedures and the system utilized for their implementation will be explained. General Ledger activities and General Ledger closeout for THE STAR SCHOOL will also be described.

7.2 Controls

There are several controls that will be implemented to aid financial reporting and decision making for THE STAR SCHOOL. The Governing Board has business and fiscal management decision-making power. The Governing Board and its support staff must have complete knowledge of the chart of accounts/coding structure.

THE STAR SCHOOL must establish control accounts in order to perform reconciliation. The school if necessary must also use Contra accounts. This accounting structure will provide allowance for doubtful accounts and the sort. The use of this account shall be made to adjust historical cost to current levels for financial reporting purposes. Furthermore, THE STAR SCHOOL must segregate all unallowable costs. All accounts within this parameter must be established to capture and segregate unallowable costs.

7.3 General Ledger Activity Controls and Procedures

All general ledger entries must be current, accurate and complete. To ensure the timeliness of general ledger activities all entries must be made soon after the underlying accounting event. All entries must be supported by adequate documentation that clearly shows the justification and authorization for the transaction. In order to provide reporting statements a complete audit trail must be maintained by the use of reference codes from source documentation through the books of original entry and General Ledger.

7.4 General Ledger Close Out

In order to ensure the accuracy of financial records and reports trial balances need to be created on the monthly basis. Reconciliation of the general ledger account with subsidiary ledgers need to be done at the end of each month. The Business Manager need to present both reports to the Governing Board who in turn will notify the CEO of the School if there are any problems with the general ledger. At fiscal year end and after the annual audit, all income and expenses accounts must be closed out, and the general ledger balances are agreed to be audited financial statements.

Section 8

Cash Management Procedures

8.1 Cash Receipts

THE STAR SCHOOL must record cash receipts completely and accurately and to prevent the diversion of cash assets. In order to monitor and ensure adequate cash flow a cash Flow Projection must be prepared yearly and updated monthly. The cash receipts policy stated before shall constitute the major monitoring control for cash receipts. Whenever possible THE STAR SCHOOL should use electronic fund transfers to ensure fast deposits and alleviate any cash flow problems.

Opening of THE STAR SCHOOL mail is assigned to the CEO of the School or his designee who has only limited access to files or documents pertaining to accounts receivable or cash accounts. All such files should rest in the hands of the Business Manager at a different location than that of the administrative office. Listed receipts and credits compared to accounts receivable and bank deposits are the duty of the Business Manager. General Ledger control accounts must be reconciled with Accounts Receivable Subsidiary ledger at least once per month.

The following procedures must be followed to ensure proper cash management.

1. Mail is opened by the CEO of the School or his designee who sorts the checks and forwards them to the Business Manager.
2. All checks are restrictively endorsed immediately by the accountant if applicable or the Governing Board.
3. The Accountant prepares journal entries and deposit slips
4. A copy of each check to be deposited in made and attached a copy of the deposit slip and filed to provide support for all deposits
5. The Governing Board reviews and signs off on journal entries
6. The Business Manager posts journal entries
7. The Accountant or the Business Manager makes deposits 3 days after the receipt by the Governing Board. If deposits are made other than daily, the deposit should be maintained in THE STAR SCHOOL's safe.
8. Reconciliation of cash receipts to deposit slips and bank statements are performed by the Accountant or the Business Manager on a monthly basis.

8.2 Cash Disbursements

In order to disburse cash for authorized purposes and record it completely and accurately check preparation and signatures are delayed until the due date, consistent the available discounts if applicable. All checks must be pre numbered and on special check protective paper. The signature of the Governing Board is required in all checks. All disbursement records must be matched against accounts payable/open invoice files. Furthermore, bank statements must be reconciled to cash accounts and any outstanding checks verified by the accountant or the Business Manager. Supporting documentation on canceled checks must be kept to prevent resubmission for payment. Detailed comparisons of actual vs. budget disbursements must be done at least 2 times per quarter. As much as possible there should be separation of duties to ensure proper controls.

The following procedures should be followed to ensure proper cash disbursement controls:

1. When the transaction is complete and payment is due, a pre numbered check is prepared by the accountant or the Business Manager that attaches all supporting documentation and submits the package to the Governing Board.
2. A funds authorization form must be the first part of the package after the actual check.
3. All invoices submitted for signature will include approvals for payment, expense account charged, check number and date of payment.
4. Budgets for special events, such as travel or other non-budget line items, must be submitted before a check is issued.
5. After the check has been signed the package together with the signed check must be returned in person to the Business Manager for further processing.
6. After the check has been signed, the checks are mailed or directly hand-delivered to the payee by the Business Manager.
7. All supporting documents are cancelled (stamped as PAID) by the Business Manager.
8. On a periodic basis, cash disbursement records are matched against accounts payable/open invoice files for any discrepancies.
9. Bank statements are reconciled as soon as possible after receipt by the Business Manager.
10. All source documents relevant to a transaction must be kept in a filing system (individual transaction docket) by date and category as specified by THE STAR SCHOOL's filing methodology.
11. All transactions must be ready to be audited at the end of the fiscal year.

8.3 Petty Cash Funds

In order to control petty cash funds for valid transactions THE STAR SCHOOL must reconcile petty cash funds used by approved staff members independent of cash receipts, disbursements or custody.

To ensure proper petty cash funds controls THE STAR SCHOOL must:

1. THE STAR SCHOOL may maintain a petty cash system of \$500, which will be maintained and secured by the Governing Board.

2. The Governing Board maintains a log of all disbursements made from petty cash fund and uses a petty cash voucher for all petty cash disbursements. No disbursements will be for greater than \$200.00
3. When the fund needs to be replenished, the Governing Board, attaching the log of disbursements and the supporting vouchers, prepares a check request.
4. Any differences between the check request to bring the fund up to the petty cash amount and total disbursements made are reviewed and justification prepared.
5. Funds disbursements are entered into the General Ledger by expense category when the fund is replenished.

8.4 Prepaid Items

To ensure proper accounting for prepaid expenses the STAR SCHOOL Business Manager must prepare and update an amortization schedule to reflect the incurring of expenses for prepaid items (prepaid insurance). Moreover, detailed prepaid expenses must be reconciled with the General Ledger control account.

In order to ensure proper controls for prepaid items the following procedures should be followed:

1. The accountant and/or the Governing Board to identify all required payments must review all vendor invoices.
2. For payment of prepaid items, the transaction is coded to reflect the appropriate portion of the payment representing the prepaid portion
3. An amortization schedule is prepared to reflect the incurring of an expense for prepaid items
4. A standard journal entry is prepared by the Business Manager if applicable to record the monthly expense
5. Reconciliation is performed on a monthly basis between the subsidiary ledger and the prepaid expense General Ledger control account.

Section 9

Grants Receivable Procedures

9.1 Revenue Recognition and Invoicing

In order to ensure that grant and contract billings are adequately supported, recorded on a timely basis, and reflect the terms and conditions of the grant or contract THE STAR SCHOOL must ensure the following controls:

1. Invoices are prepared based on contract agreement dates
2. Invoice format must vary depending on the funding source requirements
3. Accounts are maintained separately for explicitly and unallowable costs
4. Verifications of services must be performed before the invoice is prepared
5. Reconciliation of expenditures incurred or units billed to invoices must be prepared

6. A General Ledger must be used to control revenue within different accounts
7. There needs to be separation of duties between the Governing Board and the accountant. The preparation of the invoice must be supervised or generated by the accountant and/or the Business Manager. The Governing Board must do the approval of the payment or invoice.

Section 10

Payroll and Personnel Procedures

10.1 Personnel Requirements

THE STAR SCHOOL must only hire employees, full or part time, that it absolutely needs and must exerts tight control over hiring new employees.

New Employees

The CEO of the School (within approved budget initiates 1 Request for new employees.

2. All personnel actions must adhere to the Fingerprint Clearance requirements
3. New Employees must complete an application for employment
4. New employees must complete IRS W-4 form and all State of Arizona Forms.
5. New employees must complete form I-9

Vacation and Sick Pay

1. Employees accrue vacation time based on their contract
2. Employee is required to provide at least one week advance notice to supervisors for a vacation request
3. Regular part-time employees will earn vacation based on current vacation policies as approved by individual contracts.
4. Employees earned vacation balances must be adjusted monthly to reflect vacation time earned and taken and reviewed by the CEO of the School.
5. Sick leave taken is monitored against each employee's available sick time on a specified spreadsheet and reviewed by the CEO of the School.
6. Before vacation time is paid, a leave authorization request is to be prepared by the employee, which is reviewed and approved by the administrative and CEO of the Schools.
7. The Business Manager must monitor vacation and sick time by maintaining appropriate individual records
8. A general Journal entry must be prepared at year-end to record the accrued vacation liability if any.
9. Unused vacation time is based on THE STAR SCHOOL personnel policy and/or individual contracts

Terminations

1. For each terminated employee, a termination letter documenting the reason for the termination is completed and routed to the Business Manager.

2. The approved termination letter is communicated to the Payroll Service or in-house payroll control for updating the payroll data, including the effects of the fringe benefits incurring health, dental, pension, (if applicable).
3. The approved termination letter is maintained in the terminated employee's personnel file.

10.2 Personnel Data

To calculate and record payroll data accurately and completely for all employees THE STAR SCHOOL must maintain a precise paper trail covering all transactions. Changes in personnel data approved by the Business Manager must also be reflected in the files. All payroll and personnel files must be reviewed and reconciled once per fiscal year.

The following procedures will aid in the record of payroll and all relevant data:

1. Changes to personnel data are initiated with a Personnel Action Form when making changes in new hires, terminations, pay rate changes, or payroll deductions.
2. The CEO of the School authorizes any changes to payroll data
3. The payroll service agency or in-house service processes authorized changes to payroll data
4. A copy of the Personnel Action Form is retained in the employee's personnel file.

10.3 Timekeeping

In order to ensure that payment for salaries and wages is made in accordance with documented time records employees are instructed on the proper charging of time to assure the accuracy of recorded time to cost objectives. Labor hours are accurately recorded and any corrections to timekeeping records including the appropriate authorization and approval must be documented. THE STAR SCHOOL, through the administrative office, will monitor the overall integrity of the personnel timekeeping. Reconciliation of hours charged on time sheets to attendance records must be done prior to the end of the pay-period.

The following procedures should be followed:

Time Sheet Preparation

1. All THE STAR SCHOOL employees must prepare and update time sheets on a daily basis and are instructed on the appropriate methodology.
2. If an employee does not sign on a specific date he or she will be informed that the administration will assume that the employee did not come to work. In that case notifications will be sent to the appropriate supervisor for follow up.
3. The employee must enter hours in ink and sign the completed timesheet
4. Employees must submit the completed time sheet to the Business Manger for further processing.

Approval and Collection of Time Sheets

1. Each employee's time sheet is forwarded to the Business Manager on a bi-weekly basis.
2. The Business Manager processes the timecards and inputs them on the appropriate payroll system.
3. The CEO of the School checks for all times of actual work and certifies the time sheet.
4. If there are discrepancies with individual times submitted by an employee that employee's payroll would not be processed until the discrepancies are sorted.
5. A copy of the time sheets must be sent to the employee's direct supervisor for his or her records
6. Hours show on time sheets must be reconciled to the hours recorded on the Payroll Register by the Business Manager

10.4 Payroll Preparation

To ensure payment of salaries and wages and its accuracy the Business Manager must keep all time records and reconcile them with payroll records. Moreover the Governing Board is responsible for checking the accuracy of payroll calculations, which are checked also by the Business Manager periodically.

The following procedures must be followed in order to assure proper payroll preparation:

1. The Business Manager collects all time sheets from different THE STAR SCHOOL departments.
2. The total time recorded on time sheets and the number of employees is calculated by the Business Manager
3. The Business Manager records hours from accumulated the bi-weekly time sheets and communicates its findings to the appropriate payroll service.
4. All documents received from the payroll service are compared by the Business Manager with time sheets, pay rates, payroll deductions, compensated absences etc.
5. The Business Manager verifies gross pay and payroll deductions
6. The Business Manager verifies that the total hours and number of employees are compared with the totals in the payroll register
7. The CEO of the School must review the payroll register prior to forwarding of the payroll checks for signature.

Section 11

Property and Equipment Procedures

11.1 Property and Equipment Acquisitions

In order to control the all acquisitions of property and equipment and completely and accurately record fixed assets in order to safeguard such fixed assets from loss THE STAR SCHOOL must maintain proper controls. All acquisitions of property and capital equipment must have been approved via budget, or budget revision, and subsequently approved by the CEO of the School

who in turn will inform the local school board. Official approval must be obtained before any purchases are made. This must be performed by the revision of the Purchase Requisition Form prepared for the item. Fixed assets acquisitions need to be reconciled with capital expenditure authorizations.

The following procedures must be followed to ensure proper property and equipment purchases:

1. Capital budget request must be submitted annually for review and approval by the local school board.
2. Authorization request for the acquisition of fixed assets must be reviewed and approved by the Governing Board in consultation with the CEO of the School.
3. Each item of property and equipment received must be identified and tagged in a visible area on the asset via a bar code. This is the responsibility of the Business Manager.
4. The Business Manager must enter a copy of the Purchase Orders for capital expenditures into the fixed assets subsidiary or comparable worksheet for proper identification of all fixed assets to be included in the operation's fund.
5. The Business Manager enters information on each tagged asset in the fixed assets subsidiary or comparable worksheet.

11.2 Record keeping Over Property and Equipment

In order to completely and accurately record fixed assets acquisitions, transfers and dispositions on a current basis THE STAR SCHOOL must use capitalization policies. THE STAR SCHOOL will follow GAAP principles as applicable to special purpose business type activates. All fixed assets purchased are capitalized in the year of purchase, and recorded in the appropriate fund. THE STAR SCHOOL follows the policy of capitalizing all fixed assets purchased greater than \$1,000.00. Fixed assets must be accounted for by the following classifications: land, building, equipment, betterment, leasehold improvements, furniture, and computer hardware and software, and office equipment. The fixed assets subsidiary ledger must contain the full history of each capital asset acquired: original acquisition cost, and any costs incurred to prepare the asset for use.

The following procedures must be observed:

1. Asset acquisitions, transfers, and dispositions are entered in the fixed assets subsidiary ledger on a periodic basis
2. The fixed assets subsidiary ledger is reconciled with the control account in the appropriate fund on a monthly basis. Any differences must be analyzed and resolved by the Business Manager. If there are discrepancies; the Governing Board must be notified as soon as possible in writing and with appropriate documentation.

11.3 Depreciation

THE STAR SCHOOL capitalizes all fixed assets when acquired, and records the historical cost of these items in the appropriate fund. In accordance with GAAP, as they relate to special purpose

business-type activity depreciation expense must be recorded in the statement of revenue, expenditures and changes in net assets. THE STAR SCHOOL will use the straight-line method of depreciation over the assets useful life as follows:

- | | |
|---------------------------|---|
| 1. Computers | 3 years |
| 2. Office Equipment | 5 years |
| 3. Vehicles | 5 years |
| 4. Office Furniture | 7 years |
| 5. Leasehold Improvements | Life of lease or 5 years that ever is greater |
| 6. Building Improvements | 20 years |
| 7. Building | 30 years |

11.4 Inventory of Property and Equipment

To ensure that all recorded assets exist and are in use THE STAR SCHOOL must make sure that all property and equipment is tagged when received. A physical inventory must be performed annually. Differences between physical inventories and amounts recorded in the control account must be analyzed and reconciled.

The following procedures must be followed in order to inventory property and equipment:

1. The Governing Board's designee must prepare a printout of recorded fixed assets by asset classification
2. An inventory of fixed assets is taken annually
3. The inventory of fixed assets is compared to the amounts recorded in the general ledger control account. Differences are investigated and resolved by the Governing Board.
4. All fixed assets must have a barcode and be accounted for at all times.

11.5 Disposal of property and equipment

THE STAR SCHOOL follows control policies that ensure that assets no longer in use are disposed accordingly. For internal accounting controls the use of fixed asset disposal authorization forms must always be completed before the disposal of any such asset. Disposals or transfers of fixed assets can only be done with proper authorization. Authorization to transfer or dispose an asset rests on the Governing Board only. If a STAR SCHOOL member disposes of an item without proper authorization then that member is responsible to pay for such item (appropriate compensation will be determined by the Governing Board and/or the CEO of the School). Periodic count of fixed assets needs to be reconciled with fixed asset recorded in the control account in the general ledger.

The following procedures must be followed:

1. A determination, by the Governing Board, must be made to the usefulness of a fixed asset.

2. An Asset disposal form must be prepared with proper written authorization form the Governing Board
3. The asset disposal form is reviewed and signed by the CEO of the School
4. A copy of the asset disposal form is routed to the Business Manager that enters the dollar amount of the disposed fixed asset as a reduction in the subsidiary ledger, and adjusts the control account in the appropriate fund. The treatment of any proceeds from the disposition, and the recognition of any gain or loss on the sale of the disposed asset, is also recorded in the appropriate fund revenue account at this time.

11.6 Government-Furnished and THE STAR SCHOOL Acquired Property and Equipment

In order to ensure that Government-furnished and School acquired property and equipment are properly obtained, used and managed during the performance of government contracts THE STAR SCHOOL must maintain detailed records on all property and equipment. All government-furnished and school-acquired property and equipment, when not in use, must be stored in a secure area under the direct control of the administrative and/or the CEO of the Schools. All property must be inventoried.

In order to ensure proper procedures the following must be followed:

1. All government-furnished and School-acquired property and equipment on government contracts/grants are assigned tag numbers and properly identified with this number in the fixed asset subsidiary ledger. A barcode system may be use to tag all property and equipment.
2. On an annual basis, the Business Manager will inventory all property and equipment and ensure that fixed assets are being used for the purpose intended.
3. THE STAR SCHOOL does not allow the use of fixed assets for unapproved use.
4. The disposition of Government furnished and school-acquired property and equipment must be authorized by the CEO of the School and reported to the Governing Board.

Section 12

Accounts Payable Procedures

12.1 Accounts Payable

In order to ensure that invoices are accurately recorded on a timely basis for authorized purchases the reconciliation of source data, subsidiary ledger totals and General Ledger control accounts must be performed periodically. The Business Manager to determine if duplicate payments or overpayments exist must conduct internal reviews.

The following Procedures should be followed in order to ensure that accounts payables controls have been followed:

Voucher Preparation and Review of Voucher

1. The Administrative Office or Accountant, who forwards them to the CEO of the School for approval, receives invoices.

2. The approved invoices are forwarded or returned to the Business Manager that will further process them.
3. Invoices are compared to the purchase orders and the packing lists
4. The invoice must be reviewed for the nature, quality and quantity of goods ordered and related price. Furthermore the invoice is checked for accuracy of all arithmetic calculations and extensions
5. The invoice is input into the Accounts Payable subsidiary of QuickBooks Pro after the Business Manager reviews it.
6. Checks are run on a weekly basis, and vendors are paid based on terms of the invoices, as recorded within the system.

Purchase Discounts

1. The accountant, after consultation with the CEO of the School, establishes all vendors within Quick Books Pro upon initial use of the vendor
2. The Business Manager reviews the invoice for any purchase discounts date and ensures that the vendor file is established and properly capturing the discount period.

Reconciliation of Accounts Payable Records

1. The total balance in the Accounts Payable Subsidiary Ledger must be reconciled with the General Ledger control account monthly.
2. Debit balances in the Accounts Payable Subsidiary Ledger are resolved appropriately.

11.2 Purchasing

In order to ensure that goods and services are acquired at fair and reasonable prices and the highest personal standards of conduct are maintained in all relationships with vendors, suppliers and subcontractors THE STAR SCHOOL will follow purchase requirements, required competition, vendor selection, and internal accounting controls.

1. The school must develop a cost effective and efficient purchase requirement control in order to achieve full and open competition. Delivery schedules have to also be beneficial to THE STAR SCHOOL. Inventory control and expedited purchasing must always be taken into consideration when purchasing new equipment and/or services.
2. For contracts under \$5000.00 The STAR School uses sound business practices when procuring goods and services.
3. For contracts from \$5000.00 to \$25,000.00 THE STAR SCHOOL seeks verbal price quotes from at least three vendors and awards the contract to the responsible vendor offering the supply or needed service for the lowest price.
4. For contract between \$25,000 and \$50,000.00, the STAR School seeks written bid quotes from at least three vendors and awards the contract to the responsible vendor offering the supply of needed service for the lowest price.
5. For contracts greater than \$50,000.00 THE STAR SCHOOL conducts a formal advertised competition using sales bids or proposals. An awarded is offered to the qualified bidder who meets THE STAR SCHOOL's specifications and offers the lowest price and the highest quality.
6. THE STAR SCHOOL selects the most responsive and responsible vendors to provide required materials and services, and promotes competition in order to obtain fair and reasonable prices. Occasionally, the STAR School may determine that there is only one

source for the purchase. A statement of sole source purchasing and the reason for it must be included in the purchase order, and approved by the CEO.

7. The school board must approve purchases equal to or exceeding over \$50,000 prior to contract/purchase order finalization
8. Adoption of policy requires the reporting of unethical conduct to the administrative direction and subsequent resolution of any gain resulting from such conduct.

Purchasing requirements:

1. After approval of the annual budget, the Business Manager reviews the school's needs to uncover patterns of orders, and opportunities for clustering orders to achieve volume discounts
2. In preparing purchase orders/requisitions, the Business Manager identifies only minimum needs.
3. Purchase orders/requisitions are forwarded to the Business Manager to be imputed in a spreadsheet by vendor for the items requisitioned
4. A purchase order/requisition must include a description of items ordered, a cost estimate, the required delivery information, and a statement of the nature and purpose of the procurement/purchase.
5. The CEO of the School approves purchase requisitions, after the review of the remaining budget.
6. The Business Manager keeps a copy of all purchase requisitions (in case the CEO of the School or the local school board needs to audit a transaction)

Processing Purchase Orders

1. The Business Manager must approve the information that was input by any staff member by initialing it.
2. Before a purchase order is sent to a supplier, the Business Manager checks for accuracy of the dates, account information, quantities listed and arithmetic calculations reviews it.
3. The Governing Board or the CEO of the School approves purchase orders.
4. Copies of the purchase order are prepared. One copy is forward to the vendor, and the other copy goes to the Business Manager.
5. The Business Manager sends the purchase order to the vendor and ensures that all copies are distributed and filed accordingly.
6. The Business Manager files all copies alphabetically.
7. A purchase log must be maintained and should have pre-assigned numbers to track outstanding commitments.

Obtaining Bids and Quotations

1. The Business Manager, in consultation with the CEO of the School and the Governing Board, requests bids or quotations verbally on transactions not expected to exceed \$25,000.00, and in writing for transactions between \$25,000,00 and \$50,000. Items greater than \$50,000.00 will require formal bid requests and evaluation before purchase order is issued
2. In evaluating bids received, the Governing Board performs and documents a cost of price analysis.

Negotiation and Award

1. Consistent with THE STAR SCHOOL's goal of expanding opportunities for community business enterprises, companies owned by community members, to the extent they are available locally and qualified, are given an opportunity to bid on a procurement in THE STAR SCHOOL's selection process
2. Award may be made to other than the low bidder in circumstances where the higher bid demonstrates best value contracting procedures to benefit THE STAR SCHOOL. In such situation, the CEO of the School shall prepare a justification statement for such awards, furnishing a brief explanation of the factors leading to such decision.

11.3 Expense Reimbursement

THE STAR SCHOOL will only pay for authorized business expenses through the administrative office. No personal reimbursements to THE STAR SCHOOL staff shall be made unless authorized by the CEO of the School. Goods or services can only be purchased by using the appropriate fund request, invoice, and supplies request forms.

There are several major controls to ensure that expense reimbursements are handled appropriately. The school has major policies in regards to travel and employee expense reimbursement documentation. Employees will be given checks or petty cash for purchases and may not use their personal funds unless it is an emergency and has been verbally approved by the CEO of the School. If a company credit card is used then either a staff member to whom the card is assigned or the CEO of the School must purchase the item.

The following are internal accounting controls for expense reimbursements:

1. The administrative and/or the CEO of the School must approve justification for travel.
2. Budgets for travel must be pre-approved before expenses or reimbursements are settled.
3. Budgets for travel must be approved three weeks prior to the actual travel date.
4. Documentation for all travel-incurred expenses must not exceed the expected budget unless approved by the Governing Board or the CEO of the School in writing.
5. Documentation for extra expenses must be on file before the expenses occur (two copies must be made and the administrative and accounting offices must file them in their appropriate travel folder).
6. Receipts and all other pertinent documents must be presented to the administrative office stapled to a copy of the appropriate form in the case of regular or credit card purchases.
7. Soon after traveling, but no to exceeding 15 work days, an employee who seeks reimbursement for authorized expenses must complete a travel report detailing the approved expenses

Section 13

Procedures for other Liabilities

13.1 Accrued Liabilities

In order to accurately control and record accrued liabilities THE STAR SCHOOL must maintain an accrual register as well as reconcile the subsidiary schedules with the general ledger control account. The accrual register should properly set up and monitor accrued liabilities and accrual accounts related to salaries and wages, vacation pay and payroll taxes. If THE STAR SCHOOL utilizes an outside organization to handle payroll it must make sure that they keep an accrual register that can be audited by approved personnel and/or

organizations. On a periodic basis, reconciliation must be performed between the subsidiary schedule and the general ledger control account (if an outside agency handles payroll they must periodically supply reports to ensure reconciliation).

Procedures to follow in order to ensure proper procedures for other liabilities:

1. An accrual subsidiary schedule is established and maintained by the Business Manager for each type of accrual
2. THE STAR SCHOOL records all accruals at fiscal year end, or when determined necessary by the CEO of the School.
3. A general journal entry is prepared at year-end to record all accruals

Section 14

Budgeting-Management Reporting Procedures

14.1 Annual Budget

In order to effectively support the preparation of the annual budget and its periodic review THE STAR SCHOOL must adhere to its budget process and internal accounting controls. THE STAR SCHOOL's CEO of the School and Governing Board get together and prepare the annual operation and capital budgets and cash flow projection, with input from the local school board and/or the school's community. The budgets and projection are submitted to the local school board for approval. THE STAR SCHOOL must make sure that all budgets are accurate and complete and their projections are within acceptable ranges.

The following procedures should be used to ensure proper budgetary reporting:

1. In preparation of the annual operation and capital budget and cash flow projection, the Governing Board prepares a preliminary budget and projection for review by the CEO of the School in consultation with the staff.
2. To support budgets and projection estimates, the Business Manager prepares current year to date financial data with projections of year-end totals.
3. The CEO of the School and the rest of the CEOs review the budgets and projection submitted for completeness and they make sure that predictions are reasonable.
4. The local school board approves and adopts the final budget and projection.
5. The adopted budget totals are entered in the General Ledger by the Accountant or the Business Manager for the new fiscal year, in order to prepare budget to actual reports.

14.2 Financial Reporting

In order to ensure the accuracy, completeness, and timeliness of financial reporting to support decision making THE STAR SCHOOL must have internal controls. Furthermore, THE STAR SCHOOL must perform a schedule, a review and approval process, and an audit at specified times. If misappropriation, theft, or any fraudulent inconsistencies are found through audits or internal fiscal and financial reviews it is the duty of the Governing Board and/or the CEO of the School to point out such infractions to the local school board and follow all appropriate legal obligations as prescribed by local, state, and federal law enforcement agencies and/or representatives.

Monthly accounting reports must be prepared and delivered by the Business Manager to the Governing Board. The Governing Board reviews financial reports for accuracy and completeness. A certified accounting firm every year as needed to ensure the proper adherence to state and federal standards should audit the annual financial settlements of the school.

The following procedures must be followed in order to ensure correct financial reporting:

1. The Business Manager prepares monthly budget vs. actual financial reports and cash flow projections and presents it to the Governing Board who then communicates to the local school board.
2. THE STAR SCHOOL should submit to an audit of its financial statements by a qualified certified public accounting firm, in accordance with governmental auditing standards.

14.3 Tax Compliance

THE STAR SCHOOL must accurately prepare and file all required tax documents on a timely basis. Tax filing and preparation is the responsibility of the Business Manager.

Section 15

Business Plan

15.1 Business Plan

The CEO of the School, at the direction of the Board, may create, update, and follow a business plan. The business plan will address, within its sections, ways in which THE STAR SCHOOL can manage and sustain growth with the aid of private business ventures. The business plans goals and objectives have to supplement grants and other such funds to ensure that all THE STAR SCHOOL objectives are financially met.

The business plan should include an executive summary, THE STAR SCHOOL's direction, present situation, vision, mission, strategic goals, a company overview, legal business description, management team, product strategy, current products, research and development, market analysis, market definition, customer profile, competition, risk, a marketing plan, sales strategy, distribution channels, advertising and promotion, publicity, financial plans,

summary of financial statements, capital requirements, exit and payback strategy, and a conclusion.

The CEO of the School may create and head a business plan committee that must include the Governing Board and/or Business Manager and up to 3 members of the community. The business plan needs to be kept confidential and all legal precautions need to be taken to ensure its feasibility and success.

Section 16

Procurement Process: Vendor Complaints

Scope of the Vendor Complaint Process (VCP)

A method to handle supplier complaints and to improve the STAR School's procurement process is an integral part of a fair and open procurement policy. The following procedures facilitate this objective, allowing STAR School to handle complaints in an organized, consistent manner, and to carry out the analysis and reporting requirements in order to improve upon the procurement process.

A complaint means a written objection submitted by a potential supplier regarding a bid solicitation, contract award or proposed contract award for goods, services, facilities or construction.

Supplier complaints and protest originate for a number of reasons, real or perceived; however, all of these reasons negatively reflect on the integrity of the school's procurement process. Some reasons are:

- Specifications that are seen as vague or incomplete (complaints should be received prior to tender close)
- Bid preparation time too short to properly reply (complaints should be received prior to tender close)
- Specifications perceived as unfair, predetermined, or arbitrary (complaints should be received prior to tender close)
- Inconsistent application of procurement procedures

Prior to initiating a complaint, suppliers are strongly encouraged to resolve problems by contacting the STAR School as the first step in the process. Experience has demonstrated that there are often minor errors, omissions or other inadvertent actions which can be quickly clarified or corrected to the satisfaction of the complainant, thus removing the cause of many complaints and concerns at the outset. For the purpose of clarity, the VCP is not adjudicative in nature and does not establish mechanisms to adjudicate substantive disputes. The VCP

provides an opportunity for vendors to voice complaints and may sometimes help to resolve complaints that involve no significant factual or interpretative disagreements between the parties. Fundamental disputes over facts or over legal rights and obligations are, however, beyond the scope of the VCP.

Complaint Submission

Complaints are to be submitted in written form within 10 working days after a notice of contract award to:

Dr. Mark Sorensen, CEO,
The STAR School
145 Leupp Road
Flagstaff, AZ 86004

Contract notice is the date when the award is posted to the Procurement Services website. Complaints should contain the following information:

- The name, phone number/fax, e-mail, address and contact person of the firm submitting the complaint.
- The nature of the problem being encountered.
- A description of the background leading to the problem, including relevant dates, tenders reference numbers etc.;
- The department representative contacted to review the problem originally and the results of those discussions.
- Actions being requested of the STAR School.

Complaint Process Related to Government Sustainable Procurement Policy or Practice

The CEO of the STAR School shall ensure that every department, agency, board or commission affords aggrieved persons an opportunity to present any complaint regarding the government procurement process.

On receipt of a complaint, the CEO of the STAR School shall review the complaint to determine if further action is appropriate. A complaint may be dismissed without further consideration, where in the opinion of the CEO of The STAR School, the complaint:

- (a.) on its face is frivolous or invalid.
- (b.) the complainant is not a participant in the competitive process (i.e. did not submit a bid).

- (c.) is in respect of procurement by an entity that is not a legitimate vendor.
- (d.) is made more than 10 working days after a notice of a contract award, or
- (e.) is otherwise inappropriate for considerations.

If at this point the complaint is not dismissed, the CEO of The STAR School will contact the designated senior representative of the entity concerned to determine if the complaint has already been addressed. If not, the CEO, or qualified alternate, will endeavor to gather the appropriate competition documents, conducts interviews with department officials and if s/he deems necessary, meets with the complaining party.

At this point the complaint may be resolved, withdrawn or dismissed if in the opinion of the CEO, it is the result of properly applied fair procurement process.

If dismissed a reply to the complaint will be prepared by the CEO, and forwarded to the complainant. A record of the dismissal of the complaint will be retained by STAR School, for subsequent reporting.

Should the CEO, find reason for a more comprehensive review, s/he may choose to form a review committee. If formed, the review committee will have representation including the CEO, or a qualified alternate, a senior representative of the department, agency, board or commission involved, and if appropriate, legal counsel.

After analysis of all information, the findings and recommendations of the review committee will be submitted in writing to the designated senior representative of the entity. The CEO, The STAR School and the designated senior representative will review the finding, consider any recommendations, render a decision and reply to the complainant.

Replies to a Complaint

The CEO of the STAR School will make every effort to acknowledge a formal complaint within 10 working days of receipt and to respond in writing no later than 10 working days after completion of any review. If the investigation extends longer than 20 working days, the vendor will be advised, in writing, when they may expect a response. Under all circumstances, responses are to be made in a timely fashion. Copies of all replies will be available to internal auditors, the Auditor General staff or to ADE officials as appropriate.

Reports

The STAR School shall ensure that complete documentation and records, including a signed and dated record of all communications with suppliers, are maintained. This will allow later verification by participants, auditors or senior officials to show that the procurement process was carried out in accordance with the Procurement Process Policy and that the complaint was filed and handled in a timely fashion.

All complaints are tracked by The STAR School and reported to the ADE on an annual basis.

Funds Authorization Form

When to use this form:

Bills from approved vendors, purchase of approved budgeted items (item approval must be OK by Governing Board) pay stipends, and payment to independent contractors.

All requests must be accompanied by appropriate documentation (Receipts, P.O's, copies of invoices). If there is no proper documentation the request will be denied. All funds authorization forms must be turned in to the CEO of the School for approval only.

Do not submit same request more than once

All funds authorization forms will take 5 working days to be processed unless they are returned, in which case the process will be delayed until all documents are in. For approved forms checks will be disbursed every Thursday.

How to properly complete the funds authorization form:

1. Requestors Name (person who is submitting form)
2. Date (the date in which the form is turned into the Governing Board)
3. Item Description
4. Amount total including tax
5. Payable to
6. Address to be mailed to (in case it is not delivered to a THE STAR SCHOOL employee)
7. Due Date (date it needs to be paid by-not less than the 5 working days it takes to process the form)
8. Contact number or e-mail of the person who is submitting the form (in case there is questions)



Funds Authorization Form



<i>Requestor</i>		<i>Date</i>	
<i>Contact Number or e-mail</i>			
Items Description			<i>Amount</i>

Notes:		Total:	
Payable to		Due-Date	
Address			
Green 1.1 11/03	<i>For Administrative Use Only</i>		
<i>Administrative Approval</i>		Date:	
FSG	Kilo	OPS	MM
		Other:	
Line Item Number	Description		Check #
Received	Entered	Processes	Disbursed
Via	PC Change		

Invoice

From :

No. _____

Date: _____

GET License No. _____

To: Painted Desert Demonstration Projects dba The STAR School
Attn: Marie Monroe, Business Manager
The STAR School
145 Leupp Road
Flagstaff, AZ 86004

<u>Date</u>	<u>Services Rendered</u>	<u>Hours</u>	<u>Hourly Fee</u>	<u>Charge</u>

Other Expenses

--	--	--	--	--

Sub-total	
Tax	
Total	

Orchid form 1.1 11/03



TO: _____ (Immediate Supervisor)

FROM: _____ TODAY'S DATE: _____

*Personal leave is requested for the following date/dates:
(If dates cover 2 pay periods, please submit a form for each period.)*

Is a substitute needed? No _____ Yes, half day _____ Yes, Full day _____
 EMERGENCY LEAVE (Request fewer than 5 days in advance): NO _____ YES _____
 If yes, give a reason

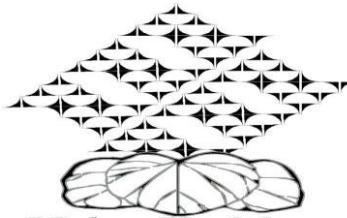
Number of personal days requested this year including the above: _____

Employee's Signature: _____

Recommendation/Comments of other applicable alaka'i:

Approved _____ *Approved without pay* _____ *Not Approved* _____

Approved by _____ *Date* _____ *Process: 5 working days*
Peach form 1.1 11/03



Hālau Kū Māna
The STAR School
145 Leupp Road
Flagstaff, AZ 86004
928-606-7419

VENDOR #

CompUSA, Inc.

Phone:
 Fax:
 Attn:

SHIP TO

Above address

Date of Order	Required Date	Requisition #	Terms	FOB	Budget Code

Item No.	Quantity	Description	Unit Price

--	--	--

Submit this form to the Program CEO. This form is due by the first Wednesday of each month. Supplies, if approved, will be purchased the Second Monday of each month.

Approval:

Program CEO

Governing Board

Date_____

Date_____