As part of the transition from a Targeted Assistance to a School Wide Title I program, Arizona Virtual Academy is totally restructuring the school using existing staff and tools. Under the new structure, all staff and related expenses will be part of the PMP. Because of the virtual nature of our school, we are able to completely restructure without incurring any incremental expense. The only staff increase would be due to growth but because of the restructure, all new staff will also be participating in the PMP.

Please consider the legislative changes each year that affect our revenue. Although we have more students this year than last, our ADM actually decreased due to changes in funding legislation and the ADM limiting factor. Last year AOI schools were funded based upon an alternative calendar and 20 hours of attendance per week. AOI program students are currently funded at only 95% of base allocation if they have perfect attendance and attend 180 days at an AOI school. All other students are only funded at 85%. In short, the school incurs the cost of more students but at a reduced funding.

In spite of a one- time accounting adjustment in 08-09 and reduced funding, the school remains fiscally viable for the foreseeable future. While Arizona Virtual Academy is fiscally viable without fundraising activities, the school utilizes the tax credit program and aggressively pursues donations to fund extracurricular activities. A recently formed parent group is also charged with raising funds for student activities. The financial policies and procedures we employ to ensure our ongoing fiscal viability:

Financial Policies and Procedures

AZVA Internal Control Guidelines

Internal controls are the methods and procedures used to provide reasonable assurance to:

1. Safeguard assets
2. Ensure validity of financial reports and records
3. Promote adherence to policies, procedures, regulations and laws
4. Promote effectiveness and efficiency of operations
5. Ensure financial systems are secure and backed up as needed.

Control Principals

Separation of Duties: Duties are divided so that no one person has complete control over a key function or activity.

The check signatory must not be the person who creates checks or who does the bookkeeping. Someone, other than the check signer, reconciles bank statements. A person other than the one recording the receipts prepares deposit documentation and reconciliations.

Authorization and Approval: Proposed transactions are authorized when they are consistent with policies, procedures, regulations and laws.

Custodial and Security Arrangements: Responsibility for custody of assets is separated from the related record keeping.

Review and Reconciliation: Records are examined and reconciled to determine that transactions were properly processed and approved.

Physical Controls: Equipment, inventories, and other assets are secured physically, counted periodically and compared with amounts shown on control records.

Training: Employees are trained to ensure that control processes function properly.

Internal Control Practices

Expense Reports

To properly control reimbursement activities, the Business Manager and Head of School are responsible for approving all expense reimbursements submitted by AZVA staff. The Office Manager is responsible for entering all payments into the appropriate general ledger and creating the checks. The Head of School or the Charter Representative signs the checks and expense reports approved through the procedure as defined above.

Authorization and Approval

Employees never approve actions affecting their own reimbursement. The Head of School and Business Manager have signature authority.

Review and Reconciliation

It is the policy of AZVA to have the bank statements addressed to the program's administrative office. Bank statements shall be reviewed and reconciled monthly by the Business Manager. The Charter Representative reviews the bank statements in advance of the reconciliation by the Business Manager. Copies of the bank reconciliation are forwarded to the K12 Controller monthly.

Procurement of Materials and Services

Separation of Duties

The Business Manager or Head of School shall approve all requests for purchases. The Office Manager shall be responsible for placing the orders and receiving materials ordered. All services to AZVA require a K12 Virtual Schools contract that details the specific charges for services which is approved by K12

School Management.

Authorization and Approval

The Business Manager or Office Manager reviews and approves the receipt of the order and invoice ensuring the appropriate amount is charged. The Technology Manager will add all new equipment purchased to the inventory list.

Supply and Equipment Inventories

The Technology Manager is responsible for taking quarterly inventory of all materials, computers, and supplies. The report is reviewed and approved by the Head of School for final approval.

General Ledger

A general ledger will be used to summarize, on a year-to-date basis, all accounting transactions. The accounting transaction will be classified according to the chart of accounts and account descriptions. Posting to the general ledger will be made automatically from the books of original entry. An accrual basis of accounting is in use. Manual journal entries will be written to record accounting transactions, which cannot logically or practically be entered in the other books of original entry. These transactions will include year-end accruals, corrections or previously recorded transactions, depreciation, etc.

Billing and Accounts Receivable

Separation of Duties

The Business Manager is responsible for (1) maintaining all accounts receivable records, (2) receiving or handling incoming payments, and (3) reconciling receivable records to the general ledger. The Business Manager is responsible for handling billing.

Review and Reconciliation

The Business Manager is responsible for reviewing and reconciling accounts receivable files on a monthly basis.

Grants

Management

Grants are co-managed by the Grant Coordinator and Business Manager including the application process and expenditures. All expenditures must be pre-approved by both the Grant Coordinator and Business Manager. The Business Manager prepares monthly cash management reports and an annual completion report for each grant. The Business Manager ensures that grant

expenditures are coded to the appropriate grant. All grant funded employees prepare monthly timesheets verifying the amount of time spent on each grant.

Budgetary Control

Budgets are prepared annually, based on estimates of revenues and expenses. Actual expenditures are compared to budgeted amounts on a monthly basis. The Business Manager provides monthly budget reports to the Head of School and school administrators. Monthly reports are submitted to PPEP & Affiliates and the AZVA Governing Body.

Information Systems

The computers that contains the accounting program and file is password protected. In addition, a backup copy of this file is made every weekday night.

Home Office Expenses

Home Office Set Up Policy

AZVA will reimburse teachers up to $250 for home office set up including phone and internet installation fees. AZVA will not reimburse teachers for furniture or equipment expenses. Please contact the school's business manager if you are uncertain about what constitutes furniture or equipment. All computer and telephone-related purchases must be pre-approved by the school's technology manager. AZVA requires that teachers use Vonage as the home office phone/internet provider if available. Teachers need to notify the business manager if Vonage is not an option. Supplies should be ordered through the Phoenix office via Office Max. Teachers will not be reimbursed for supplies unless the teacher seeks and receives approval in advance from the business manager. Teachers may pick up supplies from the Phoenix or Tucson office, whichever is more convenient.

Computer and Printer/Copier/Fax

AZVA will provide each teacher with a laptop computer and all-in-one printer to use while employed with the academy. The computer and printer will be maintained by AZVA. Staff members will not be reimbursed for purchasing new equipment. Costs associated with computer maintenance must be pre-approved by the business manager.

Post Office Box

All K-8 teachers are required to obtain a post office box at the local US post office for distribution to families. Post office boxes from private mail facilities must be pre-approved by the business manager. Private post office boxes will only be approved for areas where a local US post office is not available.

Employee Meals and Mileage Reimbursement

Meals
Employees are eligible for reimbursement for meals if they are on a school sponsored business trip lasting more than 8 hours or requires an overnight stay. Meals will not be reimbursed for trips that do not meet these requirements.

Mileage
Employees below the manager level are eligible for mileage reimbursement for school sponsored business trips in excess of 20 miles round trip. This includes lead and master teachers.

Administrative staff will be reimbursed for mileage in excess of 40 miles round trip with the exception of visits to the office. Tucson admin staff will not get reimbursed for travel to the Tucson office and Phoenix metro admin staff will not get reimbursed for travel to the Phoenix office.

AZVA staff members will be reimbursed at the current federal guidelines per mile for travel required to perform his/her job. If a staff member lives more than 250 miles from the final travel destination required for his/her job, he/she may purchase an airline ticket if the cost of the ticket is less than the mileage reimbursement amount. If a staff member lives less than 250 miles from the final travel destination required for his/her job, he/she may purchase an airline ticket if the cost of the ticket is less than the mileage reimbursement amount with the permission of the business manager received in advance. Airlines ticket purchases and mileage will be submitted by the staff member on the monthly expense reimbursement form pursuant to school policy.

Certification and Fingerprinting Expenses

Maintaining a valid teaching certificate and fingerprint clearance card are a condition of employment at AZVA. As such, these expenses are a regular part of continued employment and will not be reimbursed.

Expense Account Reimbursement Policies

1. Expense reports must be mailed to the office to arrive by the last Friday of the quarter. In order to be GAAP compliant, expenses must be recorded in the quarter they are incurred. For audit purposes, it is extremely important that expense reports get turned in quarterly with current expenses.
2. Use Standard Expense Report. Provide detailed descriptions so that expenses are correctly classified. Be very specific about the reason for your expense. Attach a receipt for every expense. Number receipts with the corresponding line item on the expense report and sign the expense report in ink. If you have any questions about where to code expenses, contact the business manager.

3. Always enter mileage as a number not dollars and attach a Mapquest map for audit purposes. If you make repeat trips, the business manager still needs a copy each month, again, for audit purposes. If you find that the Mapquest map doesn't adequately represent your mileage, note the exception on your expense report.
4. Supplies will not be reimbursed and should be ordered through the business manager from Office Max and picked up from the Tucson or Phoenix office.
5. Technical supplies such as extension cords, USB cables and routers are the responsibility of the employee. Be sure to check with the technology manager before ordering or buying any computer equipment or phones.
6. Any other expense over $25 needs to be pre-approved by an administrator or it may not be reimbursed.

Expense Report Procedures

Expense reports are processed by the Office Manager quarterly. To facilitate this process, it is important for employees to follow the following procedures when preparing individual expense reports.

- Properly categorize your expenses and code them to the correct accounts
- Attach receipts for all expenses (tape them to an 8 ½" x 11" sheet of paper).
- Double-check the math.
- Provide details regarding the expense in the expanded section at the bottom to include if the cost was related to professional development or testing, the names of guests and travel itinerary information for meals, entertainment, and travel expenses, as well as room to explain any other charges.

Below are some additional changes, tips, and reminders:

- Save all receipts and supporting data to verify expenses.
- If a receipt is unavailable, please indicate this in the detail column and include a brief written description of the charge as part of the supporting data.
- Purchasing of computer hardware, software, or office equipment is done by through the technology manager. If you have a need for specific hardware, software, or equipment, you must notify the technology manager. Purchasing this item on your own and submitting a reimbursement is not permitted.
- When expensing hotel bills, charges for Room and Room Tax ONLY should be shown under Lodging. Charges for phone, food, or other misc. charges on the hotel bill should be broken out and listed in the appropriate categories on the expense report.
- List each charge separately on the spreadsheet.
- When expensing charges for meals, entertainment and travel, use the expanded section at the bottom to include names of guests and travel itinerary information.
- Expense reports must be completed online using the Excel Expense Report template available on SharePoint and printed out.