

IDEA PUBLIC SCHOOLS
BOARD POLICY MANUAL
POLICY GROUP 5 – FISCAL MANAGEMENT

POLICY AOE
AUTHORIZATION FOR THE OBLIGATION AND EXPENDITURE OF FUNDS

Sec. 1. Purpose of Policy.

The Board of Directors (hereafter, the “Board”) of IDEA Public Schools (“IDEA”) shall endeavor to discharge its fiduciary duty to oversee IDEA’s finances by authorizing the obligation and expenditure of funds through the initial adoption and subsequent amendment of an annual budget. Through this policy, the Board shall address the legal requirements, as applicable, promulgated at:

- (a) Texas Constitution, Article III, Sec. 51, 52 and 53;
- (b) Texas Business Organizations Code (“Tex. Bus. Org. Code”) Sections 3.101, 22.201, 22.221 and 22.235;
- (c) Texas Education Code (“Tex. Ed. Code”) Sections 12.104(b)(1), 12.107, 12.111(a)(10), 12.115(a)(2), 12.121 and 44.052;
- (d) Texas Administrative Code, Title 19 (“19 TAC”), Sections 100.1033 and 100.1101; and
- (e) Financial Accountability System Resource Guide (“FASRG”).

Additionally, through this policy, the Board shall address best practices adopted by public schools.

Sec. 2. Authority Over Fiscal Matters.

Sec. 2.1. In accordance with state law, the Board has primary and ultimate authority over fiscal matters. If a matter or decision-making process is not addressed in this or other duly adopted policies of the Board, authority rests with the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board’s Authority Over Fiscal Matters Policy (the “Controlling Policy”) for requirements applicable to this policy.

Sec. 2.2. The Delegates (as defined in Sec. 3(b) of the Controlling Policy) shall report to the Board any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted,¹ interested² or related³ party, as defined in other Board policy or applicable law. IDEA (and its officers) may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

Sec. 3. Initial Adoption.⁴

Sec. 3.1. In accordance with the policy statements set forth in Sec. 8 of this policy, the Delegates or designee shall prepare and recommend an annual budget for IDEA as a whole and for certain offices and departments, as established under Sec. 8.4 of this policy (“Proposed Budget”), for consideration and adoption by the Board. In preparing the Proposed Budget, the Delegates or designee shall include any and all descriptions and amounts for estimated revenues from all

¹ Tex. Ed. Code § 12.1054; 19 TAC §§ 100.1131 through 100.1135

² 19 TAC § 100.1047(f)

³ Tex. Ed. Code § 12.1166

⁴ FASRG Module 1 and 2; Tex. Ed. Code §44.002

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sources of funding, both known and anticipated, and proposed expenses for personnel, professional and contracted services, real and personal property, debt service, materials, supplies, and other operating expenses reasonable and necessary for the conduct of IDEA’s operations and the furtherance of its mission.

Sec. 3.2. After reviewing, deliberating, and as appropriate and necessary, revising the Proposed Budget, the Board shall adopt the Proposed Budget during a meeting conducted pursuant to the Texas Open Meetings Act and applicable Board policy (“Adopted Budget”).

Sec. 3.3. Prior to submitting the Proposed Budget to the Board, the Delegates or designee shall first submit the Proposed Budget to the Board’s Finance Committee.

Sec. 4. Amendment.⁵

Sec. 4.1. During the course of the fiscal year, and in accordance with the policy statements set forth in Sec. 8 of this policy, the Delegates or designee shall prepare a proposed amendment to the Adopted Budget (“Proposed Amendment”) to account for any material variances between realized and estimated revenues and actual and budgeted expenses.

Sec. 4.2. For purposes of this section and in regard to revenues, a material variance is any difference between realized and estimated revenues that is equal to or greater than ten percent (10%) of the estimated revenues, as amended. For purposes of this subsection, the comparison shall be by major object classification.

Sec. 4.3. For purposes of this section and in regard to expenses, a material variance is any difference between actual and budgeted expenses that is equal to or greater than ten percent (10%) of the budgeted expenses, as amended. For purposes of this subsection, the comparison shall be at the level of detail as disclosed in the Adopted Budget, including the departmental budgets required under Sec. 8.4 of this policy.

Sec. 4.4. For purposes of this section, the Delegates or designee shall prepare a Proposed Amendment for an affected line item as presented to and adopted by the Board in the Adopted Budget or a Proposed Amendment. The Delegates or designee shall submit Proposed Amendments to the Board’s Finance Committee for review and approval. After reviewing, deliberating, and as appropriate and necessary, revising the Proposed Amendment, the Finance Committee shall approve the Proposed Amendment (“Approved Amendment”).

Sec. 4.5. At the Board’s discretion, the Board may, at any time, review any Approved Amendment subject to this policy and approve or disapprove the Finance Committee’s initial action on the Board’s behalf.

Sec. 4.6. The Delegates or designee shall obtain an Approved Amendment required under this section prior to the obligation and expenditure of funds.

⁵ FASRG Module 1 and 2; Tex. Ed. Code §§ 44.006 and 44.052

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Sec. 4.7. Prior to the conclusion of the fiscal year, the Delegates or designee shall prepare a final Proposed Amendment to the Adopted Budget, as amended, to account for all unfavorable, material variances between actual and budgeted expenses. For purposes of this subsection, and for the specific line item authorized by the Board, “unfavorable” means that actual expenses exceed budgeted expenses, as adopted and amended by the Board, and “material” means that the variance exceeds ten percent (10%) of the budgeted expenses, as adopted and amended by the Board.

Sec. 5. Authority to Obligate and Expend.⁶

Sec. 5.1. The Adopted Budget, as amended, constitutes the Board’s authorization to IDEA to obligate and expend funds. IDEA shall not obligate or expend any funds without the Board’s authorization as set forth in the Adopted Budget, as amended.

Sec. 5.2. Because the Board’s appropriation of funds is contingent on continued funding from the state and federal governments, the Delegates or designee shall include the following provisions in any agreement or contract, including a purchase order, that results in a business arrangement or transaction that extends beyond the current fiscal year.

- (a) A contract clause that enables the Board to terminate the agreement or contract at the end of the fiscal year if there is nonappropriation of funds.
- (b) A contract clause that allows the Board to make a best efforts attempt to obtain and appropriate funds for the payment of the contract.⁷

Sec. 6. Notice to the Public.⁸

Recognizing that transparency in the administration of public funds is of paramount importance to the administration of IDEA, the Board or designee shall publish a notice to the public of the meeting(s) at which it will deliberate and adopt the Proposed Budget and Proposed Amendments. The notice shall conform to the form and content requirements for other notices to the public of the meetings of the Board.

Sec. 7. Deadline for Adoption.⁹

The Delegates or designee shall submit the Proposed Budget to the Board and the Finance Committee at least ten (10) business days prior to the start of the fiscal year or school year, whichever date is earliest.

Sec. 8. Form and Content of Budget and Amendments.

Sec. 8.1. The Proposed Budget and all Proposed Amendments to the Adopted Budget presented by the Delegates or designee to the Board shall conform to the requirements set forth in this section.

⁶ FASRG Module 1 and 2; Tex. Ed. Code §44.052

⁷ Texas Local Government Code §271.903(a)

⁸ FASRG Module 1 and 2

⁹ *Ibid.*

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At its discretion, the Board may disapprove any Proposed Budget or Proposed Amendment not conforming to the requirements set forth herein.

Sec. 8.2. The Delegates or designee shall prepare the Proposed Budget and Proposed Amendments utilizing the account code structure required by the Texas Education Agency (TEA) and providing sufficient itemization to provide the Board and the Finance Committee meaningful financial information to make an informed decision.¹⁰ In the Proposed Budget, except for net assets (or fund balance), the Delegates or designee shall exclude any amounts set aside for future use without a specific purpose in mind and not include any amounts that do not constitute anticipated expenses. In this regard, all IDEA organizational units, including, without exception, the offices and departments of the officers identified in Sec. 5(a) through 5(h) of the Controlling Policy, shall adhere to the same budget preparation process.

Sec. 8.3. The Delegates or designee shall prepare a Proposed Budget and Proposed Amendments that include an adequate and sufficiently descriptive disclosure of the proposed expenses for:

- (a) salaries, wages and fringe benefits, including allowances, awards, gifts, incentives of any kind, and any form of monetary or in-kind benefit, both taxable and tax-exempt and irrespective of value;
- (b) professional services, as defined in state law;
- (c) public works and construction services contracts;
- (d) supplies, materials, travel, non-employee incentives, and other operating costs;
- (e) debt service;
- (f) the acquisition of capital assets, other than for public works; and
- (g) any other type of activity, cost, expense function, program, or service required by the Board or Finance Committee.

Sec. 8.4. In regard to the budgets associated with the offices and departments of the officers identified in Sec. 5(a) through 5(h) of the Controlling Policy, the Delegates or designee shall, without exception, prepare a separate Proposed Budget for each office and department (“Proposed Departmental Budgets”) that provides an adequate and sufficiently descriptive disclosure of the proposed expenses enumerated under Sec. 8.3 of this policy. Additionally, the Delegates or designee shall include in the Proposed Departmental Budgets any proposed expenses for beverages and food, membership dues, non-travel related meals and any other expense that may be characterized as a personal benefit or relating to entertainment or a social activity.

Sec. 8.5. An officer whose office or department is subject to Sec. 8.4 of this policy shall not administratively amend a departmental budget or transfer appropriated amounts from another organizational unit into the departmental budget except as established under this policy. Other than a Proposed Amendment conforming with the requirements set forth in this policy, the Delegates or designee shall not effectuate any administrative amendment or transfer. In any event, any

¹⁰ *Ibid.*

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administrative amendment or transfer, other than a Proposed Amendment conforming with the requirements set forth in this policy, shall be null and void and without effect.

Sec. 9. Accuracy of Revenue Estimate.¹¹

Recognizing the critical significance of an accurate revenue estimate upon which to make an informed decision as to the amounts to be appropriated for expenses in the Adopted Budget, the Delegates or designee shall prepare a revenue estimate that is found to be within ten percent (10%) of IDEA’s realized revenues.

Sec. 10. Proposed Expenses to Comply with Allowable Uses of Funds.¹²

The Delegates or designee shall prepare a Proposed Budget and Proposed Amendments that include proposed expenses that comply with applicable Board policy and state and federal law and are not prohibited as to purpose, for an activity, function, program, or service or for the purchase of a particular item or service.

Sec. 11. Financial Integrity Rating System of Texas (“FIRST”).¹³

The Delegates or designee shall prepare a Proposed Budget and Proposed Amendments that comply with FIRST and that yield a favorable financial accountability rating.

Sec. 12. Publication of Adopted Budget.¹⁴

After the Board adopts the Proposed Budget, the Delegates or designee shall post the Adopted Budget on IDEA’s website.

Sec. 13. Report to the Finance Committee.¹⁵

Within fifteen (15) business days after each calendar month, the Delegates or designee shall provide to the Board’s Finance Committee a comparison of actual expenses to budgeted expenses, as amended, and provide a statement accounting for any variances where actual expenses exceed budgeted expenses by ten percent (10%). In the statement, the Delegates or designee shall disclose any corrective measures undertaken to address any and all variances where actual expenses exceed budgeted expenses by ten percent (10%). The Finance Committee Chair shall report to the Board any findings under this section.

¹¹ 19 TAC §109.1001(f)(5); FIRST Indicator 10

¹² Tex. Ed. Code §§ 12.107 and 45.105(c); 19 TAC §100.1043(a)

¹³ 19 TAC §100.1047(b)(4)

¹⁴ 19 TAC §100.1032(2)K)

¹⁵ FASRG Module 2

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Sec. 14. Training and Updates.¹⁶

The Delegates or designee shall properly train officers and employees on the requirements of this policy and any administrative procedure(s) adopted to implement this policy. Additionally, the Delegates or designee shall keep officers and employees informed of any changes to this policy and related requirements.

Sec. 15. Administrative Procedures.¹⁷

The Delegates shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegates shall not adopt, and are prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegates shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegates shall either recommend an amendment to this policy or the Board's approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

Sec. 16. Date Adopted and Effective.

As set forth in the pertinent minutes to the meeting of the Board, the Board amended this policy on June 12, 2020, and it became effective on June 12, 2020.

Sec. 17. Retention.¹⁸

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter.

Sec. 18. Certification.

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to the Authorization for the Obligation and Expenditure of Funds, as originally adopted by the Board on May 1, 2020, and as subsequently

¹⁶ 2 CFR § 200.303(a), U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, 4.02 and 4.05.

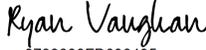
¹⁷ Tex. Ed. Code §12.115(a)(2); FASRG Module 2; 2 CFR §200.303. Consistent with 19 TAC § 100.1033(b)(14)(C)(iv), the Board has the final authority to adopt policies governing charter school operations, including authorizing the Delegates or designee to adopt an administrative procedure to implement this policy. Moreover, as set forth in IDEA's Articles of Incorporation and Bylaws and in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is IDEA's governing authority and, as such, manages and directs IDEA's business and affairs through Board actions, resolutions and policy.

¹⁸ Tex. Ed. Code §12.1052; 19 TAC §100.1203; *See* Record Number GR1000-38 and GR1025-25 in Local Schedule GR: Records Common to All Local Governments, Revised 5th Edition (Effective April 17, 2016) adopted by the Texas State Library and Archives Commission at Texas Administrative Code, Title 13, §7.125(a)(1).

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amended by the Board on June 12, 2020, which Policy, as amended, is in full force and effect and has not been revoked or amended.

DocuSigned by:


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Ryan Vaughan, Secretary

6/15/2020

Date Certified