

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

**POLICY APUF**  
**ALLOWABLE AND PROHIBITED USES 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 providing direction as to the allowable and prohibited uses of funds. 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 Property Code (“Tex. Prop. Code”), Chapter 163;
- (d) Texas Education Code (“Tex. Ed. Code”) Sections 12.104(b)(1), 12.107, 12.111(a)(10), 12.115(a)(2), 12.121, 42.168, 44.052, 45.105(b)/(c) and Chapter 48, Subchapters C and D;
- (e) Texas Administrative Code, Title 19 (“19 TAC”), Sections 89.1125, 100.1033, 100.1043, 100.1047 and 100.1101;
- (f) United States Code, Title 26, §501;
- (g) Code of Federal Regulations (“CFR”), Title 2, Part 200 and Title 26, Part 1;
- (h) Uniform Grant Management Standards; and
- (i) 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,<sup>1</sup> interested<sup>2</sup> or related<sup>3</sup> 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.

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<sup>1</sup> Tex. Ed. Code § 12.1054; 19 TAC §§ 100.1131 through 100.1135

<sup>2</sup> 19 TAC § 100.1047(f)

<sup>3</sup> Tex. Ed. Code § 12.1166

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**Sec. 3. Applicability of Policy.**

Unless otherwise noted herein, this policy applies to the use of local, state and Federal funds regardless of the originating source of the funds.

**Sec. 4. Prudent Person Rule.<sup>4</sup>**

In their use of funds, property and other organizational resources, such as established lines of credit and the talents of and time worked by employees and contractors, officers and employees shall limit their use of funds and property to purposes pertaining to IDEA's mission and to those activities, functions, programs, and services that are ordinary and necessary for the conduct of IDEA's mission. Importantly, in their use of funds, officers and employees shall only incur costs that, by their nature and amount, do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time that the decision was made to incur the cost. *See* Sec. 7 of the Controlling Policy.

**Sec. 5. Abuse and Waste Prohibited.**

In their use of funds, property and other organizational resources, such as established lines of credit and the talents of and time worked by employees and contractors, officers and employees shall observe the requirements set forth in Sec. 8 of the Controlling Policy.

**Sec. 6. Fiduciary Duty.<sup>5</sup>**

As fiduciaries, the Board and officers, as defined in Sec. 5 of the Controlling Policy, have been entrusted with funds for the benefit of IDEA's students. Accordingly, IDEA's funds, property and other resources shall be used for the benefit of IDEA's students to provide elementary and secondary instruction and to implement the approved open-enrollment charter, as amended.

**Sec. 7. Funds to Support Instructional Plan.**

The Board and officers, as defined in Sec. 5 of the Controlling Policy, shall ensure that funds are used to support the implementation of the IDEA's instructional plan.

**Sec. 8. Authority to Obligate and Expend.<sup>6</sup>**

As established in the Board's Policy governing the Authorization for the Obligation and Expenditure of Funds, officers and employees shall not obligate or expend any funds without the Board's authorization as set forth in the Adopted Budget, as amended.

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<sup>4</sup> Tex. Bus. Org. Code §22.221; Tex. Prop. Code §§ 163.004, 163.005 and 163.006; 2 CFR §200.303(a) and *Standards for Internal Control in the Federal Government* §8.03; 2 CFR §200.404; *Government Auditing Standards* §§ 6.23, 7.25, and 8.122; Uniform Grant Management Standards.

<sup>5</sup> Tex. Ed. Code §§ 12.102(1), 12.107(a) and 12.128(a); 19 TAC §§ 100.1001(6), 100.1043(a), and 100.1063(b)/(c).

<sup>6</sup> FASRG Module 1 and 2; Tex. Ed. Code §44.052

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**Sec. 9. General Requirement.**

Sec. 9.1. Recognizing that it is impractical to list every conceivable allowable use of funds and that a general framework is beneficial in guiding decisions regarding the use of funds, IDEA shall adhere to the general requirements set forth in this section prior to and when it obligates and expends funds.

Sec. 9.2. The proposed use of funds:

- (a) Is reasonable in its nature and amount;
- (b) Does not exceed that which a prudent person would incur under the circumstances prevailing at the time the decision was made to incur the cost(s);
- (c) Is ordinary and necessary to achieve the goals and implement the strategies and activities of the charter program and instructional plan;
- (d) Conforms to IDEA's documented and established practices;
- (e) Is generally or specifically allowed by applicable state or federal law, rule or other legal authority;
- (f) Is not prohibited by applicable state or federal law, rule or other legal requirement; and
- (g) Complies with Board policy and administrative procedures approved by the Delegates or designee.

**Sec. 10. Generally Authorized Expenses.<sup>7</sup>**

In general, consistent with Sec. 8 of this policy and the Board's Policy relating to the Authorization for the Obligation and Expenditure of Funds, IDEA is authorized to obligate and expend funds for the following purposes.

- (a) To compensate the Superintendent/Chief Executive Officer, teachers, janitors and other employees for employment services rendered.
- (b) To pay the interest for short-term loans acquired to compensate employees.
- (c) To purchase equipment, furniture, materials, software, supplies and vehicles.
- (d) To pay for insurance premiums.
- (e) To purchase real property for use as a school site pursuant to Board authorization.
- (f) To purchase, build, repair and rent school buildings pursuant to Board authorization.
- (g) As authorized by the Board, to acquire school buildings and real property by leasing through annual payments with an ultimate option to purchase.
- (h) For other purposes necessary in the conduct of the school as determined by the Board including for the following purposes.
  - (1) To develop and monitor a system of controls to ensure compliance with state and federal laws and rules.
  - (2) To administer state and federal grants.
  - (3) To conduct Board meetings and provide Board members with training.
  - (4) To procure legal, audit and other professional services necessary for the proper administration and oversight of IDEA.

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<sup>7</sup> Tex. Ed. Code §48.105(c)

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- (5) To record, compile, maintain and report data on student attendance, student enrollment, staff, finances, grants and other functions, programs, services and activities as required by the state and federal governments.
- (6) To develop, maintain and update a charter instructional plan including conducting a comprehensive needs assessment.
- (7) To conduct periodic assessments of students to identify potential learning deficiencies and to measure the students' progress towards desired academic goals.
- (8) For the upkeep and repair of facilities and instructional and instructionally related materials and equipment in the classroom and library, of food service equipment, and of vehicles.
- (9) To provide breakfast and lunch meals and snacks to students pursuant to the guidelines and requirements of the Texas Department of Agriculture.
- (10) To conduct field trips as authorized by the Board.
- (11) For athletic and band equipment, instruments, and uniforms.
- (12) To conduct graduation and award ceremonies recognizing the achievements of students and staff.
- (13) To conduct pre/post-employment physicals or drug testing and background checks.
- (14) For the research, development and maintenance of curriculum and innovative, new or modified instruction.
- (15) For in-service training or staff development for instructional and instructionally related staff conducted by a regional education service center, an outside consultant(s) or IDEA employee(s).
- (16) To travel to conduct official IDEA business activities, events and functions.
- (17) For utilities and the maintenance of telecommunication and computer networks and systems.
- (18) To provide a safe and drug free school environment.
- (19) For memberships in civic and professional organizations that further IDEA's mission.
- (20) For any other purpose, function, activity, program or service authorized by the Board through the adoption of IDEA's annual operating budget and charter instructional plan including any amendments thereto.
- (21) For other purposes determined by the Board to be in the best interest of IDEA's students.

**Sec. 11. Generally Prohibited Expenses.**

In general, IDEA is prohibited from obligating and expending funds for the following purposes.

- (a) Alcoholic beverages.
- (b) Any good or service for personal benefit or use.
- (c) Entertainment, including amusement, diversion, recreation, and social activities.
- (d) Field trips that are not part of a teacher's lesson plan or that do not meet the instructional objectives of the charter instructional plan.

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- (e) Fines and penalties levied against individuals.
- (f) Gifts.

**Sec. 12. Authorized Uses of Funds for Special Programs.<sup>8</sup>**

In addition to the general requirement and generally authorized expenses enumerated above, IDEA may use and may allow the use of state funds pertaining to state special programs for the purposes authorized in the relevant statutes.

**Sec. 13. Indirect Cost Limitation.<sup>9</sup>**

The Delegates or designee may use and may only allow the use of state funds provided for special programs for indirect costs up to the maximum allowed by state law and rule.

**Sec. 14. Authorized Uses of Funds for Federal Programs.**

The Delegates or designee may use and may allow the use of federal funds for those purposes authorized by federal law and rule and the approved grant application, as amended.

**Sec. 15. Documentation Required.**

The Delegates or designee shall prepare or cause to have prepared records for all uses of funds. All recorded uses of funds shall adequately demonstrate compliance with this policy and applicable legal requirements.

**Sec. 16. Monitoring and Oversight of Budgetary Authorization.**

The Delegates or designee(s) shall regularly monitor and oversee the use of funds through the review and approval of purchase requisitions, purchase orders, payment authorizations, travel authorization requests, travel reimbursement forms, receiving reports, itemized vendor invoices and receipts, and any and all other such original record deemed appropriate and necessary to ascertain if a proposed or actual use of funds constitutes an allowable cost. The Delegates or designee shall document monitoring and oversight activities.

**Sec. 17. Use of Restricted Philanthropic Funds.**

If a donor restricts a contribution or IDEA implies or states a specific purpose for its fundraising effort(s), the Delegates or designee may only use or allow the use of the contribution(s) received for the restricted purpose. See Board Policy relating to Fundraising and Gift Acceptance.

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<sup>8</sup> Tex. Ed. Code Chapters 29 and 48.

<sup>9</sup> Tex. Ed. Code §§ 48.102(h), 48.104(k), 48.105(b), 48.106(c) and 48.110(i).

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**Sec. 18. Use of Funds for Sponsorships.<sup>10</sup>**

Sec. 18.1. If IDEA funds are to be used for a sponsorship relating an activity, event, or function that benefits another organization, IDEA shall adhere to the requirements set forth in this section.

Sec. 18.2. The Board's authority under this section is set forth in Tex. Ed. Code §§ 12.107(a) and 45.105(c) relating to the use of public funds for other purposes necessary in the conduct of the public schools determined by the Board to benefit IDEA's students.

Sec. 18.3. The Board shall approve any amount appropriated for sponsorships in accordance with the Board Policy relating to the Authorization for the Obligation and Expenditure of Funds. In doing so, the Board shall first determine whether the proposed sponsorship is appropriate or conducive to the conduct of a public school. Accordingly, the Board shall require that the Delegates:

- (a) Identify the public purpose, amount, fund source and return benefit to IDEA for the proposed expenditure: and
- (b) Certify that:
  - (1) The legal requirements applicable to the fund source to be used allows and does not otherwise prohibit the proposed expenditure;
  - (2) The proposed expenditure's predominant purpose is to accomplish a public purpose<sup>11</sup> and not to benefit private parties;<sup>12</sup>
  - (3) IDEA shall retain sufficient control over the expenditure to ensure that the public purpose is accomplished;
  - (4) IDEA shall receive a return benefit; and
  - (5) The proposed expenditure shall provide a clear public benefit in return.<sup>13</sup>

<sup>10</sup> Attorney General of Texas Opinion No. GA-0076, GA-0743, KP-0099 and KP-0204.

<sup>11</sup> See Tex. Att'y Gen. Op. No. GA-0743 (2009) at 2 ("The public purpose served by the expenditure must be an authorized public purpose of the political subdivision."). Thus, to meet this requirement, the Board must reasonably find that the sponsorship will yield the return benefit claimed and that said benefit serves the purposes of the open-enrollment charter or the charitable purposes of IDEA.

<sup>12</sup> See Tex. Att'y Gen. Op. No. GA-0076 (2003) at 6 ("An expenditure to accomplish a public purpose is constitutional even though it incidentally benefits a private interest.").

<sup>13</sup> See Tex. Att'y Gen. Op. No. KP-0099 (2016) at 5 ("In utilizing this test to evaluate public expenditures, Texas courts have suggested that ... (3) what constitutes an adequate return benefit depends on a variety of specific circumstances but is called into doubt if there is such a gross disparity in the relative values exchanged as to show unconscionability, bad faith, or fraud.").

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Sec. 18.4. Subsequent to the expenditure of IDEA funds for the sponsorship approved by the Board, the Delegates shall inform the Board, in writing, of the actual use of funds for a sponsorship and of the actual return benefit received by IDEA.

Sec. 18.5. Notwithstanding the above, the Delegates shall have approval for any sponsorship amount that is \$200 or less.

**Sec. 19. Training and Updates.<sup>14</sup>**

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. 20. Administrative Procedures.<sup>15</sup>**

The Delegates or designee shall prepare and 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 or designee shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegates or designee shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy and whereby an amendment to this policy or deviation shall be proposed and adopted.

**Sec. 21. Date Adopted and Effective.**

As set forth in the pertinent minutes to the meeting of the Board, the Board amended this policy on October 22, 2021, June 12, 2020, and it became effective on October 22, 2021, 2021.

**Sec. 22. Retention.<sup>16</sup>**

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

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<sup>14</sup> 2 CFR § 200.303(a), U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, 4.02 and 4.05.

<sup>15</sup> 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.

<sup>16</sup> 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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**Sec. 23. 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 amended by the Board on June 12, 2020, and October 22, 2021, which Policy, as amended, is in full force and effect and has not been revoked or amended.

DocuSigned by:

*Ryan Vaughan*

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Ryan Vaughan, Secretary

10/27/2021

Date Certified