

IDEA Public Schools

FINANCIAL REPORTING POLICY



IDEA PUBLIC SCHOOLS BOARD POLICY
FINANCIAL REPORTING POLICY

Contents

Sec. 1. Purpose of Policy..... 3

Sec. 2. Authority Over Fiscal Matters 3

Sec. 3. Development of Monthly Financial Statements and Budget Amendments. 3

Sec. 4. Presenting Financial Statements and Budget Amendments to the Finance Committee..... 4

Sec. 5. Financial Reporting Data Submission..... 4

Sec. 6. IRS Filings. 4

Sec. 7. Annual Audit; Annual Financial and Compliance Report. 5

 Sec. 7.1. Annual and Interim Audits. 5

 Sec. 7.2. Independent Auditor’s Qualifications. 5

 Sec. 7.3. Report Requirements..... 6

 Sec. 7.3.1. Report Content. 6

 Sec. 7.3.2. Accounting Policy. 6

 Sec. 7.3.3. Board Approval. 6

Sec. 8. Training and Updates. 7

Sec. 9. Administrative Procedures. 7

Sec. 10. Date Adopted and Effective. 7

Sec. 11. Retention. 7

IDEA PUBLIC SCHOOLS BOARD POLICY
FINANCIAL REPORTING POLICY

Sec. 1. PURPOSE OF POLICY.

Through this policy, the Board of Directors (“Board”) of IDEA Public Schools (“IDEA”) shall address the legal requirements contained in the following laws and rules:

- (a) Texas Education Code (“Tex. Ed. Code”) Sections 12.115(a)(2) and 12.1162(a)(2);
- (b) Texas Business Organizations Code (“Tex. Bus. Org. Code”);
- (c) Texas Administrative Code, Title 19 (“19 TAC”);
- (d) Code of Federal Regulations, Title 2 (“2 CFR”), Part 200;
- (e) Financial Accountability System Resource Guide (“FASRG”);
- (f) *Standards for Internal Control in the Federal Government*; and
- (g) *Government Auditing Standards*.

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 interested,² 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. See Sec. 3.3 of this policy.

Sec. 3. DEVELOPMENT OF MONTHLY FINANCIAL STATEMENTS AND BUDGET AMENDMENTS.

Sec. 3.1. Except for the first and last month of the fiscal year, IDEA Business Office staff shall prepare and provide unaudited financial statements to the Board’s Audit Committee, Finance Committee and to Internal Audits within ten (10) business days after the end of each calendar month. The Chair of the Finance Committee may grant extensions as appropriate and necessary.

Sec. 3.2. As appropriate and necessary and consistent with Board policy governing the annual operating budget, the Delegates or designee shall prepare amendments to the budget adopted by the Board. In accordance with applicable law, no obligation of funds or expenditure may be made prior to the Board’s budget approval or approval of a budget amendment.

Sec. 3.3. Within fifteen (15) business days after the end of each calendar month, the Delegates or designee shall prepare and provide to the Board’s Audit Committee, Finance Committee, and to Internal Audits a sufficiently detailed report disclosing, **without exception**, any and 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

**IDEA PUBLIC SCHOOLS BOARD POLICY
FINANCIAL REPORTING POLICY**

- (a) Business arrangements and transactions with an officer and any conflicted, interested, or related party, see Sec. 2.2 of this policy;
- (b) Transfers of revenues and/or expenses between any departmental and/or campus budget;
- (c) Instances of a corporate charge or credit account cardholder who failed to comply with applicable Board policy and administrative procedure relating to IDEA's corporate charge or credit accounts and who incurred prohibited expenses, including the amount(s) that the cardholder refunded to IDEA or that the cardholder was required to pay from personal funds and any penalty and/or interest incurred by IDEA;
- (d) Purchases of property and/or services that did not conform to the Board's policy on purchasing; and
- (e) Observed noncompliance and weaknesses in internal controls, regardless of materiality.

Sec. 4. PRESENTING FINANCIAL STATEMENTS AND BUDGET AMENDMENTS TO THE FINANCE COMMITTEE.

The Finance Committee shall meet at least once a month to approve unaudited financial statements and budget amendments. IDEA Business Office staff shall address any inquiries from the Finance Committee regarding budget amendments and financial disclosures during these meetings. Upon approval, the Finance Committee chair shall submit the financial statements and budget amendments to the Board for its review and approval.

Sec. 5. FINANCIAL REPORTING DATA SUBMISSION.

IDEA shall submit, in the form and manner specified by the Texas Education Agency ("TEA") or other grantor entity/agency and by the date required under applicable law or rule:

- (a) A financial and compliance report, management letter (if issued by the independent auditor) and any required template;
- (b) Budgeted financial data and actual, audited financial data to the Public Education Information Management System ("PEIMS");
- (c) Expenditure reports for draw down requests from grants awarded by the TEA or other grantor entity/agency; and
- (d) Other forms and reports required by state or federal law or rule.

Sec. 6. IRS FILINGS.

In accordance with the Internal Revenue Code and Treasury Regulations, IDEA shall file a Form 990 annually on or before the date due. Additionally, IDEA shall file Form 941s quarterly on or before the dates due. The 990 and 941s shall be presented to the Finance Committee for review and approval before filing.

IDEA PUBLIC SCHOOLS BOARD POLICY
FINANCIAL REPORTING POLICY

Sec. 7. ANNUAL AUDIT; ANNUAL FINANCIAL AND COMPLIANCE REPORT.

Sec. 7.1. Annual and Interim Audits.

Sec. 7.1.1. In accordance with the Professional Services Procurement Act, IDEA shall procure the services of a certified public accountant that meets the requirements established in rule by the TEA to conduct an annual, independent audit of its financial statements, the financial and programmatic operations of IDEA, and the accuracy of the fiscal information submitted through the PEIMS and to provide an opinion on the financial statements and issue a report on internal control over financial reporting and on compliance and a report on compliance for major federal programs and on internal control over compliance.⁴

Sec. 7.1.2. The Delegates or designee shall ensure that the independent auditor conducts both an interim and end of year audit for each fiscal year.

Sec. 7.2. Independent Auditor's Qualifications.

Sec. 7.2.1. The independent auditor shall:

- (a) Be associated with a CPA firm that has a current valid license issued by the Texas State Board of Public Accountancy;
- (b) Be a CPA with a current valid license issued by the Texas State Board of Public Accountancy; and
- (c) Adhere to the generally accepted auditing standards (GAAS), adopted by the American Institute of CPAs (AICPA), as amended, and the generally accepted government auditing standards (GAGAS), adopted by the U.S. Government Accountability Office, as amended.⁵

Sec. 7.2.2. The CPA firm required under Sec. 7.2.1(a) of this policy must:

- (a) Be a member of the AICPA Governmental Audit Quality Center (GAQC);
- (b) Adhere to GAQC's membership requirements; and
- (c) Collectively have the knowledge, skills, and experience to be competent for the audit being conducted, including thorough knowledge of GAGAS and:
 - (1) Texas public school district environment; or
 - (2) public sector; or
 - (3) nonprofit sector.⁶

⁴ 19 TAC §100.1047(c); 19 TAC §109.23(d)

⁵ 19 TAC §109.23(d)(1)

⁶ 19 TAC §109.23(d)(2)

IDEA PUBLIC SCHOOLS BOARD POLICY
FINANCIAL REPORTING POLICY

Sec. 7.3. Report Requirements.

Sec. 7.3.1. Report Content.

The Delegates or designee shall ensure that the annual financial and compliance report includes the content, reports, schedules and note disclosures required under generally accepted accounting principles (“GAAP”), as promulgated by the Financial Accounting Standards Board, and pursuant to the financial reporting requirements adopted by the TEA in the FASRG. The Delegates or designee shall ensure that the annual financial and compliance report includes financial and other information for the corporation as a whole and for its open-enrollment charter school.⁷

Sec. 7.3.2. Accounting Policy.

Consistent with GAAP, IDEA shall observe the following accounting policies:

- (a) *Cash equivalents.* For financial statement purposes, IDEA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- (b) *Notes receivables.* IDEA considers notes receivable from IDEA graduates enrolled in a post-secondary educational program to be fully uncollectible. Accordingly, IDEA shall record an allowance for doubtful accounts for financial statement purposes.
- (c) *Restricted support.* IDEA shall report restricted support as temporarily restricted regardless of whether or not the restrictions are met within the same fiscal year.
- (d) *Amortization and depreciation expense.* IDEA shall record amortization and depreciation expense using the straight-line method and the useful life of the asset or the estimated useful lives for each asset class established in the Board’s Capital Assets Policy.

Except as specified in Sec. 7.3.2 of this policy, the Delegates or designee may recommend for adoption such other accounting policies as the Delegates or designee deems appropriate and necessary. These shall be reviewed by the Finance Committee and approved by the Board. In this adoption process, the Delegates or designee may consult with IDEA’s independent auditor or another CPA. At the Board’s discretion, the Board may review any accounting policy recommended for adoption by the Delegates or designee under this subsection and may approve or disapprove said policy.

Sec. 7.3.3. Board Approval.

The Board shall review and approve, or disapprove, the content of the annual financial and compliance report before it is submitted to the TEA. If the Board disapproves the content of the report, the Board shall state its disapproval, including the reason(s) for disapproving the report’s content, in writing to the TEA.

⁷ 19 TAC §100.1047(b); Tex. Bus. Org. Code §22.352

**IDEA PUBLIC SCHOOLS BOARD POLICY
FINANCIAL REPORTING POLICY**

Sec. 8. TRAINING AND UPDATES.

The Delegates or designee shall properly train or ensure training is provided to IDEA officers and employees on the requirements of this policy and any administrative procedures adopted to implement this policy. Additionally, the Delegates or designee shall keep IDEA officers and employees informed of any changes to this policy and related requirements.

Sec. 9. ADMINISTRATIVE PROCEDURES.⁸

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 and 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. 10. 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. 11. RETENTION.⁹

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter in accordance with record retention law.

⁸ 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.

⁹ 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).

IDEA PUBLIC SCHOOLS BOARD POLICY
FINANCIAL REPORTING POLICY

Sec. 12. 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, which Policy, as amended, is in full force and effect and has not been revoked or amended.

DocuSigned by:

Ryan Vaughan

8733808FD696495...

Ryan Vaughan, Secretary

6/15/2020

Date Certified