PG-5.190: FINANCIAL REPORTING

Sec. 1. PURPOSE OF POLICY.

Through this policy, the Board of Directors (hereafter, the "Board") of Tejano Center for Community Concerns doing business as Raul Yzaguirre Schools for Success (hereafter, the "School") shall address the legal requirements, as applicable, promulgated at:

(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 Policy relating to its Authority Over Fiscal Matters (the "Controlling Policy") for requirements applicable to this policy.

Sec. 2.2. The Delegate, as defined in Sec. 3.2 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 related[3] party, as defined in other Board policy or applicable law. The School 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. 2.3. As established in Sec. 4 of the Controlling Policy, where the Delegate is authorized to confer authority to a designee (as denoted by the phrase "or designee"), the Delegate may confer such authority to a single designee.

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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

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

Sec. 3.1. Except for the first and last month of the fiscal year, the Delegate or designee shall prepare and provide unaudited financial statements to the Board within ten (10) business days after the end of each calendar month. The Board Chair 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 Delegate 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 ten (10) business days after the end of each calendar month, the Delegate or designee shall prepare and provide to the Board a sufficiently detailed report disclosing, **without exception**, any and all:

(a) In accordance with Sec. 2.2 of this policy, business arrangements and transactions with an officer and any conflicted, interested, or related party;

(b) Instances of a corporate charge or credit account cardholder who failed to comply with applicable Board policy and administrative procedure relating to the School's corporate charge or credit accounts and who incurred prohibited expenses, including the amount(s) that the cardholder refunded to the School or that the cardholder was required to pay from personal funds and any penalty and/or interest incurred by the School;

(c) Purchases of property and/or services that did not conform to the Board's policy on purchasing; and

(d) Observed noncompliance and weaknesses in internal controls, regardless of materiality.

Sec. 4. PRESENTING FINANCIAL STATEMENTS AND BUDGET AMENDMENTS TO BOARD.

During each meeting, the Board shall review approve unaudited financial statements and budget amendments. The Delegate or designee shall address any inquiries from the Board regarding budget amendments and financial disclosures during these meetings.

Sec. 5. FINANCIAL REPORTING DATA SUBMISSION.

The School shall submit, in the form and manner specified by the Texas Education Agency ("TEA") or other grantor or regulatory entity 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 supplementary data submission;

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(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; 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, the School shall file a Form 990 annually on or before the date due. Additionally, the School shall file Form 941s quarterly on or before the dates due. The 990 and 941s shall be presented to the Board for review and approval before filing.

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, the School 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 the School, 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 Delegate 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

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

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(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]

Sec. 7.3. Report Requirements.

Sec. 7.3.1. REPORT CONTENT.

The Delegate 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 Delegate 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, the School shall observe the following accounting policies:

(a) *Cash equivalents*. For financial statement purposes, the School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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5 19 TAC §109.23(d)(1)
6 19 TAC §109.23(d)(2)
7 19 TAC §100.1047(b); Tex. Bus. Org. Code §22.352

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(b) *Restricted support*. The School shall report restricted support as temporarily restricted regardless of whether or not the restrictions are met within the same fiscal year.

(c) *Amortization and depreciation expense*. The School 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 Delegate or designee may recommend for adoption such other accounting policies as the Delegate or designee deems appropriate and necessary. These shall be reviewed and approved by the Board. In this adoption process, the Delegate or designee may consult with the School's independent auditor or another CPA. At the Board's discretion, the Board may review any accounting policy recommended for adoption by the Delegate 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.

Sec. 8. TRAINING AND UPDATES.[8]

The Delegate 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 Delegate or designee shall keep officers and employees informed of any changes to this policy and related requirements.

Sec. 9. ADMINISTRATIVE PROCEDURES.[9]

The Delegate 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 Delegate shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegate 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 Delegate shall either recommend an amendment to this policy or

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[8] 2 CFR § 200.303(a), U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, 4.02 and 4.05.

[9] 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, in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is the governing authority and, as such, manages and directs the School's business and affairs through Board actions, resolutions and policy.

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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 adopted this policy on MDY and became effective on MDY.

Sec. 11. RETENTION.[10]

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

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 Financial Reporting, as originally adopted by the Board on MDY, which Policy, as amended, is in full force and effect and has not been revoked or amended.

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[INSERT NAME HERE.], Secretary

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Date Certified

[10] 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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