

Heritage Academy BOARD POLICY MANUAL
POLICY GROUP 5 – FISCAL MANAGEMENT
BUDGETARY AUTHORIZATION

PG-5.3

Sec. 1. Purpose of Policy.

The Board of Directors (hereafter, the “Board”) and Superintendent/Chief Executive Officer (hereafter, “Superintendent”) of Heritage Academy Charter Schools, Inc. doing business as Heritage Academy (hereafter, the “Academy”) shall endeavor to safeguard the use of Academy funds and to further the Academy’s mission and facilitate the implementation of the charter program through the effective use of an annual operating budget. Through this policy, the Board shall address the legal requirements, as applicable, promulgated at:

- (a) Texas Education Code Sections 12.107 and 12.111(a)(10);
- (b) Texas Administrative Code, Title 19 (“19 TAC”), Sections 100.1032(2)(K), 100.1033(b)(13)(C)(ii), 100.1043 and 100.1047;
- (c) Code of Federal Regulations, Title 2, Sections 200.302(b)(3)/(4)/(5) and 200.308; and
- (d) Financial Accountability System Resource Guide (“FASRG”) Modules 2, 10 and 11.

Sec. 2. Applicability of Policy.

This policy pertains to the initial adoption and subsequent amendment(s) of the Academy’s annual operating budget for local, state and federal sources of funding.

Sec. 3. Designee(s).

In this policy, where the Superintendent is authorized to delegate authority to a designee (as denoted by the phrase “or designee”), the Superintendent may delegate such authority to a designee. If the Superintendent delegates authority to a designee, the Superintendent shall do so in writing through an administrative procedure, job description or internal memorandum. The Superintendent’s delegation of authority to a designee must be specific, must cite the policy section from which it is derived, and must utilize thresholds for each approval level. Any delegation of authority to a designee not documented as set forth in this section shall be null and void.

Sec. 4. Final Authority.

The Board shall have final authority to adopt and amend the Academy’s annual operating budget.

Sec. 5. Authority to Obligate and Expend.

The budget, as amended, constitutes the Board’s authorization to the Superintendent or designee to obligate and expend funds. The Superintendent or designee and Academy employees shall not obligate or expend any funds without the Board’s authorization as set forth in the budget, as amended.

Sec. 6. Adoption and Amendment of Budget.

Sec. 6.1. Prior to the start of a fiscal year, before the obligation of public funds for the fiscal year and for a regularly scheduled meeting of the Board prior to the start of the fiscal year, the Superintendent or designee shall annually prepare and recommend a budget for consideration and adoption by the Board.

Sec. 6.2. Prior to the start of a fiscal year and before the obligation of public funds for the fiscal year, the Board shall adopt an annual operating budget.

Sec. 6.3. If the Superintendent or designee determines that an expense(s) will result in the total actual expenses for a function to exceed ten percent (10%) of the total budgeted expenses, the Superintendent or designee shall prepare and recommend a budget amendment for consideration and adoption by the Board. The Board may adopt the proposed or an alternate amendment to the budget.

Sec. 6.4. The Board's Secretary shall ensure that the Board's adoption of the budget and subsequent amendments is properly recorded in the minutes to the pertinent Board meeting. The Secretary shall also ensure that the adopted budget or amendment is included in the minutes as an exhibit.

Sec. 7. Preparation, Form and Content of Budget and Amendments.

The Superintendent or designee shall prepare, or cause to be prepared, a proposed budget and subsequent amendments to the approved budget consistent with the requirements and standards promulgated in FASRG Modules 2 and 10 and utilizing the account code structure required by the Texas Education Agency in FASRG Module 11. Accordingly, for each net asset classification, the proposed budget and subsequent amendments shall account for and include all estimated revenues and proposed expenses by function code and by object code within each function code.

Sec. 8. Publication of Adopted Budget.

The Superintendent or designee shall prominently post the adopted budget and any subsequently amended budget on the Academy's website. The Academy shall maintain the adopted or amended budget on its website until the third anniversary of the date that the budget was adopted by the Board.

Sec. 9. Alignment to Instructional Plan.

The Superintendent or designee shall align or ensure the alignment of the budget to the Academy's instructional plan for the corresponding academic year. Importantly, the Superintendent or designee shall use the instructional plan to direct and otherwise guide the development of the annual operating budget.

Sec. 10. Revenue Estimate.

The estimated revenues shall include local, state and federal sources of funding. In estimating the revenues from the Foundation School Program (FSP), the Superintendent or designee shall use the Estimates of State Aid Entitlement Template, or other equivalent financial tool to calculate an estimate of FSP revenues. The estimate of FSP revenues shall include:

- (a) An estimate of student enrollment that considers the number of students enrolled for the upcoming school year and the historical percentage of students that historically withdraw from the Academy based on over an average of the last three school years;
- (b) An estimate of student attendance that considers the historical rate of attendance for the last three school years; and
- (c) A conservative estimate of student enrollment and student attendance.

Sec. 11. Limitation of Expenses.

Except in times of financial exigency, the Superintendent or designee shall not propose, nor shall the Board approve, a budget or an amendment that results in a deficiency in net assets arising from proposed expenses exceeding estimated revenues.

Sec. 12. Surplus in Net Assets.

Except in times of financial exigency, the Superintendent or designee shall prepare a budget, and subsequent amendments, projecting a surplus in net assets arising from estimated revenues exceeding proposed expenses.

Sec. 13. Proposed Expenses to Comply with Allowable Uses of Funds.

The Superintendent or designee shall prepare a budget and budget amendments that includes proposed expenses that comply with Board policy and applicable law concerning the allowable uses of funds.

Sec. 14. Monitoring and Oversight of Budgetary Authorization.

Sec. 14.1. The Superintendent or designee shall regularly monitor and oversee the Academy's budget, as amended by the Board, through the review of status reports comparing estimated revenues to realized revenues and budgeted expenses to actual expenses. Additionally, the Superintendent or designee shall review status reports for student enrollment and student attendance to ascertain any adverse impact to estimated revenues and to assess the need for adjustments to budgeted expenses.

Sec. 14.2. When incurring obligations and expenses, the Superintendent or designee shall develop, implement and maintain a system of controls and records that facilitates the use of public funds in conformance with the adopted budget, as amended, and applicable law and rule.

Sec. 14.3. After reviewing the status reports, the Superintendent or designee shall propose amendments to the budget for each function code with a variance of ten percent (10%) or more from the original or subsequently amended budgeted expense.

Sec. 14.4. If realized revenues vary unfavorably from estimated revenues by ten percent (10%) or more from the original or subsequently adopted revenue estimate, the Superintendent or designee shall propose amendments to the budget to mitigate the risk of a deficit in net assets.

Sec. 14.5. At the final regular Board meeting for the fiscal year, the Superintendent or designee shall identify and address any variances of ten percent (10%) or more from the original or subsequently amended budgeted expense.

Sec. 15. Administrative Procedures.

The Superintendent or designee shall prepare and formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law.