

HEALTH LEADERSHIP HIGH SCHOOL

FISCAL POLICIES

Approved by GC on 08/28/2024 / 10/2/2024

200: HUMAN RESOURCES

500.0X – FISCAL OVERVIEW

500.1X – BUDGET

500.2X – PAYROLL

500.3X – PURCHASING

500.4X – CASH

500.5X – INVENTORY/FIXED ASSETS/LEASES/SBITAs

500.6X – GENERAL LEDGER

200.12 - PERSONAL BUSINESS

Staff members should not engage in selling anything to students or staff for personal gain, conduct personal business at school using the school phone or the internet. Staff members shall not engage in use of HLHS telephones, cell phones, or electronic devices for non-business related activities including but not limited to personal calls, text messaging, social networking, etc. during duty hours. These practices are unethical and may result in disciplinary action that could include dismissal.

200.18 - WHISTLE BLOWERS

As part of its duties, the HLHS Governing Council is responsible for the property of Health Leadership High School. The Council does not allow unlawful or dishonest use or misuse of Health Leadership High School property by employees. All Health Leadership High School employees are encouraged to report possible unlawful or dishonest use or misuse of Health Leadership High School property. Employees must be able to confidentially express their reasonable concerns about unlawful or dishonest use or misuse of school property by school employees without fear of retaliation. Employees must be given a means to report such conduct to the Principal and/or the Governing Council. The Principal shall develop a procedure to implement this policy.

200.20 - HIRING

New employees are hired by the Director, who prepares, with the assistance of the Business Manager, a contract. Contract is signed by the Director and employee and a copy is kept by the school in the personnel file of the employee. It is the sole responsibility of the employee to submit the required documentation to the Business Office.

500.01 – FISCAL MANAGEMENT

It is the policy of HLHS to demonstrate the highest degree of accountability to PED, parents, employees and the public in general. It is the policy of HLHS that its business affairs be

conducted in compliance with all applicable laws, regulations, PED policies and internal policies promulgated by the school's Governing Council. Furthermore, it is the responsibility of the Governing Council and the Administration to oversee the school's business affairs, any specific policies promulgated by the school's Governing Council shall control, so long as they are not inconsistent with applicable law, regulations, and PED policies.

500.02 – FISCAL RESPONSIBILITY

The Council will appoint a Finance and Audit Committee ("Committee") to oversee the financial aspects of the HLHS Operations. In addition, the Executive Director and Business Manager shall serve as ex-officio members on both Committees.

Annually the Council will approve the budget, which should include both expected revenues and approved broad spending categories.

Review and approve the financial statements that are presented by the Committee and Executive Director at least quarterly.

Review the recommendation of the Committee and Executive Director for the Accountant/Controller position.

Review and approve of the recommendation of the Committee and Executive Director for the investment policies of any held funds.

Approve the initial and any future revisions of the Fiscal Policies and Procedures of HLHS.

500.03 – THE FUNCTIONING OF THE GOVERNING COUNCIL AND ITS COMMITTEES

As used in this section, "governing council" includes the governing authority of a charter school. The Finance Subcommittee shall serve as an external monitoring committee on budget and other financial matters.

The governing council is charged with appointing at least two governing council members to serve as a Finance Subcommittee to assist the council in carrying out its budget and finance duties. The names of the two governing council members of the Finance Committee shall be identified in the minutes of the governing council. This Finance subcommittee shall make recommendations to the school governing council in the following areas:

- Financial planning, including reviews of the school's revenue and expenditure projections;
- Review of financial statements and periodic monitoring of revenues and expenditures;
- Annual budget preparation and oversight; and
- Procurement.

500.04 - AUDIT COMMITTEE

The governing council shall appoint an audit committee that consists of two or more governing council members, one volunteer member who is a parent of a student attending that school and

one volunteer member who has experience in accounting or financial matters. If possible, these shall all be separate individuals. However, in recognition of the fact that the school has a limited pool of individuals from which to draw, it is permissible for one or more of the above mentioned positions to be held by the same individual. For example, a parent of a student who also has experience in accounting or financial matters may fill both positions. The Director and the school business manager shall serve as ex-officio members of the committee. At such times as the governing council has more than five members, it may appoint more than two governing council members to its audit committee. The audit committee shall:

- Review the request for proposal for annual financial audit services;
- Attend the entrance and exit conferences for annual and special audits;
- Depending on the timing of the audit, and when time permits, meet with external financial auditors at least monthly after audit field work begins until the conclusion of the audit;
- Be accessible to the external financial auditors as requested to facilitate communication with the governing council and the Director;
- Track and report progress on the status of the most recent audit findings and advise the local governing council on policy changes needed to address audit findings;
- Provide other advice and assistance as requested by the local governing council; and
- Be subject to the same requirements regarding the confidentiality of audit information as those imposed upon the local governing council by The Audit Act (Section 12-6-1, NMSA 1978) and rules of the state auditor (2.2.2, NMAC).

The Audit Subcommittee's role is primarily to provide assistance to management in fulfilling its responsibilities with respect to its oversight of the following:

- The quality and integrity of the school's accounting and reporting practices and controls, and the financial statements and reports of the school;
- The school's compliance with legal and regulatory requirements;
- The independent auditor's qualifications and independence; and
- The performance of both the school's internal audit function and independent auditors.

500.05 - FISCAL ACCOUNTING AND REPORTING

The Governance Council is responsible for the control of all funds of the Charter including funds collected at individual schools. The Director shall be responsible for the development and maintenance of all procedures necessary to ensure adequate fiscal control. The Director and business staff shall establish and maintain a complete auditable financial system which meets all statutory and regulatory requirements and guidelines of the State of New Mexico (The Manual of Procedure for Public School Accounting and Budgeting). Such a system shall be defined in administrative procedure and reviewed by the Finance Committee.

500.10 – ANNUAL BUDGET

HLHS prepares and adopts an annual budget in accordance with New Mexico Statutory requirements. The Operating Budget is prepared under the supervision of the Director and Business Manager. The Director shall establish a budget development process which ensures the

involvement of all stakeholders; employees, students, parents, citizens, community organizations, etc. The Finance committee makes recommendations to the Governing Council.

On or before July 1 of each year a tentative operating budget will be approved for the Charter by the Public Education Department, pending approval of the final budget. The approved and certified budget constitutes the Operating Budget, which is authorization for the Charter to begin operations on July 1 of the fiscal year.

500.11 – BUDGET OVERSIGHT

Final Cash Balances

Upon completion of the final close for each fiscal year, HLHS will determine the actual cash balances for all funds and reports them to the Public Education Department by the designated deadline of July 31st. The Operating Budget is then adjusted by the use of a Budget Adjustment Request to incorporate adjusted cash balances as of June 30 into the Operating Budget. Upon approval by the Public Education Department through OBMS (Operating Budget Management System), the School will adjust the budget and incorporate the changes into the Financial Management System.

Budget Maintenance

The budget ledgers are maintained by the business manager using the financial management system used in concert with the cash balance and encumbrances to ensure that all spending is in accordance with budget authority. While budget object lines may be temporarily overspent, budget functions may not be overspent. It is the responsibility of the Business Manager to ensure that all account coding is in accordance with the account strings set forth in PSAB Supplement 3, Uniform Chart of Accounts as modified.

All Operating Budget increases, decreases, and adjustments to the Operating Budget are presented to the Governing Council for approval and then submitted to the Public Education Department via the department's OBMS (Operating Budget Management System) for approval. Budget adjustments, which do not alter the total amount of the budget, are processed as follows:

Intra-budget transfers

Transfers between expenditure account codes within the same function are prepared as maintenance BARs and presented to the Governing Council for approval at the monthly scheduled governing council meetings. Once approved by the Governing Council, the adjustments are recorded into the Financial Management System (FMS) and into the Operating Budget Management system (OBMS) in a timely manner. No further approvals are needed from the Public Education Department.

Inter-budget transfers

Transfers between expenditure account codes outside of the same function are presented to the Governing Council for approval. The transfer requests are then submitted to the Public Education Department via OBMS for approval in a timely manner. Once all approvals are in place, the change is recorded to the Financial Management System as an adjustment to the Operating Budget.

All original budget documents are summarized and rolled up to the required elements in the account string maintained in the OBMS system. (See PSAB Supplement 3, Uniform Chart of Accounts.) These documents are made available to the auditor annually. Roll-up reports showing the most recent period activities are also presented to the Governing Council at each regularly scheduled meeting along with status reports on each BAR approved by the Governing Council until such time as that BAR has been fully processed and the adjustment has been adopted into the Financial Management System.

500.20 – PAYROLL

Oversight

The Director is responsible for monitoring the hiring of personnel, authorizing salaries, initiating employment contracts, and maintaining the staffing levels approved in the annual budget. The Business Manager verifies that the budget is available for any staffing increases. All payrolls are processed by the Business Manager from the approved employment contracts. All additional payrolls are processed by exception. The Director must review and approve all payroll registers, ACH transactions, and/or Direct Deposit transactions or his/her designee.

Schedule

Payroll checks will be issued on a bi-weekly basis during the term of the contract. Payment will be made in twenty-six (26) installments, and every couple years twenty-seven (27) installments to avoid prepayment, with the exception of certificated employees being paid on an hourly basis. These employees will be paid for time worked at the time the work is performed. Employees that begin work after the first day of the fiscal year will receive a prorated salary amount based on the estimated number of days worked left in the school year.

500.22 – SALARY SCHEDULE AND SALARY INCREASES

Minimum salaries for teachers and Executive Director are determined by the Legislature of the State of New Mexico. Yearly a salary schedule is approved by the Governing Council for teaching staff and support staff. Teaching and support staff are generally paid by licensure level and years of allowed experience. To remain competitive, the Executive Director shall have the authority at times to pay a salary that is not on the salary schedule. When hiring a person and not aligning their salary with the salary schedule, a justification memo shall be saved in the employee's personnel file. Salaries for all other staff are determined at the time of hire and are based on qualifications and experience for each position.

500.30 – PURCHASING

HLHS is its own Central Purchasing Office and therefore all purchases shall be made in accordance with applicable state statutes and regulations. All purchases require a purchase order.

Goods*, Non-Professional Services, or Construction

Small Purchase is considered \$60,000.00 or less exclusive of all applicable state and HLHS can purchase without competitive bid. Purchases exceeding \$20,000 will require 3 written quotes.

Goods*, Professional Services, Non-professional Services, or Construction

\$60,001.00 or more exclusive of gross receipts tax - Must be put out for competitive bid barring any applicable exemption or exception. The Finance Committee will review the bids and advise the Governing Council. The Governing Council may reject any or all bids.

500.35 – ACCOUNTS PAYABLE

The Director or designee is the only person authorized to approve payment.

The Director or designee is authorized to approve vouchers for payment prior to the Governing Council meetings. Each month a report of authorized expenditures shall be presented to the Governing Council for review and formal approval.

500.41 - BANK RECONCILIATIONS

All bank accounts are reconciled on a monthly basis and presented to the Finance Committee for review. The Finance Committee reports to the Governing Council on a monthly basis and includes necessary recommendations in the minutes.

500.42 – CHECK SIGNERS

Authorized check signers are the Director and (1) Governing Council Member. The financial software may contain the electronic signature.

500.43 - PETTY CASH

A petty cash fund will be established under the authorization of the Director. The petty cash fund is only intended for small purchases and records are maintained by the Business Manager.

500.44 - CASH RECEIPTS

All monies are receipted using pre numbered receipts and are deposited into the school bank account within 24 hours.

500.50 – INVENTORY/FIXED ASSETS/LEASES/SBITAs

The School must establish guidelines to protect capital assets, preserve the life of capital assets, to avoid unnecessary duplication of assets, to provide a guide for future replacement of assets, and to establish a basis for the amount of insurance coverage required.

Capital assets, for the purpose of this policy, are defined as tangible or intangible property owned by the School, which meets the definition and minimum dollar amount for capitalization per asset category.

Furniture and Equipment: Tangible personal property in excess of \$5,000 purchased or acquired by gift to be used for operational purposes such as desks, filing cabinets, copiers, musical instruments, laboratory equipment, and janitorial equipment.

Computer Equipment: Tangible computer equipment in excess of \$5,000, including Laptops, Desktops, Routers, Hubs, etc., purchased or acquired by gift to be used for operational or instructional purposes. For capitalization purposes, computers are defined as a CPU, monitor and keyboard, which go together as a package. Printers, which exceed \$5,000, shall be capitalized separately, while printers, which are less than \$5,000, shall be considered Supply Assets and recorded as such in the general ledger.

Group/Bulk Purchases: Assets that are purchased in group/bulk purchases over \$100,000 shall be considered significant and shall be grouped together and capitalized.

Donated Items:

Donated items, valued at the threshold contained in this capitalization policy and which are items that otherwise would have been bought and used in operations, shall be recorded in the general ledger account titled Fixed Assets (\$5,000 and over) at fair market value at the date of donation. Donated items, which are valued at less than the threshold contained in this capitalization policy, will be recorded in the general ledger account titled Supply Assets (less than \$5,000) at fair market value at the date of donation. Donated items, which are determined to have no fair market value, will not be recorded.

Depreciation Guidelines:

Depreciation is a system of accounting which aims to distribute the cost or gift value of a capital asset, less salvage value, over the estimated useful life of the asset in a systematic and rational manner. All depreciable assets will be depreciated using the straight-line method of allocation. The straight-line method allocates an equal amount of the net cost of an asset to each accounting period in its useful life.

The useful life of depreciable assets is based on their usefulness to HLHS. The following table displays the estimated useful lives that will be used to calculate and allocate depreciation:

Property Category	Life In Years
Furniture and Equipment	5
Computer Equipment	5
Vehicles	5-7
Land improvements	20
Building and Building Improvements	30

Disposition of Capital Assets:

Capital assets, which are obsolete, worn-out, or no longer meet the requirements of the School may be considered for disposition with proper approval by the Director and then approved by the Governing Council. Capital Asset disposals require notification to the New Mexico Office of the State Auditor. If the salvageable materials have a current resale value of more than five thousand dollars (\$5,000), the materials shall not be disposed of until approved by the School Budget and Finance Analysis Bureau of the Public Education Department (PED), using such forms as may be required by the PED. Other forms required by the Business Office must be completed as well.

500.51 - LEASES

The School will identify and classify leases over \$5,000 as either operating or capital leases based on GASB 87 criteria, including evaluating whether a lease transfers ownership of the underlying asset or includes a bargain purchase option.

Only contracts that convey control of the right to use another entity's nonfinancial asset (land, buildings, vehicles, equipment) for a period greater than one year will be considered leases under this procedure.

For automatically renewing leases that the school is reasonably certain they will exercise, the School will use one of the following to determine the lease term and payment schedule:

- The remaining years of the School's charter.
- The payment schedule outlined in the lease agreement if it specifies a term beyond the charter period.

The School must be reasonably certain it will exercise renewal options to include them in the lease term. If the School is not reasonably certain of exercising renewal options, those options will not be included in the lease term or payment schedule for financial reporting purposes.

Interest Rate Determination

For leases where the interest rate is explicitly stated in the lease agreement, the School will use the stated interest rate to calculate the present value of the lease liability and the corresponding lease asset.

For leases where the interest rate is not explicitly stated, the School will determine the rate using the following methods:

a. Implicit Interest Rate:

- If the fair market value of the leased asset is reasonably obtainable, the School will calculate the implicit interest rate. This is the rate that, when used in the present value calculation of lease payments and residual value, equals the fair value of the leased asset.

b. Incremental Borrowing Rate:

If the implicit interest rate cannot be determined, the School will use the incremental borrowing rate. This rate is the rate at which the School would borrow funds to acquire an asset of similar value in a similar economic environment. The School will use one of the following two methods to determine the incremental borrowing rate:

- The incremental borrowing rate will be based on the US Treasury yield rate plus a 1% spread, effective at the time the lease was entered into.

- The School will use historical yield rates available on the Treasury.gov website or consult with the School's bank to determine the applicable incremental borrowing rate at the time the lease was signed.

500.52 - SBITAs

The purpose of this procedure is to ensure consistent and accurate recognition, measurement, and reporting of subscription-based ITAs in accordance with GASB 96. This applies to all subscription-based ITAs entered into by the School with payments totaling \$5,000 or more. It includes software and other technology arrangements that provide the School with the right to use nonfinancial assets (e.g., software) for a period greater than one year. Variable software arrangements, such as those based on student count or other fluctuating metrics, will not be evaluated due to the variability in payments and reporting challenges.

For automatically renewing SBITAs that the school is reasonably certain they will exercise, the School will use one of the following to determine the subscription term and payment schedule:

- The remaining years of the School's.
- The payment schedule outlined in the arrangement if it specifies a term beyond the charter period.

The School must be reasonably certain it will exercise renewal options to include them in the subscription term. If the School is not reasonably certain of exercising renewal options, those options will not be included in the subscription term or payment schedule for financial reporting purposes.

Interest Rate Determination:

For ITAs where the interest rate is explicitly stated in the arrangement, the School will use the stated interest rate to calculate the present value of the subscription liability and the corresponding subscription asset.

For ITAs where the interest rate is not explicitly stated, the School will determine the rate using the following methods:

a. Implicit Interest Rate:

- If the fair value of the subscription-based ITA is reasonably obtainable, the School will calculate the implicit interest rate. This is the rate that, when used in the present value calculation of subscription payments, equals the fair value of the ITA.

b. Incremental Borrowing Rate:

If the implicit interest rate cannot be determined, the School will use the incremental borrowing rate. This rate is the rate at which the School would borrow funds to acquire an asset of similar

value in a similar economic environment. The School will use one of the following two methods to determine the incremental borrowing rate:

- The US Treasury yield rate plus a 1% spread, effective at the time the SBITA was entered into.
- The School will use historical yield rates available on the Treasury.gov website or consult with the School's bank to determine the applicable incremental borrowing rate at the time the SBITA was signed.

500.60 - JOURNAL ENTRIES

All journal entries must be reviewed by at least one individual. The Business manager shall keep sufficient justification for any such entries for review by the audit committee as well as for presentation to the outside auditor.