

DaVinci Academy of Science and The Arts

Policy Number: 507

Policy Section: 500- Business & Operations Policies

POLICY TITLE: Financial, Debt, Risk Management and Disclosure

Procedures Plan

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Revision History

Effective Date	Action Date	Revised
7 Dec. 2017		

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In general, the Board and Administration of DaVinci Academy of Science and the Arts (or “Academy”) shall manage the financial affairs of Academy based on the following Administrations: (1) comply with all applicable laws or bond covenants, (2) provide the best educational services to the students of Academy consistent with Academy’s charter, and (3) get the most effective and cost efficient services possible in all areas at Academy.

## Financial

### ***General Financial Management***

The Academy Board understands that the school is a steward over the financial resources and assets entrusted to them by the state of Utah. The Board recognizes the need to abide by all applicable laws and regulations, including 53A-1a-508, including the following acknowledgements: (i) fiscal procedures will be consistent with generally accepted financial management standards; and (ii) neither the chartering entity nor the state, including an agency of the state, is liable for the debts or financial obligations of Academy or persons or entities who operate Academy, unless agreed to in writing with Academy.

Academy adheres to Generally Accepted Accounting Principles as constituted by the Financial Accounting Standards Board. Academy also ensures that all applicable areas of the Utah Money Management Act are followed. Cash collected at Academy is reconciled daily in the presence of two authorized individuals, sealed in tamper proof envelopes, and deposited daily, whenever practicable, but not later than three days or as otherwise required by applicable rules governing Academy cash management.

In accordance with state law, Academy, prior to June 30th of the each fiscal year, prepares an annual operating budget for the next fiscal year. The budget is designed so that Academy priorities, as established by the Board, are met. All budgets and budget amendments are Board approved, being voted upon in a public meeting in accordance with the Utah Open and Public Meetings Act. Subject to appropriation limits with object codes and other restrictions, Academy reserves the right to reallocate funds from one line item in the budget to another as prescribed by the Board if purchasing practices or conservation result in an expenditure different from the budgeted amount. The Board may choose to add undistributed reserves from Academy operational budget to the following year and/or may reallocate them to the current fiscal year’s budget, at its discretion. The budget and cash flow projections utilized by Academy provide sufficient detail to enable reasonably accurate projections

of revenues and expenses, separation of capital and operational items, cash flow, and subsequent audit trail documentation.

In addition, Academy understands and complies with all applicable fiscal rules/regulations, including completion and submission of an annual financial audit of the current fiscal year conducted by an independent certified public accounting firm by November 30th of the following fiscal year, submission of October and December student counts in accordance to state mandated deadlines, Utah Money Management reports, wages and benefits negotiation reports, Utah Transparency Act reports and updates, October 1st AFR and APR submissions, and any other regular enrollment and financial reports as required by the State Office of Education.

Purchases are authorized and carried out in accordance with the Cash Disbursement Policy adopted by the Board and the Utah Procurement Code.

Academy utilizes a fixed asset inventory system that, in accordance with federal guidelines, tracks all of Academy fixed assets. This inventory system is implemented in accordance with Academy Financial Policy. Academy has adopted procedures for the disposal of fixed assets to ensure proper reconciliation of inventory records at the end of the fiscal year. Regular inventory counts are performed, and the Board holds the administration, teachers, and custodial/maintenance staff responsible to inventory items assigned to their classroom, office, or role at Academy.

All fiscal policies and procedures comply with Academy conflict of interest policy.

Academy assigns a representative to attend school finance and statistics training and all required finance training. Academy will continue to take the measures necessary so that its representative(s) attend future trainings as announced or provided to ensure accounting and management of Academy resources are in compliance with any revisions to rules and laws governing Academy.

### ***Minimum Reserve and Coverage Levels***

Academy will maintain minimum reserve and coverage levels that the Board determines are consistent with long-term financial health. The executive administrator, administration, business manager and accounting staff will regularly monitor the status of reserve and coverage ratios and report that information to the Board.

Academy will ensure that it satisfies minimum reserve and coverage levels as required by law or applicable bond covenants.

Academy will take reserve and coverage levels into consideration when making budgeting, financial planning, and other financial decisions, including decisions regarding major purchases.

### ***Financial Forecasting and Budgeting***

Throughout the fiscal year, the executive administrator, administration, business manager and accounting staff will meet regularly to discuss the budget, Academy financial status, and any changes. The Board will be fully engaged in the budgetary process and informed of such issues on a regular, monthly basis.

The executive administrator, administrator, business manager and accounting staff will meet to prepare a tentative budget. Academy's budgeting philosophy will be to conservatively project both revenues and expenses while achieving the level of accuracy required by state standards. The tentative budget will be circulated to the Board for further review and discussion. The tentative budget will be scheduled for discussion on a board meeting agenda, further discussed, and adopted at the annual board meeting.

As the October 1 count is finalized, and as Academy receives new revenues, the Board will be updated on new figures. In order to account for these changes, the Board will approve revisions and amendments to the budget over the course of the fiscal year, as needed and appropriate.

### **Debt**

Academy will seek to avoid debt to the extent possible. Academy's plan is to only assume debt as absolutely necessary or when the benefits of a purchase will, in the judgment of Academy's board, benefit Academy's students for the life of such debt. The Board recognizes that the ability to take on debt will be governed by the covenants of existing indebtedness and pending indebtedness. Academy's accounting staff, administration and executive administrator will be informed of the requirements affecting Academy ability to incur debt. Any debt assumed by Academy will therefore comply with applicable laws and any existing bond covenants.

As economical or in its best interests, Academy will seek refunding opportunities to either lower its debt profile, meet bond covenants or other advantageous benefits realized through a restructure of its debt.

### **Risk Management**

As a nonprofit corporation and public school, Academy shall actively seek to avoid unnecessary risks to the greatest extent possible. Academy shall always maintain insurance at the highest amount that is either (a) required by law, (b) required by existing bond covenants, (c) is reasonable and customary for a

Utah Charter School, or (d) is considered prudent by Academy's board after consulting with qualified professionals. In the event any material risk is identified by Academy's board or administration that is not covered by existing insurance, a qualified professional shall promptly be engaged to evaluate such risk and recommend the appropriate action.

The board will work with qualified professionals to recognize and avoid risks associated with its governance of Academy. In particular, the board will be cognizant of financial risks that are addressed by the provisions above, compliance with applicable laws, including but not limited to the Utah Open and Public Meetings Act and the Government Records Access and Management Act. The Board will periodically review the policies that it has adopted to ensure that it has all necessary policies in place and that the policies that have been adopted comply with current law, adequately address issues at which they are aimed, and cover all areas requiring board guidance. The Board may periodically request that the Administration provide evidence that Board Policies are being complied with. In the event the board learns that policies are not being complied with, it will request the Administration to create a plan to remedy any deficiencies and establish procedures to ensure that the policies are complied with in the future.

The Administration is also directed to work with qualified professionals, including Academy management company and loss control representatives of Academy insurer, to recognize, manage and avoid risks associated with the operation of Academy. In particular, the Administration will be cognizant of risks associated with human resources activities, student safety and security, facility matters, and state and federal legal compliance, including civil rights issues. The Administration will establish administrative procedures in order to address key issues pertaining to Academy operations and will ensure that all Academy employees and, to the extent necessary, students and parents, are aware of such procedures. The Administration will periodically review and revise administrative procedures in order to ensure that they adequately address the pertinent issues and are consistent with Academy situation and needs.

#### Disclosure (or Post Issuance Compliance)

Academy first issued tax exempt debt in 2008, and has been committed to complying with all disclosure and post issuance requirements on their debt since that date, and is proud of its record. Academy remains committed to full compliance with such requirements on any debt that is Academy's responsibility going forward.

Throughout the fiscal year, the executive administrator, administration, business manager and accounting staff will meet regularly to discuss how best to comply with all debt obligations using the most effective, efficient and

honest methods available. The full Board will be updated at least once a year on the compliance with such requirements.

In the event of a material violation of any post issuance requirement, or allegation by any source of a material violation, the Board of Academy will be informed in writing by the executive administrator, administration, business manager or accounting staff, and the Board shall meet promptly to discuss how best to deal with the material violation or alleged material violation.