SPECTRUM HIGH SCHOOL
GRADES 6-12

17796 Industrial Circle NW ■ Elk River, MN 55330
Phone: 763-241-8703 ■ Fax: 763-633-1380
www.spectrumhighschool.org

Financial Policies

Board Approved: December 1, 2005

Board Amended: September 21, 2006; April 21, 2011; September 22, 2011; March 21, 2013; September 13, 2013, June 18, 2015, October 26, 2016, November 16, 2017, October 25, 2018, November 21, 2019

Policy Number: 801

Introduction
This document outlines the financial policies and procedures of Spectrum High School and Spectrum Middle School (Spectrum). It is the Board's intent with these policies to keep the school in a sound financial position to comply with the state and federal laws regarding school finance, and to have practices consistent with good financial management.

I. Audit Requirements

The Board shall retain an auditor that is competent in school financial accounting. General criteria for selecting an auditor include the following:

- Ability to assess the accuracy of the school's ledgers;
- Knowledge and competency to review the school's financial procedures; and
- Capability to make recommendations on accounting matters to non-profit organizations.

An audit of the school's financial records and practices shall be completed within four months of the end of the school's fiscal year. The results of this audit must be reviewed and approved by Spectrum's Board of Directors in order to meet the State's submission timeline. Approved results are to be published for public review and reviewed at the Board's annual meeting.

II. Budgets

Spectrum's Board of Directors shall set a budget for the next fiscal year no later than the current fiscal year end. The budget shall attempt to estimate the enrollment of the school and the costs required to operate the school at that enrollment level. The Board will review and approve the salary budget category for staff by using Full Time Equivalents (FTEs) as a guide to determine the total amount of the salary budget category. It is within the purview of the Executive Director to allocate the FTEs as needed, so long as the total dollar amount stays within the allowable variance (as noted in III.B.)..

Spectrum's Board of Directors has the sole authority to determine the salary and benefits for the school Executive Director. These benefits may be different from the rest of the staff's benefits as seen fit by the Board.

SPECTRUM HIGH SCHOOL
GRADES 6-12

17796 Industrial Circle NW ■ Elk River, MN 55330
Phone: 763-241-8703 ■ Fax: 763-633-1380
www.spectrumhighschool.org

III. Expenditure Process

A. Credit Cards (see Credit Card

Spectrum's Executive Director is authorized to set up a credit card program to cover school expenses. It is anticipated there will be less than 10 cards issued and they will be used for smaller purchases of supplies, materials, and fuel. Examples may include the following: gas for school vehicles or Walmart and/or Home Depot purchases of supplies. Spectrum's Executive Director will decide which individuals receive cards. Credit card users will need to follow the established Credit Card procedures. All credit card purchases must follow the same expenditure policies as any other purchase.

B. Exceeding the Budget

Spectrum's Board of Directors must be notified by the next available regular board meeting when projected spending on any individual line of the budget exceeds 10% of the existing budget line or $20,000 above existing budget line, whichever is less.

C. Petty Cash

The School's Executive Director is authorized to maintain a petty cash fund of not more than $1,500 for the purposes of handling student lunch accounts, student activity groups, athletic accounts, and for other uses as seen fit by the Executive Director. Standard revenue/expense record keeping shall apply. The Executive Director may authorize the replenishment of this fund, as needed.

D. Purchasing

1. Executive Director approval is required on the purchase of all goods and services used by the school. The Executive Director may establish a budget for a given department and delegate purchasing authority to one of his or her direct reports. Purchases must stay within the designated budget.
2. Purchase orders may be required by the Business Office.
3. All purchases for the current fiscal year must be completed by April 15 so that year-end finances can be closed out in a timely manner with the exception of required expenditures to continue school functions (i.e., graduation).
4. All purchases must comply with the School's Procurement Policy.

The below guidance (#5-7) is provided by the Minnesota Department of Revenue Sales and Use Tax Division – Fact Sheet, Stock No. 2800111, Revised September 2019.

5. Purchases are exempt from sales taxes only when billed to and paid for directly by the School. This may require a Spectrum account to be established through the Business Office with the outside organization. Approved purchases made using a school credit card are considered to be directly paid by the school.
6. Purchases made for the School by an employee who is later reimbursed by Spectrum are highly discouraged and are taxable. In these situations, taxes paid by the employee will typically not be reimbursed by the school.

The School cannot make tax exempt purchases for employees' personal use.

E. Recurring Expenses

SPECTRUM HIGH SCHOOL
GRADES 6-12

17796 Industrial Circle NW ■ Elk River, MN 55330
Phone: 763-241-8703 ■ Fax: 763-633-1380
www.spectrumhighschool.org

Spectrum's Board of Directors may authorize the School's Executive Director to pay recurring, fixed expenses such as rent payments or payroll. Contracts for recurring annual expenses in excess of $20,000 need board approval prior to execution.

F. Spending Authority
The Executive Director has the spending authority to spend up to the amounts approved on the latest approved budget by the Board of Directors.

IV. Fiscal Year

Spectrum's fiscal year shall be from July 1st to June 30th of the following year.

V. Fund Balance Requirements

The Board of Directors at Spectrum recognizes the need to establish a general operations reserve fund balance amount in order to comply with the state Uniform Financial Accounting and Reporting Standards (UFARS) and maintain an adequate fund balance needed for the School's cash flow needs.

It will be the policy of Spectrum to achieve a range of 20-25% general fund unreserved fund balance as a percentage of yearly general fund expenditures.

Excess annual year-end budget surpluses will not be allocated in following year budgets until the target fund balance is achieved, unless specifically directed by the Board of Directors, with exception of fundraising accounts for various school activities.

The fund balance to be used is presented in the audited annual financial statement. The percentage will be calculated as follows: (Prior Year Audited General Fund Balance + Current Year General Fund Surplus of Revenues less Expenditures)/(Total Current Year General Fund Expenditures).

During the annual budget process, the Board will review the fund percentage in light of current state aid holdback provisions and other financial circumstances and will approve the annual long-range budget model to maintain the targeted fund balance.

Classification of Fund Balances

The purpose of this policy is to establish the terms for maintenance of the various funds of the School.

The policy of the School is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the School. Non-spendable net resources will be identified first, followed by restricted, committed, assigned, and lastly, unassigned, as per the guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54. The School's goal shall be to maintain an unrestricted general fund balance of not less than the amounts stated above for a Fund Balance Reserve Level. When the Unrestricted General Fund balance is projected to drop below the Reserve Level, the School shall initiate measures to either generate additional revenue, or to reduce expenditures through a budget reduction, or a combination of both.

17796 Industrial Circle NW ■ Elk River, MN 55330
Phone: 763-241-8703 ■ Fax: 763-633-1380
www.spectrumhighschool.org

The Board of Directors shall be responsible for committing any fund balance portions to specific purposes. Once the action has been taken, committed funds cannot be used for any other purpose unless the commitment is rescinded by the Board of Directors. Examples of committed general fund balances are general funds set aside for specific projects or school expansion.

The Board of Directors delegates to the Executive Director and chief financial officer the authority to assign fund balances for specific purposes. Examples of assigned general fund balances are funds set aside for technology, employee severance costs, and fiscal stabilization.

The Board of Directors has established the following order for resource use: Restricted funds shall be spent first followed by unrestricted funds. For unrestricted funds, committed fund balances should be spent first, followed by assigned fund balances, and lastly unassigned fund balances for amounts in which any of those fund balances may be used.

VI. Investments

From time to time, the School will have more funds available than are needed to meet current obligations. These funds may be invested in various financial instruments. This policy establishes guidelines for such investments.

This investment procedure applies to all funds of the School. These funds are accounted for in the School's annual financial report and include all current funds, and any other funds that may be created from time to time. All transactions involving the funds and related activity of any funds shall be administered in accordance with the provisions of this procedure.

The School shall maintain this set of procedures for the investment of School funds that includes the following elements:

A. Scope

1. A listing of authorized investments
2. The standard of care that must be maintained by the persons investing the public funds
3. Investment and diversification guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio
4. Guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to State Statute, and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral
5. Performance measures appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the School's investment portfolio
6. Appropriate periodic review of the investment portfolio, its effectiveness in meeting the School's need for safety, liquidity, rate of return, and diversification, and its general performance
7. A policy regarding ethics and conflicts of interest

B. Objectives

17796 Industrial Circle NW ■ Elk River, MN 55330
Phone: 763-241-8703 ■ Fax: 763-633-1380
www.spectrumhighschool.org

1. Safety of Principal – Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective only appropriate investment instruments will be purchased and insurance or collateral may be required to ensure the return of principal.
2. Liquidity – The School's investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due.
3. Return on Investments – The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the risk constraints, the cash flow characteristics of the portfolio, and legal restrictions for return on investments. In general, administration will work with the financing company, striving to earn an average rate of return equal to or greater than the U.S. Treasury Bill rate for a given period of time.
4. Maintaining the Public's Trust – The investment officers shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the School, the Board, or administration.

C. Investment Instruments

The School may invest in any type of security allowed by Minnesota Statutes as may be amended from time to time. The School has chosen to limit its allowable investments to those instruments listed below:

1. Interest bearing savings accounts, interest bearing certificates of deposit or interest-bearing time deposits, or any other investments constituting direct obligations of any bank;
2. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued by the United States of America, its agencies and allowable instrumentalities;
3. Certificates of deposit with federally insured institutions that are collateralized or insured in excess of the maximum coverage allowed by the Federal Deposit Insurance Corporation;
4. Collateralized repurchase agreements that conform to the requirements stated in Minnesota Statutes, section 118A.05, Subdivision 2.
5. Commercial paper meeting the following requirements:
    a. The corporation must be organized in the United States or be a Canadian subsidiary.
    b. The corporation's assets must exceed $10,000,000.
    c. The obligations at the time of purchase must be rated at the highest classifications (A-1/P-1) by both Standard & Poor's and Moody's rating agencies.
    d. The obligations cannot have a maturity longer than 270 days.
    e. Not more than 50% of the total investment fund can be invested in commercial paper at any time.
    f. The total investment in any one corporation cannot exceed 10% of the corporation's outstanding obligations.
    g. The total investment in any one corporation cannot be more than $1 million.
6. Investments may be made only in those savings banks or savings and loan associations that are insured by the Federal Deposit Insurance Corporation.
7. Investment products that are considered as derivatives are specifically excluded from approved investments.

17796 Industrial Circle NW ■ Elk River, MN 55330
Phone: 763-241-8703 ■ Fax: 763-633-1380
www.spectrumhighschool.org

D. Diversification

It is the policy of the School to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by administration working with the financing company. The diversification shall be as follows:

1. Up to 100% of 1., but not less than 10%;
2. Up to 90% of 2. and 3;
3. Up to 50% of 4. and 5.

E. Collateralization

1. It is the policy of the School to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.
2. Eligible collateral instruments are any investment instruments acceptable under Minnesota Statutes, section118A.03. The collateral must be placed in safekeeping at or before the time the School buys the investments so that it is evident that the purchase of the investment is predicated on the securing of collateral.

F. Qualified Financial Institutions and Intermediaries

1. Depositories – Demand Deposits
    a. Any financial institution selected by the School shall provide normal banking services, including, but not limited to the following: checking accounts, wire transfers and safekeeping services.
    b. The School will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the School will not maintain funds in any institution that does not first agree to post required collateral for funds or purchase private insurance in excess of FDIC insurable limits and in amounts acceptable to the School.
2. Banks and Savings and Loans – Certificates of Deposit. Any financial institution selected to be eligible for the School's competitive certificate of deposit purchase program must:
    a. Provide wire transfer and certificate of deposit safekeeping services;
    b. Be a member of FDIC system and be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the School; and
    c. Meet at all times the financial criteria as established in the investment procedures of the School.
3. Intermediaries. Any financial intermediary selected to be eligible for the School's competitive investment program must:
    a. Provide wire transfer and deposit safekeeping services;
    b. Be a member of a recognized U.S. Securities and Exchange Commission Self-Regulatory Organization such as the New York Stock Exchange, National Association of Securities Dealers, Municipal Securities Rule Making Board, etc.;
    c. Provide an annual audit upon request;
    d. Maintain an office within the State of Minnesota and be licensed to conduct business in this State; and

17796 Industrial Circle NW ■ Elk River, MN 55330
Phone: 763-241-8703 ■ Fax: 763-633-1380
www.spectrumhighschool.org

e. Be familiar with the Board of Education's policy and accept financial responsibility for any investment not appropriate according to the policy.

G. Management Program

1. The following individuals are authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this procedure:
   a. Board Treasurer
   b. Executive Director
   c. Board Chair
2. These documents include the following:
   a. Wire Transfer Agreement;
   b. Depository Agreement;
   c. Safekeeping Agreement; and
   d. Custody Agreement.
3. Management responsibility for the investment program is hereby delegated to administration, working with the financing company, who shall establish a system of internal controls and operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity. No person may engage in any investment transaction except as provided for under the terms of this policy.
4. Administration, working with the financing company, may use financial intermediaries, brokers, and/or financial institutions to solicit bids for securities and certificates of deposit.

H. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Further, no officer involved in the investment process shall have any interest in, or receive any compensation from, any investments in which the School is authorized to invest, or the sellers, sponsors or managers of those investments.

I. Indemnification

Investment officers and employees of the School acting in accordance with this Investment Procedure and such written operational policies as may be established by the School, and who otherwise exercise due diligence and act with reasonable prudence, shall be relieved of personal liability for an individual security's credit risk or market changes. Minnesota Statutes, section118A.02, Subdivision 2.

VII. Loans

Spectrum's Board of Directors has the sole power to enter into loans, mortgages, or other debt instruments. The Board must resolve to approve any debt instrument and execute it according to Spectrum's By-laws.

SPECTRUM HIGH SCHOOL
GRADES 6-12

17796 Industrial Circle NW ■ Elk River, MN 55330
Phone: 763-241-8703 ■ Fax: 763-633-1380
www.spectrumhighschool.org

VIII. Non-Sufficient Funds and Student Activity Purchases

In the event of a returned check (NSF, closed account, etc.) from a lending institution, the family account may receive, at the discretion of the Executive Director or their designee, a status change to CASH ONLY for the reminder of the current school year. The family is responsible for paying any NSF fees that are incurred.

Student activities and purchases may stop until the account has been reconciled.

SPECTRUM HIGH SCHOOL
GRADES 6-12

17796 Industrial Circle NW ■ Elk River, MN 55330
Phone: 763-241-8703 ■ Fax: 763-633-1380
www.spectrumhighschool.org

IX. Reporting and Review of Financial Statements

Spectrum's Board of Directors is obligated by its fiduciary duty to review all financial records of the school. This review is to occur at least one time per month at the Board's meeting (with June and July's records being submitted at the August meeting). The Chief Financial Officer for the school is required to provide the Board of Directors with the following reports:

A. Check register showing all purchases made by the school during the previous month.
B. A cash flow statement.
C. Statements required to track federal and state grant expenditures.
D. Any other statements required by the Board of Directors to track the financial condition of the school.

X. Revision of these Policies

These policies can only be amended by a resolution of Spectrum's Board of Directors.

In the event that policies adopted by the Board are in conflict with then applicable Minnesota law, the provisions of the law will apply.