

Sec. 5.1.1. BOARD POWERS AND DUTIES.

The Board of Directors (“Board”) of **INTERNATIONAL AMERICAN EDUCATION FEDERATION, INC.** (“**I.A.E.F.**”) shall:

- (a) Govern under the governing structure described in the **I.A.E.F.** Charter;
- (b) Be primarily responsible for implementing the programs authorized by the **I.A.E.F.** Charter;
- (c) Delegate powers and duties as described in the **I.A.E.F.** Charter or through a request for a delegation amendment with the Texas Education Agency (“TEA”) division responsible for charter schools;
- (d) Remain responsible for the management, operation, and accountability of the charter schools operated by the charter holder, regardless of whether the governing body delegates any of its powers or duties;
- (e) Monitor the performance of the students enrolled in **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)**;
- (f) Adopt the budget of **I.A.E.F.** and **ILTexas** compliant with Title 19, Texas Administrative Code, § 100.1101(a);
- (g) Amend the budget of **I.A.E.F.** and **ILTexas**;
- (h) Approve the acquisition of real property or the improvement of real property;
- (i) Approve the obligation of funds for goods and services through formal contracts for business arrangements or financial transactions as set forth herein;
- (j) Approve (or disapprove) the annual financial and compliance report;
- (k) Approve (or disapprove) any audit, investigative, or other monitoring report pertaining to the fiscal management of **I.A.E.F.** and **ILTexas** issued by any oversight agency including the Texas Education Agency;
- (l) Authorize the obligation and expenditure of funds pursuant to the policies adopted by the Board;
- (m) Authorize the chief executive officer, the superintendent and chief financial officer to sign checks or other legal instruments disbursing funds from **I.A.E.F.**’s and **ILTexas**’s bank accounts;
- (n) Authorize the use of property pursuant to the policies adopted by the Board;
- (o) Authorize the investment of funds pursuant to the policies adopted by the Board;
- (p) Authorize the collection of tuition and other fees pursuant to the policies adopted by the Board;
- (q) Authorize the development and implementation of administrative procedures applying the policies adopted by the Board;
- (r) Direct, govern, manage and otherwise oversee the fiscal management of **I.A.E.F.** and **ILTexas**; and
- (s) Delegate other powers and duties as permitted by law.

Sec. 5.1.2. BOARD’S OVERARCHING AUTHORITY.

Absent the specific delegation of a power or duty as enumerated below, only the Board, functioning as a body corporate, may exercise a power or duty pertaining to the fiscal management of **I.A.E.F.** and **ILTexas**.

Sec. 5.1.3. POWERS AND DUTIES DELEGATED TO CHIEF EXECUTIVE OFFICER.

The Chief Executive Officer may perform the following powers and duties delegated by the Board in this part as enumerated below.

- (a) Prepare, or cause to be prepared, a proposed budget of **I.A.E.F.** and **ILTexas**.
- (b) Prepare, or cause to be prepared, an amendment to the original and subsequently amended budgets of **I.A.E.F.** and **ILTexas** approved by the Board
- (c) Prepare, or cause to be prepared, a recommendation to the Board for the approval of the acquisition of real property or the improvement of real property pursuant to the policies adopted by the Board.
- (d) Prepare, or cause to be prepared, a recommendation to the Board for the approval of the obligation of funds for goods and services through formal contracts for business arrangements or financial transactions exceeding the amounts set forth in this policy.
- (e) Submit the annual financial and compliance report to the Board for its approval (or disapproval).
- (f) Submit any audit, investigative, or other monitoring report pertaining to the fiscal management of **I.A.E.F.** and **ILTexas** issued by any oversight agency including the Texas Education Agency to the Board for its approval (or disapproval).
- (g) Obligate and expend, or cause to be obligated and expended, funds pursuant to the policies adopted by the Board.
- (h) Sign any check or other legal instrument disbursing funds.
- (i) Use, or cause to be used, property pursuant to the policies adopted by the Board.
- (j) Invest, or cause to be invested, funds pursuant to the policies adopted by the Board.
- (k) Collect, or cause to be collected, tuition and other fees pursuant to the policies adopted by the Board.
- (l) Develop and implement, or cause to be developed and implemented, administrative procedures applying the policies adopted by the Board.
- (m) Direct, guide, manage and otherwise supervise the fiscal management of **I.A.E.F.** and **ILTexas**.
- (n) Exercise only the powers and duties enumerated above in this part.
- (o) Delegate, in whole or in part, any power or duty enumerated above to the Chief Financial Officer or other officer through the adoption of an administrative procedure.

Sec. 5.1.4. LIMITATION OF AUTHORITY.

The Chief Executive Officer shall not perform any power and duty not delegated by the Board in this part as enumerated above.

Sec. 5.1.5. ACCOUNTABILITY FOR DELEGATED AUTHORITY.

The Chief Executive Officer shall be responsible for directing, guiding, managing and supervising any power and duty delegated to and exercised by the Chief Financial Officer or other officer. Accordingly, the Chief Executive Officer shall remain accountable to the Board for any power and duty delegated to the Chief Financial Officer or other officer regardless of the delegation of the power or duty.

Sec. 5.1.6. ADMINISTRATIVE PROCEDURES.

The Chief Executive Officer shall prepare administrative procedures as necessary to implement this policy.

Sec. 5.2.1. MISSION STATEMENT.

The mission of the International Leadership of Texas is to prepare students for exceptional leadership roles in the international community by emphasizing servant leadership, mastering the English, Spanish and Chinese languages, and strengthening the body, mind and character.

Sec. 5.2.2. BOARD STEWARDSHIP.

It is the policy of **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)** to advocate for and issue financial decisions and practices that both further the mission of **INTERNATIONAL AMERICAN EDUCATION FEDERATION, INC. (“I.A.E.F.”)**, as described above, and that are made in the interest of the charter holder in compliance with its fiduciary duty owed to **ILTexas** students.

As such, the Board of Directors (“Board”) shall make financial decisions with integrity, fairness, objectivity, and that maximize benefits while minimizing the cost of goods and services to **I.A.E.F.**

The Board shall, as a body corporate and as individual members, explore and develop fiscal stewardship through training and other means of educating Board members in the understanding of legal and other requirements pertaining to financial management of **I.A.E.F.** and **ILTexas**.

Such training and education shall consider, but shall not necessarily be limited to, the development of management controls and monitoring of business activities, addressing possible fraud and irregularities through special audits and investigations and referrals to oversight agencies and law enforcement, as well as the General Ethical Standards (page 93) in Module 3 of the *Texas Financial Accountability System Resource Guide* (Version 15.0).

Sec. 5.3.1. ADOPTION AND AMENDMENT OF BUDGET.

The Chief Executive Officer shall annually recommend a budget for consideration and adoption by the Board of Directors (“Board”). The Board shall annually adopt the **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)** budget (“Budget”). The Board may subsequently amend the Budget.

Sec. 5.3.2. NOTICE TO THE PUBLIC.

The Board shall publish, or cause to be published, a notice to the public of the meeting(s) at which it will deliberate and adopt the proposed budget submitted to the Board by the Chief Executive Officer. The notice shall conform to the form and content requirements for other notices to the public of the meetings of the Board.

Sec. 5.3.3. AUTHORITY TO OBLIGATE AND EXPEND.

The Budget, as amended, constitutes the Board’s authorization to the Chief Executive Officer to obligate and expend funds. The Chief Executive Officer shall not obligate or expend any funds without the Board’s authorization as set forth in the Budget, as amended.

Sec. 5.3.4. FORM AND CONTENT OF BUDGET AND AMENDMENTS.

The Chief Executive Officer shall prepare, or cause to be prepared, a proposed budget and subsequent amendments to the approved budget utilizing the account code structure required by the Texas Education Agency (“TEA”). For each net asset classification, the proposed budget and subsequent amendments shall account for and include all estimated revenues and proposed expenses of **INTERNATIONAL AMERICAN EDUCATION FEDERATION, INC.** and **ILTexas** for the upcoming fiscal year.

Sec. 5.3.5. LINE ITEM BUDGETING AND REVENUE ESTIMATE.

The Budget shall identify estimated revenues and proposed expenses by function.

The estimate of revenues shall be based on revenues from local, State and Federal sources of funding.

Sec. 5.3.6. PROPOSED EXPENSES TO COMPLY WITH ALLOWABLE USES OF FUNDS.

The Chief Executive Officer or designee shall prepare a proposed budget that includes proposed expenses compliant with Board policy and allowable uses of funds.

Sec. 5.3.7. PUBLICATION OF ADOPTED BUDGET.

The Chief Executive Officer or designee shall post the adopted Budget on the **ILTexas** website, prominently displaying the electronic link to the adopted Budget. The adopted Budget shall remain on the website until the fifth anniversary of the date that the Budget was adopted by the Board.

Sec. 5.3.8. ADMINISTRATIVE PROCEDURES.

The Chief Executive Officer shall prepare administrative procedures as necessary to implement this policy.

Sec. 5.4.1. BOARD OVERSIGHT OF CASH.

The Board of Directors (“Board”) shall govern and manage the cash received and disbursed from all sources of funding in a manner consistent with State and Federal law and to achieve favorable cash flows to further the interests of **INTERNATIONAL AMERICAN EDUCATION FEDERATION, INC. (“I.A.E.F.”)** and **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)**.

Sec. 5.4.2. OPERATING ACCOUNT.

The Board shall require that all local, State and Federal funds be deposited into an account maintained by a bank as defined in Education Code Section 45.201. Additionally, and except as provided in Sec. 5.4.3 and 5.4.4., the Board shall require that funds be disbursed from the same account. The bank account created and maintained pursuant to this section shall be commonly referred to as the Operating Account.

Sec. 5.4.3. PAYROLL ACCOUNT.

The Board may authorize a second bank account for the sole purpose of disbursing the wages or salary and other compensation, less authorized deductions, from local, State and Federal funds to employees of **I.A.E.F.** and **ILTexas**. A bank account so created and maintained shall be commonly referred to as the Payroll Account.

Sec. 5.4.4. OTHER ACCOUNTS

The Board may authorize the Chief Executive Officer to establish additional necessary bank or investment accounts to conduct business for IAEF and ILTexas.

Sec. 5.4.5. ACCOUNT SIGNATORIES.

The Board, by resolution, has authorized the Chief Executive Officer, the Superintendent or the Chief Financial Officer as the signatories to **I.A.E.F.’s** and **ILTexas** bank accounts.

Sec. 5.4.6. RECORD OF CASH RECEIPTS AND DISBURSEMENTS.

The Chief Executive Officer or designee shall prepare a financial management system that conforms to the requirements of the Texas Education Agency to record a unique record for each deposit made for and for each disbursement made from each source of funding.

Sec. 5.4.7. OTHER METHOD OF DISBURSEMENT.

The Chief Executive Officer or designee is authorized to disburse funds through the Operating and/or Payroll Account, petty cash accounts, charge accounts or credit accounts. Funds shall not be disbursed through debit or gift cards.

Sec. 5.4.8. ADMINISTRATIVE PROCEDURES.

The Chief Executive Officer shall prepare administrative procedures as necessary to implement this policy.

Sec. 5.5.1. REPORTS TO THE BOARD.

The Chief Executive Officer of **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)** or designee shall prepare and distribute financial reports to the Board of Directors (“Board”) at each regularly scheduled meeting of the Board. The Chief Executive Officer or designee shall prepare financial reports containing the following minimal information.

1. A comparison of the estimated revenues and approved expenses included in the budget originally adopted and subsequently amended (hereafter, the approved budget) by the Board to the actual revenues earned and expenses incurred by **ILTexas**. The comparison shall be prepared on an accrual basis of accounting and will include comparative and total amounts for the month and year-to-date.
2. A summary of **ILTexas**’s cash inflows and outflows by operating, investing and financing activities including the beginning and ending cash balances.

Sec. 5.5.2. ANNUAL FINANCIAL AND COMPLIANCE REPORT.

- (a) The Chief Executive Officer or designee shall procure the services of a certified public accountant (hereafter, the independent auditor) licensed in the State of Texas to conduct an annual audit of **ILTexas**.
- (b) The Chief Executive Officer or designee and the independent auditor shall present to the Board:
 - (1) The independent auditor’s letter of engagement;
 - (2) Their agreement that the annual financial and compliance report shall be presented to the Board for its approval or disapproval during a regularly scheduled meeting prior to the 150th day after the conclusion of the fiscal year.
- (c) The Chief Executive Officer or designee shall ensure that the form and content of the annual financial and compliance report conforms to the requirements promulgated by the Texas Education Agency (TEA) in Module 10 to the Financial Accountability System Resource Guide (FASRG).
- (d) In accordance with generally accepted accounting principles, the Chief Executive Officer or designee shall issue annual financial and compliance report disclosing the financial condition, results of operation, cash flows and other pertinent information regarding charter holder operations other than **ILTexas**.

Sec. 5.5.3. GRANT REPORTING.

Sec. 5.5.3.1. Expenditure Reports.

- (a) The Chief Executive Officer or designee shall prepare expenditure reports for each grant received by **ILTexas** supporting the expenditures reported to the grantor agency and pursuant to the requirements of the grantor agency.

- (b) Expenditure reports shall be filed timely in accordance with the deadlines established by the grantor agency such that **ILTexas** is reimbursed and otherwise receives any and all funds to which it is entitled.
- (c) A refund of any excess grant amount received by **ILTexas** shall be in the final expenditure report filed with the grantor agency.

Sec. 5.5.3.2. Public Education Information Management System.

- (a) The Chief Executive Officer or designee shall prepare required Public Education Information Management System (PEIMS) submissions in accordance with PEIMS Data Standards and Module 10 of the Financial Accountability System Resource Guide.
- (b) The Chief Executive Officer or designee may collaborate with the regional education service center in preparing and timely submitting PEIMS reports.

Sec. 5.5.3.3. Required Government Filings.

The Chief Executive Officer or designee shall timely file reports and data information to and as required by the:

- Internal Revenue Service
- Comptroller of Public Accounts
- Teacher Retirement System of Texas
- Texas Workforce Commission

Sec. 5.5.4. DISCLOSURES TO DONORS.

The Chief Executive Officer or designee shall timely prepare documentation as may be required by a donor to demonstrate appropriate and beneficial use of a donation.

Sec. 5.5.5. INVESTORS AND BOND REPORTING.

The Chief Executive Officer or designee shall prepare reports required by the Master Trust Indenture of each and every bond transaction and shall schedule and participate in the required investor calls.

Sec. 5.5.6. ADMINISTRATIVE PROCEDURES.

The Chief Executive Officer shall prepare administrative procedures as required to implement this policy.

Sec. 5.6.1. FINANCIAL MANAGEMENT SYSTEM DEFINED.

The **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)** Financial Management System is the system of controls and records that enable **ILTexas** to use and safeguard funds and property for lawfully authorized purposes in furtherance of its mission and to achieve its vision.

The board will adopt and install a standard school fiscal accounting system that conforms with generally accepted accounting principles. The accounting system must meet the minimum requirements prescribed by the commissioner of education, subject to review and comment of the state auditor. Education Code 44.007(a), (b) The rules for financial accounting are described in the official TEA publication, Financial Accountability System Resource Guide. 19 TAC 109.1, 41.

Sec. 5.7.1. APPLICABILITY.

Unless otherwise noted herein, this policy applies to the use by **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)** of local, state and Federal funds regardless of the originating source of the funds.

Sec. 5.7.2. POLICY TO SUPPLEMENT AND NOT SUPERSEDE.

This policy shall supplement existing state and Federal law, rule and other legal requirement and shall not supersede any state or Federal law, rule or other legal requirement. In the event of a conflict with a law, rule or other legal requirement, the law, rule or other legal requirement shall prevail.

Sec. 5.7.3. OVERARCHING PRINCIPLE.

The Chief Executive Officer or designee shall expend public funds for the benefit of the students enrolled in **ILTexas**. Accordingly, the Chief Executive Officer or designee must at all times be able to demonstrate how each use of public funds benefitted **ILTexas** students.

Sec. 5.7.4. GENERAL REQUIREMENT.

Recognizing that it is impractical to list every conceivable allowable use of funds and that a general framework is beneficial in guiding decisions regarding the use of funds, **ILTexas** shall adhere to the following general requirements prior to and when it obligates and disburses funds.

The proposed use of funds:

- (a) Is reasonable in its nature and amount;
- (b) Does not exceed that which a prudent person would incur under the circumstances prevailing at the time the decision was made to incur the cost(s);
- (c) Is ordinary and necessary to achieve the goals and implement the strategies and activities of the charter program;
- (d) Conforms to the documented and established practices of **ILTexas**;
- (e) Is generally or specifically allowed by applicable state or Federal law, rule or other legal requirement;
- (f) Is not prohibited by applicable state or Federal law, rule or other legal requirement; and
- (g) Complies with policy and administrative procedures approved by the Board of Directors (“Board”).

Sec. 5.7.4.1. Use of Unrestricted Local Funds.

The Chief Executive Officer may use or allow the use of local funds for any lawful purpose that conforms to Board policy.

Sec. 5.7.4.2. Use of Restricted Local Funds.

If a donor restricts a contribution or **ILTexas** implies or states that a specific purpose for its fund-raising effort(s), the Chief Executive Officer may only use or allow the use of local funds for the restricted purpose and in accordance with Board policy.

Sec. 5.7.5. GENERALLY AUTHORIZED EXPENSES.

In general, the Chief Executive Officer is authorized to expend and may authorize the expenditure of state and Federal funds for purposes determined by the Board of Directors to be in the best interest of **ILTexas**, including but not limited to following:

- (a) To compensate the Chief Executive Officer, teachers, janitors and other employees for employment services rendered.
- (b) To pay the interest for short-term loans acquired to compensate **ILTexas** employees.
- (c) To purchase equipment, furniture, materials, software, supplies and vehicles.
- (d) To pay for insurance premiums.
- (e) To purchase real property for use as a school site pursuant to Board authorization.
- (f) To purchase, build, repair and rent school buildings pursuant to Board authorization.
- (g) As authorized by the Board, to acquire school buildings and real property by leasing through annual payments with an ultimate option to purchase.
- (h) For other purposes necessary in the conduct of **ILTexas** as determined by the Board including for the following purposes.
 - (1) To develop and monitor a system of controls to ensure compliance with state and Federal laws and rules.
 - (2) To administer state and Federal grants.
 - (3) To conduct Board meetings and provide Board members with training.
 - (4) To procure legal, audit and other professional services necessary for the proper administration and oversight of **ILTexas**.
 - (5) To record, compile, maintain and report data on student attendance, student enrollment, staff, finances and grants.
 - (6) To develop, maintain and update a charter instructional plan including conducting a comprehensive needs assessment.
 - (7) To conduct periodic assessments of students to identify potential learning deficiencies and to measure the students' progress towards desired academic goals.
 - (8) For the upkeep and repair of instructional and instructionally related materials and equipment in the classroom and library, of food service equipment, and of vehicles.
 - (9) To provide breakfast and lunch and snacks to students pursuant to the guidelines and requirements of the Texas Department of Agriculture.
 - (10) To conduct field trips as authorized by Board.
 - (11) For athletic and band equipment, instruments and uniforms.

- (12) To conduct graduation and award ceremonies recognizing the achievements of students and staff.
- (13) To conduct pre/post-employment physicals or drug testing and background checks.
- (14) For the research, development and maintenance of curriculum and innovative, new or modified instruction.
- (15) For in-service training or staff development for instructional and instructionally related staff conducted by a regional education service center, an outside consultant(s) or a **ILTexas** employee(s).
- (16) To travel for **ILTexas** activities and functions.
- (17) For utilities and the maintenance of telecommunication and computer networks and systems.
- (18) To provide a safe and drug free school environment.
- (19) For memberships in civic and professional organizations that further the mission of **ILTexas**.
- (20) For any other purpose, function, activity, program or service authorized by the Board through the adoption of **ILTexas**'s annual operating budget and charter instructional plan including any amendments thereto.

For other purposes determined by the Board of Directors to be in the best interest of **ILTexas**'s students.

Sec. 5.7.6. GENERALLY PROHIBITED EXPENSES.

In general, the Chief Executive Officer is prohibited from expending and may not authorize the expenditure of state and Federal funds for the following purposes.

- (a) Alcoholic beverages.
- (b) Any good or service for personal benefit or use.
- (c) Entertainment including amusement, diversion, recreation and social activities.
- (d) Field trips that are not part of a teacher's lesson plan or that do not meet the instructional objectives of the charter instructional plan.
- (e) Fines and penalties against individuals.
- (f) Gifts.
- (g) Expenses for any other affiliated organization (i.e., **ILTexas Global**).
- (h) Any other expenses prohibited by Board action.

Sec. 5.7.7. AUTHORIZED USES OF FUNDS FOR SPECIAL PROGRAMS.

In addition to the general requirement and generally authorized expenses enumerated above, the Chief Executive Officer may use and may allow the use of state funds for the purposes authorized in the relevant statutes.

Sec. 5.7.7.1. Indirect Cost Limitation.

The Chief Executive Officer may use and may only allow the use of state funds provided for special programs for indirect costs up to the maximum allowed by state law and rule.

Sec. 5.7.8. AUTHORIZED USES OF FUNDS FOR FEDERAL PROGRAMS.

The Chief Executive Officer may use and may allow the use of Federal funds for those purposes authorized by Federal law, rule and grant requirement.

Sec. 5.7.9. DOCUMENTATION REQUIRED.

The Chief Executive Officer shall prepare or cause to have prepared records for all uses of funds. All recorded uses of funds shall adequately demonstrate compliance with this policy.

Sec. 5.7.10. ADMINISTRATIVE PROCEDURES.

The Chief Executive Officer shall prepare administrative procedures as required to implement this policy.

Sec. 5.8.1. GENERAL PRINCIPLES.

The Chief Executive Officer of **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)** is charged with developing and implementing the monitoring systems described in this Policy

Sec. 5.8.2. STATE REQUIREMENTS.

The Chief Executive Officer or designee shall develop and implement a system to monitor the compliance of each **ILTexas** campus with the following state requirements:

Sec. 5.8.2.1. Financial Solvency.

The Chief Executive Officer or designee shall monitor the financial solvency of **ILTexas** through the use of historical, budgeted and projected financial and other relevant data.

Sec. 5.8.2.2. Financial Accountability Rating System of Texas (FIRST).

The Chief Executive Officer or designee shall monitor the finances and operation of **ILTexas** to attain a favorable FIRST rating.

Sec. 5.8.3. FEDERAL REQUIREMENTS.

The Chief Executive Officer or designee shall develop and implement or cause to have developed and implemented a system to monitor **ILTexas’s** compliance with the following Federal requirements.

Sec. 5.8.3.1. Maintenance of Effort (MOE).

The Chief Executive Officer or designee shall monitor the finances and operation of each **ILTexas** campus to ensure that the minimal fiscal effort required by the Federal government for general and special education is attained. In developing the monitoring system for MOE the Chief Executive Officer shall consider the impact of the charter instructional plan for the current fiscal year.

Sec. 5.8.3.2. General Education.

In assessing **ILTexas’s** compliance with the Federal MOE requirement for programs funded pursuant to the No Child Left Behind Act/Elementary and Secondary Education Act/Every Student Succeeds Act, the Chief Executive Officer or designee may consider the impact of exceptional or uncontrollable circumstances or a precipitous decline in financial resources.

Sec. 5.8.3.3. Special Education.

In assessing **ILTexas**'s compliance with the Federal MOE requirement for programs funded pursuant to the Individuals with Disabilities Education Act, the Chief Executive Officer or designee may consider the impact of changes in staff and student enrollment, the termination of an exceptionally costly program provided to a particular child, the termination of costly expenditures for long-term purchases, and **ILTexas**'s participation in the high cost grant program.

Sec. 5.8.3.4. Supplement; Not Supplant.

The Chief Executive Officer or designee shall monitor the finances and operations to ensure that Federal funds are expended to supplement and not supplant non-Federal sources of funding. In developing the monitoring system for the proper use of Federal funds the Chief Executive Officer shall consider the charter instructional plan, the approved budget and subsequent amendments, the identified needs of the students enrolled in **ILTexas**, and the actual method of funding for a particular cost for the prior and current academic years.

Sec. 5.8.4. PROJECTION OF POTENTIAL NONCOMPLIANCE.

The Chief Executive Officer or designee shall develop or cause to have developed monitoring systems that are based upon the regulatory models implemented by the Texas Education Agency.

Sec. 5.8.5. CORRECTIVE ACTION PLAN.

Upon identifying a potential instance of noncompliance, the Chief Executive Officer or designee shall prepare a plan that addresses the condition(s) that resulted or may result in the School's failure to comply with the fiscal requirements addressed by this policy.

Sec. 5.8.6. REPORT TO THE BOARD.

The Chief Executive Officer shall report to the Board the status of **ILTexas**'s compliance with the critical state and Federal fiscal requirements addressed by this policy. In the event that an instance or potential instance of noncompliance is identified, the Chief Executive Officer shall inform the Board of **ILTexas**'s corrective action plan undertaken or to be undertaken.

Sec. 5.8.7. ADMINISTRATIVE PROCEDURES.

The Chief Executive Officer shall prepare administrative procedures as required to implement this policy.

Sec. 5.9.1. GUIDING PRINCIPLES.

The Board of Directors (“Board”) and Chief Executive Officer of **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)** shall make investments with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of **ILTexas**. Moreover, the Board and Chief Executive Officer shall invest funds in a manner comparable to that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

Sec. 5.9.2. INVESTMENT OBJECTIVES.

In general, the Board and Chief Executive Officer shall observe the following objectives when investing surplus cash.

- (a) Preservation and safety of principal.
- (b) Liquidity.
- (c) Yield.

Sec. 5.9.3. APPLICABILITY.

This policy applies equally to local, state and Federal funds to the degree allowed by applicable law and rule.

Sec. 5.9.4. ACCOUNT MAINTENANCE.

The Chief Executive Officer or designee shall ensure that investments are maintained in discrete and distinct accounts that separate funds pertaining to non-**ILTexas** activities, functions, programs and services from public funds.

Sec. 5.9.5. INVESTMENT RECORDS.

The Chief Executive Officer or designee shall ensure that **ILTexas** creates and maintains accurate and complete records of any and all investments of **ILTexas**’s surplus cash.

Sec. 5.9.6. CONTRACTUAL CONSIDERATIONS.

The Board and Chief Executive Officer shall ensure that investments are made in accordance with any applicable provision or covenant contained in a debt instrument, bond indenture, or similar agreement.

Sec. 5.9.7. AUTHORIZATION THRESHOLDS.

The Chief Executive Officer is authorized to invest funds based on Sec. 5.9.9 below. Any investment lasting longer than 12 months requires Board approval.

Sec. 5.9.8. AUTHORIZED INVESTMENTS.

Pursuant to Texas Education Code Section 12.1053(b)(3), the Board and Chief Executive Officer shall only invest surplus cash in accordance with Texas Government Code Sections 2256.009 through 2256.016 as delineated in this subsection.

Sec. 5.9.8.1. Obligations of or Guaranteed by a Governmental Entity.

Except as provided by Subsection 5.9.10.1.1, the following are authorized investments under this subsection.

- (a) Obligations, including letters of credit, of the United States or its agencies or instrumentalities;
- (b) Direct obligations of the State of Texas or its agencies and instrumentalities;
- (c) Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (d) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas, the United States, or their respective agencies or instrumentalities;
- (e) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated not less than “A” or its equivalent as to investment quality by a nationally recognized investment rating firm; and
- (f) Bonds issued, assumed, or guaranteed by the State of Israel.

Sec. 5.9.8.1.1. Prohibited Investments.

The following investments are prohibited.

- (a) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- (b) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- (c) Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.
- (d) Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Sec. 5.9.8.2. Certificates of Deposit and Share Certificates.

A certificate of deposit or share certificate is an authorized investment under this policy if the certificate is issued by a depository institution that has its main office or a branch office in the State of Texas and is:

- (a) Guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor;
- (b) Secured by obligations authorized in Section 5.9.10.1 above, including mortgage-backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, excluding those obligations described by Section 5.9.10.1.1; or
- (c) Secured in any other manner and amount provided by law for the deposits of **ILTexas**.

Sec. 5.9.8.2.1. Other Authorized Form.

An investment in a certificate of deposit is authorized under this subsection if it is made under the following conditions:

- (a) The funds are invested by **ILTexas** through a depository institution that is selected by the Board and that has its main office or a branch office in the State of Texas;
- (b) The depository institution selected by the Board arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of **ILTexas**;
- (c) The full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States;
- (d) The depository institution selected by the Board acts as custodian for **ILTexas** with respect to the certificates of deposit issued for the account of **ILTexas**; and
- (e) At the same time that the funds are deposited and the certificates of deposit are issued for the account of **ILTexas**, the depository institution selected by the Board receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by **ILTexas** through the depository institution.

Sec. 5.9.8.3. Repurchase Agreements.

A fully-collateralized repurchase agreement is an authorized investment under this subsection if the repurchase agreement:

- (a) Has a defined termination date;
- (b) Is secured by obligations of the United States or its agencies and instrumentalities;
- (c) Is pledged to **ILTexas**, held in **ILTexas**'s name, and deposited with **ILTexas** or a third party selected and approved by the Board; and

- (d) Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.

Sec. 5.9.8.3.1. Repurchase Agreement Defined.

For purposes of this policy, “repurchase agreement” means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described at Subsection 5.9.10.1 at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

Sec. 5.9.8.3.2. Term of Agreement.

The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

Sec. 5.9.8.3.3. Use of Invested Funds.

Money received by **ILTexas** under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

Sec. 5.9.8.4. Securities Lending Programs.

A securities lending program is an authorized investment if it meets the following conditions:

- (a) The value of the securities loaned is at least 100% collateralized, including accrued income;
- (b) A loan made under the program must allow for termination at any time;
- (c) A loan made under the program is secured by:
 - (1) Pledged securities described in Subsection 5.9.10.1 above;
 - (2) Pledged irrevocable letters of credit issued by a bank that is organized and existing under the laws of the United States or any other state and continuously rated by at least one nationally recognized investment rating firm at not less than “A” or its equivalent; or
 - (3) Cash invested in accordance with Subsections 5.9.10.1, 5.9.10.6, 5.9.10.7, or 5.9.10.9.
- (d) The terms of the loan require that the securities being held as collateral be:
 - (1) Pledged to **ILTexas**;
 - (2) Held in **ILTexas**’s name; and
 - (3) Deposited at the time the investment is made with **ILTexas** or with a third party selected or approved by the Board;

- (e) The loan is placed through a primary government securities dealer¹ or a financial institution doing business in the State of Texas; and
- (f) The agreement to lend securities has a term of one year or less.

Sec. 5.9.8.5. Banker’s Acceptances.

A banker’s acceptance is an authorized investment if it:

- (a) Has a stated maturity of 270 days or fewer from the date of its issuance;
- (b) Will be liquidated in full at maturity;
- (c) Is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (d) Is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than “A-1” or “P-1” or an equivalent rating by at least one nationally recognized credit rating agency.

Sec. 5.9.8.6. Commercial Paper.

Commercial paper is an authorized investment if it:

- (a) Has a stated maturity of 270 days or fewer from the date of issuance; and
- (b) Is rated not less than “A-1” or “P-1” or an equivalent rating by at least:
 - (1) Two nationally recognized credit rating agencies; or
 - (2) One nationally recognized credit rating agency provided the commercial paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Sec. 5.9.8.7. Mutual Funds.

No-load money market mutual funds are authorized if they:

- (c) Are registered with and regulated by the Securities and Exchange Commission;
- (d) Provide **ILTexas** with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 U.S.C. § 78a, *et seq.*) or the Investment Company Act of 1940 (15 U.S.C. § 80a-1, *et seq.*);
- (e) Have a dollar-weighted average stated maturity of 90 days or fewer; and
- (f) Include in their investment objectives the maintenance of a stable net asset value of \$1 for each share.

¹ Primary government securities dealer shall be defined pursuant to the Code of Federal Regulations, Title 5, Section 6801.102(f) or its successor.

Sec. 5.9.8.7.1. Other Authorized Form.

An investment in a no-load market mutual fund is authorized under this subsection if the mutual fund:

- (a) Is registered with the Securities and Exchange Commission;
- (b) Has an average weighted maturity of less than two years;
- (c) Is invested exclusively in obligations approved by the Board in this policy;
- (d) Is continuously rated by at least one nationally recognized investment rating firm of not less than “AAA” or its equivalent; and
- (e) Conforms to the requirements in Section 2256.016(b) and (c) of the Texas Government Code relating to the eligibility of investment pools to receive and invest funds of investing entities.

Sec. 5.9.8.7.2. Prohibited Investments.

ILTexas may not invest:

- (a) In the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in no-load market mutual funds;
- (b) Any portion of bond proceeds, reserves, and funds held for debt service, in no-load market mutual funds; or
- (c) Funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described above in an amount that exceeds 10% of the total assets of the mutual fund.

Sec. 5.9.8.8. Guaranteed Investment Contracts.

A guaranteed investment contract is an authorized investment for bond proceeds if the guaranteed investment contract:

- (a) Has a defined termination date;
- (b) Is secured by obligations authorized by Section 5.9.10.1(a) above, excluding those obligations described by Subsection 5.9.10.1.1, in an amount at least equal to the amount of bond proceeds invested under the contract; and
- (c) Is pledged to **ILTexas** and deposited with **ILTexas** or with a third party selected and approved by the Board.

Sec. 5.9.8.8.1. Qualifying Requirements.

To be eligible as an authorized investment,

- (a) The Board has to specifically authorize guaranteed investment contracts as eligible investments in the order, ordinance, or resolution authorizing the issuance of bonds;
- (b) **ILTexas** must receive bids from at least three separate providers with no material financial interest in the bonds from which the proceeds were received;
- (c) **ILTexas** must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;
- (d) The price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and
- (e) The provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

Sec. 5.9.8.8.2. Limitation to Contract Term.

Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested in a guaranteed investment contract with a term longer than five years from the date of issuance of the bonds.

Sec. 5.9.8.9. Investment Pools.

An investment pool is an authorized investment if:

- (a) The Board authorizes the investment in the particular pool through policy or resolution; and
- (b) The investment pool only invests the funds that it receives in the investments authorized in this policy.

Sec. 5.9.8.9.1. Required Statement.

In order to invest surplus cash in the investment pool, the Chief Executive Officer or designee must receive an offering circular or other similar disclosure instrument containing, at a minimum, the following information:

- (a) The types of investments in which money is allowed to be invested;
- (b) The maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
- (c) The maximum stated maturity date any investment security within the portfolio has;
- (d) The objectives of the pool;
- (e) The size of the pool;
- (f) The names of the members of the advisory board of the pool and the dates their terms expire;
- (g) The custodian bank that will safe keep the pool's assets;
- (h) Whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;

- (i) Whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (j) The name and address of the independent auditor of the pool;
- (k) The requirements to be satisfied for **ILTexas** to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and
- (l) The performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

Sec. 5.9.8.9.2. Required Information.

In order to continue investing surplus cash in the investment pool, the Chief Executive Officer or designee must receive the following information:

- (a) Investment transaction confirmations; and
- (b) A monthly report that contains, at a minimum, the following information:
 - (1) The types and percentage breakdown of securities in which the pool is invested;
 - (2) The current average dollar-weighted maturity, based on the stated maturity date, of the pool;
 - (3) The current percentage of the pool's portfolio in investments that have maturities of more than one year;
 - (4) The book value versus the market value of the pool's portfolio, using amortized cost valuation;
 - (5) The size of the pool;
 - (6) The number of participants in the pool;
 - (7) The custodian bank that is safekeeping the assets of the pool;
 - (8) The yield and expense ratio of the pool;
 - (9) The portfolio managers of the pool; and
 - (10) Any changes or addenda to the offering circular.

Sec. 5.9.8.9.3. Other Requirements.

The Chief Executive Officer or designee shall monitor the investment pool's compliance with Subsections 5.9.10.9.1 and 5.9.10.9.2 above and the other statutory provisions promulgated in Section 2256.016 of the Texas Government Code.

Sec. 5.9.8.9.4. Delegation of Authority.

The Board may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with surplus cash.

Sec. 5.9.8.10. Required Training.

The Chief Executive Officer or designee shall receive continuing professional education pertaining to the appropriate investment of surplus cash in the authorized investments identified in this policy. Moreover, the Chief Executive Officer or designee shall require any **ILTexas** employee involved in the investment of public funds to receive the same training.

Sec. 5.9.8.11. Administrative Procedures.

The Chief Executive Officer shall prepare administrative procedures as required to implement this policy.

Sec. 5.10.1. APPLICABILITY OF PROCUREMENT LAWS.

The Board of Directors (“Board”) and Chief Executive Officer of **INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”)** shall endeavor to maximize the use of **ILTexas** funds to purchase goods and services to further **ILTexas**’ mission and facilitate the implementation of the charter program.

Sec. 5.10.2. APPLICABILITY OF POLICY.

This policy pertains to the purchase of goods and services generally and does not apply:

- (a) To the purchase of goods and services for the construction, renovation, or repair of a structure, road, highway, or other improvement or addition to real property; or
- (b) To the procurement of professional and contracted services.

Sec. 5.10.3. AUTHORITY TO PROCURE GOODS AND SERVICES.

The Board authorizes the Chief Executive Officer, Chief Financial Officer and/or their designee(s) to procure goods and services pursuant to the budget adopted and amended by the Board.

Sec. 5.10.4. CONTRACT REQUIRED.

The Chief Executive Officer shall procure or cause the procurement of goods and/or services through an executed contract or purchase order.

Sec. 5.10.4.1. Signature Authority.

Only the Chief Executive Officer, the Chief Financial Officer and/or their designee(s) shall be authorized to execute contractual agreements that obligate **ILTexas** to disburse funds for the receipt of goods and/or services. The Chief Executive Officer and Chief Financial Officer shall delegate specific signature authority to any designee in writing through an administrative procedure, job description or internal memorandum.

Sec. 5.10.5. CENTRALIZED PURCHASING FUNCTION.

The Chief Executive Officer shall procure or cause the procurement of goods and/or services through a centralized purchasing function.

Sec. 5.10.5.1. Contract Administration.

The Chief Executive Officer or designee shall establish and maintain a contract administration system. The contract administration system must enable **ILTexas** to maintain original, fully

executed legal agreements that include contractual provisions required by prudent business practice and applicable law and rule.

Sec. 5.10.5.2. Purchase Order System.

The Chief Executive Officer or designee shall establish and maintain a purchase order system. The purchase order shall serve as the formal method for procuring goods and/or services from a vendor and shall have the effect of obligating **ILTexas** to remit payment to the vendor upon receipt of the goods and/or services and of the related invoice.

Sec. 5.10.5.2.1. Required Approvals.

Only the Chief Executive Officer, the Chief Financial Officer and/or their designee(s) shall be authorized to approve purchase orders. The Chief Executive Officer and Chief Financial Officer shall delegate specific signature authority to any designee in writing through an administrative procedure, job description or internal memorandum.

Sec. 5.10.5.2.2. Issuance Prohibited.

ILTexas employees shall not issue a purchase order to a vendor unless it has been approved pursuant to Subsection 5.10.5.2.1.

Sec. 5.10.5.2.3. Failure to Properly Issue.

If a **ILTexas** employee issues a purchase order to a vendor without the required approvals established in Subsection 5.10.5.2.1, the employee may be financially responsible for the purchase.

Sec. 5.10.5.3. Corporate Card Program.

The Chief Executive Officer may establish a corporate charge or credit card program to permit authorized **ILTexas** employees to purchase goods and/or services for **ILTexas**. The Chief Executive Officer may only use and may only allow the use of the corporate card program for official **ILTexas** business and shall prohibit the use of the corporate card program for personal benefit. Any employee authorized to participate in the corporate card program shall be required to sign an internal usage agreement. In addition to other pertinent requirements, the usage agreement shall require the employee to pay for any unsubstantiated charges or for the purchase of non-business related goods and/or services.

Sec. 5.10.5.3.1. Required Records.

Authorized **ILTexas** employees shall document each purchase through the corporate card program. Accordingly, the Chief Executive Officer shall require the **ILTexas** employee to prepare a purchase order form or other comparable internal accounting record for each corporate card

purchase. Additionally, the Chief Executive Officer shall require the employee to also provide the original, itemized vendor receipt.

Sec. 5.10.5.3.2. Failure to Document.

If an employee fails to provide the required records pursuant to Subsection 5.10.5.3.1, the employee may be financially liable for the costs charged to the corporate card.

Sec. 5.10.5.4. Purchasing Officer.

The Chief Executive Officer may delegate the purchasing function to an employee designated as the purchasing officer.

Sec. 5.10.5.5. Campus Principal Responsible.

Each **ILTexas** campus principal shall be responsible for all the expenditures from the budget approved for their campus. Each campus principal must work with the purchasing officer to purchase goods and/or services pursuant to this policy.

Sec. 5.10.5.6. Authorized Vendors.

The Chief Executive Officer or designee shall require the procurement of goods and/or services from authorized vendors. The Chief Executive Officer or designee shall select or cause the selection of vendors based upon an application submitted by each vendor that includes the following considerations.

- (a) The vendor's record of providing satisfactory goods and/or services that conform to the buyer's specifications, if any.
- (b) The vendor's record of providing goods and/or services within a stated time schedule.
- (c) The vendor's ability and capacity to meet the needs and demands of **ILTexas** based upon its existing personnel, equipment and other resources.
- (d) The vendor's available financial resources to enable it to perform the work or provide the goods requested by **ILTexas**.

Sec. 5.10.6. AUTHORIZED PROCUREMENT METHODS.

The Chief Executive Officer or designee shall procure or cause the procurement of goods and/or services through the following methods for the amounts indicated.

Sec. 5.10.6.1. No Method Required (Under \$10,000).

The Chief Executive Officer, Chief Financial Officer and/or their designee(s) may procure goods and/or services that have a cost of less than \$10,000 through the most expedient manner available.

Sec. 5.10.6.2. Quotes (\$10,001 – \$100,000).

The Chief Executive Officer, Chief Financial Officer and/or their designee(s) may procure goods and/or services that have a cost of no less than \$10,001 and no more than \$100,000 through the solicitation of written itemized quotes from at least three authorized vendors. The Chief Executive Officer, Chief Financial Officer and/or their designee(s) shall recommend the vendor that provides the best value to ILTexas.

Sec. 5.10.6.3. Other Methods (\$100,001+)

Except as provided by this subchapter, all school district contracts for the purchase of goods and services, except contracts for the purchase of produce or vehicle fuel, valued at \$100,000 or more in the aggregate for each 12-month period shall be made by one of the following methods that provides the best value for the ILTexas:

- (1) competitive bidding for services other than construction services;
- (2) competitive sealed proposals for services other than construction services;
- (3) a request for proposals, for services other than construction services;
- (4) an interlocal contract;
- (5) a method provided by Chapter 2269, Government Code, for construction services;
- (6) the reverse auction procedure as defined by Section 2155.062(d), Government Code; or
- (7) the formation of a political subdivision corporation under Section 304.001, Local Government Code.

Except as provided by this subchapter, in determining to whom to award a contract, ILTexas shall consider:

- (1) the purchase price;
- (2) the reputation of the vendor and of the vendor's goods or services;
- (3) the quality of the vendor's goods or services;
- (4) the extent to which the goods or services meet the district's needs;

- (5) the vendor's past relationship with the district;
- (6) the impact on the ability of the district to comply with laws and rules relating to historically underutilized businesses;
- (7) the total long-term cost to the district to acquire the vendor's goods or services;
- (8) for a contract for goods and services, other than goods and services related to telecommunications and information services, building construction and maintenance, or instructional materials, whether the vendor or the vendor's ultimate parent company or majority owner:
 - (a) has its principal place of business in this state; or
 - (b) employs at least 500 persons in this state; and
- (9) any other relevant factor specifically listed in the request for bids or proposals.

Sec. 5.10.6.5. Board Approval

Irrelevant of the type of procurement method utilized, prior to executing a contract for the procurement of goods and/or services with a cost of \$100,000 or more, the Board shall approve the vendor and corresponding contract.

Sec. 5.10.6.6. ADMINISTRATIVE PROCEDURES.

The Chief Executive Officer shall prepare administrative procedures as required to implement this policy.

Sec. 5.11.1. APPLICABILITY OF PROCUREMENT LAWS.

This policy pertains solely to the purchase of professional services. The purchase of other services shall be addressed in the manner prescribed under PG-5.10.

Sec. 5.11.1.1. Professional Services Defined.

“Professional services” means services:

- (a) Within the scope of the practice, as defined by state law, of:
 - (1) Accounting;
 - (2) Architecture;
 - (3) Landscape architecture;
 - (4) Land surveying;
 - (5) Medicine;
 - (6) Optometry;
 - (7) Professional engineering;
 - (8) Real estate appraising; or
 - (9) Professional nursing; or
- (b) Provided in connection with the professional employment or practice of a person who is licensed or registered as:
 - (1) A certified public accountant;
 - (2) An architect;
 - (3) A landscape architect;
 - (4) A land surveyor;
 - (5) A physician, including a surgeon;
 - (6) An optometrist;
 - (7) A professional engineer;
 - (8) A state certified or state licensed real estate appraiser; or
 - (9) A registered nurse.

Sec. 5.11.1.2. Other Services Defined.

“Other services” or simply “services” means any service not specifically identified as a professional service.

Sec. 5.11.2. ADOPTION BY REFERENCE.

In procuring professional services, the Chief Executive Officer shall generally adhere to Policy PG-5.10 unless a specific provision to the contrary is adopted in this Policy.

Sec. 5.11.3. SELECTION OF PROVIDER.

The Board and Chief Executive Officer shall not select a provider of professional services or a group or association of providers or award a contract for professional services on the basis of competitive bids submitted for the contract or for the professional services. Instead, the Board and Chief Executive Officer shall select the provider for the professional service through a “Request for Qualifications (RFQ)” to be procured based on the following criteria.

- (a) The provider’s demonstrated competence and qualifications to perform the services.
- (b) The fairness and reasonableness of the provider’s price.

Sec. 5.11.4. LIMITATION ON FEES.

A provider may not charge a fee for professional services that exceeds any maximum provided by law.

Sec. 5.11.5. MONITORING OF PROVIDER PERFORMANCE.

The Chief Executive Officer or designee shall monitor the services and work of all professional services providers. In developing a system for monitoring the provider performance, the Chief Executive Officer shall consider the inclusion of deliverables and other measurable outcomes that demonstrate the delivery of the professional services procured from the provider and that enable the Chief Executive Officer or designee to evaluate the quality of the professional services rendered and satisfactory performance of the provider.

Sec. 5.11.6. ADMINISTRATIVE PROCEDURES.

The Chief Executive Officer shall prepare administrative procedures as required to implement this policy.

Sec. 5.12.1. STATUS AND USE OF STATE FUNDS.

INTERNATIONAL LEADERSHIP OF TEXAS (“ILTexas”) is entitled to receive funding under Chapter 42, Education Code and in accordance with state law.

- (a) State funds received by **ILTexas** are public funds for all purposes under state law, and may be used only for a purpose for which a school district may use local funds under Education Code 45.105(c), to wit:
- (1) Purchasing appliances and supplies;
 - (2) Paying insurance premiums;
 - (3) Paying janitors and other employees;
 - (4) Buying school sites;
 - (5) Buying, building, repairing, and renting school buildings, including acquiring school buildings and sites by leasing through annual payments with an ultimate option to purchase; and
 - (6) For other purposes necessary and approved in the conduct of the public schools determined by the Board of Directors.

Any other use or application of such funds constitutes misuse and misapplication of public funds and is subject to the civil and criminal laws governing misuse or misapplication of Texas public funds.

- (b) State funds received by **ILTexas** are held by **ILTexas** in trust for the benefit of the students of **ILTexas**. In their use of public funds, the Board of Directors, and the governing body and officer of a charter school, shall be held to the standard of care and fiduciary duties that a trustee owes a beneficiary under Texas law.
- (c) Pending their use, state funds received by **ILTexas** must be deposited into a bank with which **ILTexas** has entered into a depository contract. No later than November 1 of each year, **ILTexas** shall file a copy of the depository contract with the Texas Education Agency division responsible for school financial audits, or, if there has been no change since the last filing, a statement to that effect in lieu of the depository contract.
- (1) State funds received by **ILTexas** must be deposited into an account owned and controlled by **ILTexas** pending their use. Once properly deposited, **ILTexas** may immediately use the funds for any purpose described in section (a)(1) above, subject to the standard of care and fiduciary duties that a trustee owes a beneficiary under Texas law.
 - (2) For purposes of this policy, the term “bank” means a bank or a savings bank organized under the laws of Texas, another state, or federal law that has its main office or a branch office in this state. The term does not include any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). Although the

term excludes a bank the deposits of which are not insured by the FDIC, deposits exceeding FDIC-insured amounts need not be collateralized for the institution to constitute a “bank” under this policy.

- (3) Notwithstanding the requirements of this policy listed above, if required by a contract executed prior to September 1, 2001, state funds may be deposited into an account managed by a bond trustee acting on behalf of **ILTexas** for the sole purpose of complying with debt service obligations of **ILTexas** on a bond issued under Chapter 53, Education Code.

Sec. 5.12.2. INVESTMENT OF STATE FUNDS.

The following provisions apply unless alternative requirements for investing state funds have been approved by the State Board of Education under 19 TAC § 100.103 (relating to Optional Open-Enrollment Charter Provisions for Contracting and Purchasing), and the open-enrollment charter has been amended by the Commissioner of Education to adopt the approved procedures.

- a. **ILTexas** shall invest state funds in accordance with a requirement in the Texas Public Funds Investment Act (Government Code §§ 2256.009–2256.016) that applies to a school district or the board of trustees of a school district
- b. State funds invested by **ILTexas** shall be maintained in a discrete charter investment account, separate and distinct from the operating accounts for the charter school and separate and distinct from any investment accounts related to non-charter activities.
- c. **ILTexas** shall invest state funds in accordance with any applicable provision or covenant contained in a debt instrument, bond indenture, or similar agreement.
- d. **ILTexas** shall not invest state or federal grant funds, unless investment of such funds is expressly authorized under the terms of the grant.
- e. Investment of state funds shall be governed by the following investment objectives, in order of priority:
 - (1) Preservation and safety of principal;
 - (2) Liquidity; and
 - (3) Yield.
- f. In determining whether **ILTexas**, or its employees or agents, have exercised prudence with respect to an investment decision respecting state funds, the determination shall be made taking into consideration:
 - (1) The investment of all funds, or funds under **ILTexas**’s control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
 - (2) Whether the investment decision was consistent with the written investment policy of **ILTexas**.