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701 Internal Controls

Number: 701
Adopted: 06/27/2019
Updated: 01/13/2026

I. Purpose

The purpose of this policy is to establish and maintain effective internal controls to safeguard assets, ensure accurate financial reporting, promote operational efficiency, and ensure compliance with Minnesota law, Minnesota Department of Education (MDE) requirements, and authorizer expectations.

Three Rivers Montessori Public Charter School (“the School”) incorporates its understanding of significant audit risk areas into this Internal Control Policy and maintains financial practices consistent with generally accepted accounting principles (GAAP) and the Uniform Financial Accounting and Reporting Standards (UFARS) mandated by the Minnesota Department of Education.

II. Governance and Oversight

The Board of Directors is responsible for fiscal oversight, approval of budgets, approval of expenditures as required, and monitoring compliance with this policy. The Executive Director is responsible for implementing internal controls, supervising financial operations, and ensuring compliance with applicable laws and policies. The Board Treasurer and/or Finance Committee provides additional oversight, reviews financial reports, and supports audit readiness.

A. Cash, Investments, Receipts, Revenue, and Receivables

1. Cash and Investments

- I. The Board of Directors annually delegates authority to the Executive Director or designee to invest cash not required for immediate expenditure.
- II. The Board annually adopts a resolution designating authorized depositories and investment authority; this resolution serves as the School’s Investment Policy.
- III. Bank accounts are reconciled monthly by School Business Solutions or designated accounting staff.

IV. The Board Treasurer reviews reconciliations and ensures alignment with the general ledger.

B. Receipts and Revenue

1. Primary revenue sources include state and federal aids and grants, received via electronic transfer or check.
2. Checks are routed to the Accounting & Payroll Manager for deposit.
3. Receipts are recorded using UFARS codes and entered into the accounting system by School Business Solutions.
4. Receivables (including EDRS, IDEAs, state, and federal programs) are recorded and reconciled.
5. Differences between EDRS and UFARS are reconciled collaboratively by School Business Solutions, the Special Education Director, and the Budget Manager.

III. Cash Disbursements, Expenditures, and Accounts Payable

- A. The School maintains segregation of duties among authorization, processing, and reconciliation functions.
- B. Authorized check signers are approved by the Board of Directors.
- C. All expenditures require prior approval by the Executive Director or designee and must align with the approved budget.
- D. School Business Solutions maintains vendor records; periodic review is conducted by the Budget Manager.
- E. Monthly financial reports include:
 1. Check disbursement listings
 2. Budget-to-actual comparisons
 3. These reports are reviewed by the Board Treasurer, Finance Committee, Executive Director, and Board of Directors.

IV. Payroll and Related Liabilities

- A. Payroll is processed through an external payroll service provider (PAYCHEX).
- B. The Accounting & Payroll Manager administers payroll processing; a secondary trained staff member is designated for continuity.
- C. Salaries and wage rates are established by the Executive Director in accordance with Board-approved contracts and agreements.
- D. Time records are required for hourly employees, substitutes, and employees funded by multiple sources.
- E. Timesheets are approved by the Executive Director or program supervisor prior to payroll processing.
- F. Payroll taxes, PERA, and withholdings are submitted electronically or by check as required.

- G. Employees are encouraged to use direct deposit.

V. Debt and Debt Service

- A. All debt obligations are approved by the Board of Directors.
- B. Debt service payments are made in accordance with approved repayment schedules.
- C. The School may utilize short-term borrowing instruments to manage cash flow.
- D. Capital financing may include bonds, certificates of participation, grants, or loans, including those associated with the TRM Building Company.

VI. Fund Balance and Equity

- A. Fund equity is accounted for in accordance with UFARS and MDE requirements.
- B. Reserved fund balances are maintained when required by statute or program use.
- C. The Budget Manager or Executive Director's designee ensures fund balances are properly classified and reported.

VII. Federal Grant Programs

- A. The School administers multiple federal grant programs.
- B. Program oversight is the responsibility of the Executive Director or designee.
- C. Financial tracking is conducted collaboratively by the Finance Office and Director of Special Services.
- D. The Board Treasurer provides oversight of federal grant activity.
- E. Federal receivables and expenditures are reviewed and reconciled at fiscal year-end.

VIII. Capital Assets

- A. Capital assets are recorded and depreciated in accordance with guidance from MDE and the Association of School Business Officials (ASBO).
- B. Asset records include acquisition date, cost, funding source, and estimated useful life.

IX. Building Company Transactions

- A. Transactions related to the TRM Building Company are recorded in accordance with UFARS using Fund 50.
- B. Transactions are documented using due-to/due-from accounting structures when applicable.
- C. Approval, recording, and reconciliation procedures mirror those used for School operations.

- D. All related-party transactions are disclosed and available for audit and authorizer review.

X. Audit and Authorizer Review

- A. The School undergoes an annual independent audit as required by Minnesota law.
- B. Financial records, reconciliations, and supporting documentation are maintained and made available for review by:
 1. Independent auditors
 2. Minnesota Department of Education
 3. Osprey Wilds Environmental Learning Center, the School's authorizer

This policy is adopted pursuant to, and shall be interpreted consistent with, including but not limited to:

Minn. Stat. §124E – Minnesota Charter School Law
Minn. Stat. §123B.03 – School Board Powers
Minn. Stat. §16A – State Financial Management
Minn. Stat. §471.38 – Contracts
Minn. Stat. §123B.77 – UFARS
Minn. Stat. §179A – Public Employment Labor Relations Act
Minn. Stat. §6.65 – Annual Audit Requirements