

STATE BOARD OF EDUCATION – ADMINISTRATIVE RULE SUMMARY**OAR # & Title:** 3.n—First Reading: Annual Financial Reporting/ OAR 581-026-0210,**Date:** September 17, 2015**Staff/Office:** Kate Pattison, Jennifer Donovan/Office of the Deputy Superintendent **New Rule** **Amend Existing Rule** **Repeal Rule****Hearing Date:** 10/21/15 **Hearings Officer Report Attached****Prompted by:** **State law changes** **Federal law changes** **Other****Action Requested:** **First Reading/Second Reading** **Adoption** **Adoption/Consent Agenda****PROPOSED/AMENDED RULE SUMMARY:**

Amends rule relating to auditing of public charter schools. Allows public charter school that is the only school in a district, and the school district in which the public charter school is located to be considered a single legal entity if the public charter school is the only school in the school district and: 1) the school does not have to be established as a nonprofit organization under the laws of Oregon; 2) the school does not have to apply to qualify as an exempt organization under section 501(c)(3) of the Internal Revenue Code; 3) if all of the members of the school district board are voting members of the public charter school governing body; 4) if the school district and the public charter school share employees; and 5) if the school district and the public charter school share assets and liabilities.

BACKGROUND:

Public charter schools that are the only school in a school district are not required to organize as a separate non-profit. These public charter schools must still comply with OAR 581-026-0200 and be included in the audit for the sponsoring district. Audits for these public charter schools and school districts have been problematic for Auditors since the school district and public charter school typically act as one fiscal entity, causing redundancies and accounting errors.

The 2015 Legislature adopted SB 588 and it was signed into law by the Governor effective July 1, 2015. The purpose of SB 588 is to alleviate auditing redundancies by creating a single legal entity to be audited for public charter schools and school districts that meet specific definitions in ORS 338.035.

ISSUES/CONCERNS THAT SURFACED DURING RULE WORK: None.**CHANGED SINCE LAST BOARD MEETING?** N/A; first read—hasn't been before board No; same as last month Yes – As follows:**FISCAL IMPACT:** Minimal**STAFF RECOMMENDATION:** Adopt administrative rule as prepared this month Adopt administrative rule next month No recommendation at this time

581-026-0210

Annual Financial Reporting

(1)(a) A public charter school required to comply with ORS 338.035(2)(a)(B) and (C) shall have an annual audit of the accounts of the public charter school prepared in accordance with the Municipal Audit Law, ORS 297.405 to 297.555 and 297.990.

~~(b) A public charter school that is not required to comply with ORS 338.035(2)(a)(B) and (C) as provided by ORS 338.035(2)(b),~~ **A public charter school that meets the definitions and criteria in ORS 338.035 (6)(b) (A), (B), (C) and (D), may be treated as the same legal entity as the school district and is not required to submit a separate audit. The public charter school** must comply with OAR 581-026-0200 and must be included in the audit of the sponsoring district. The district audit for the public charter school must minimally include:

- (A) An audit of all accounts and funds associated with the public charter school;
- (B) A summary of significant accounting policies, cash and investments, and internal controls; and
- (C) A statement of activities and a balance sheet containing a summary of the assets and liabilities of the public charter school as of the closing date of the preceding annual audit period for the school.

(2) After an audit, the public charter school shall forward a copy of the annual audit to the Department of Education.

(3) After an audit, the public charter school shall forward the following to the sponsor:

- (a) A copy of the annual audit;
- (b) Any statements from the public charter school that show the results of all operations and transactions affecting the financial status of the public charter school during the preceding annual audit period for the school; and
- (c) A balance sheet containing a summary of the assets and liabilities of the public charter school as of the closing date of the preceding annual audit period for the school.