
AGENDA ITEM: Compliance Matters – Annual Financial Reports

Issue

The charter holders listed below failed to timely submit their fiscal year 2011 Annual Financial Reports, which were due to the Arizona Department of Education (ADE) on October 15, 2011:

- Accelerated Elementary and Secondary Schools
- Cochise Community Development Corporation
- New Destiny Leadership Charter School
- Paramount Education Studies, Inc.

General Background – Annual Financial Report

[A.R.S. §15-183.E.6](#) requires charter schools to follow the same financial and electronic data submission requirements as school districts. Accordingly, each school district and charter holder must submit an Annual Financial Report (AFR) by October 15th of each year in a format prescribed by both the Office of the Auditor General and ADE. The information collected in the AFR becomes the basis of the Superintendent of Public Instruction’s Annual Report that is submitted to the Legislature each year.

Background Information Specific to Charter Holders Listed on the Agenda

Based on information provided by the Arizona Department of Education, Board staff sent an email on October 26th to 13 charter holders that had not yet submitted the fiscal year 2011 AFR. As of the writing of this report, four Board sponsored charter holders still have not submitted the AFR.¹ These charter holders have been grouped on the agenda by the number of consecutive years they have failed to timely submit their AFRs.

The charter holder listed under “Fifth Consecutive Year Late” failed to timely submits its AFR in fiscal years 2007 through 2011. Below please find the AFR submission history for Paramount Education Studies, Inc.

Fiscal Year 2007:	Board approved withholding. AFR submitted prior to the next scheduled payment, so no funds were withheld.
Fiscal Year 2008:	AFR submitted 15 days late.
Fiscal Year 2009:	AFR submitted prior to the November meeting.
Fiscal Year 2010:	AFR submitted 4 days late.

Board Options

1. The Board may direct staff to monitor each charter holder’s progress in submitting its fiscal year 2011 Annual Financial Report and provide additional updates as they become available.
2. The Board may find the charter holders are in noncompliance with state law for their failure to submit the Annual Financial Report and approve withholding 10% of each charter holder’s monthly State aid apportionment until the fiscal year 2011 Annual Financial Report is submitted as required by A.R.S. §15-183.E.6.
3. The Board may vote to issue a Notice of Intent to Revoke the charter contract of each charter holder for failure to submit the fiscal year 2011 Annual Financial Report as required by A.R.S. §15-183.E.6 and the charter contract.

Staff’s Recommendation

Staff’s recommendation is Option #2.

¹ Additionally, one State Board of Education sponsored charter holder has not yet submitted the AFR.