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**AGENDA ITEM: Compliance Matters – Annual Financial Reports****Issue**

Florence Crittenton Services of Arizona, Inc. (“Florence Crittenton”) failed to timely submit its fiscal year 2016 Annual Financial Report, which was due to the Arizona Department of Education (ADE) on October 15, 2016.

**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 15<sup>th</sup> 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.

**Fiscal Year 2016 AFR**

Based on information provided by ADE, Board staff sent an email on October 26, 2016 to 12 charter holders that had not yet submitted the fiscal year 2016 AFR. For those that did not respond to the email, on November 1, 2016, Board staff called and either spoke with or left a message for the charter representative. As of the writing of this report, Florence Crittenton has not yet submitted the AFR. Last year, Florence Crittenton timely submitted its AFR.

**Board Options**

Option 1: The Board may approve withholding 10% of the charter holder’s monthly state aid apportionment. Staff recommends the following language for consideration: I move to find Florence Crittenton Services of Arizona, Inc. is in noncompliance with state law and its charter contract for its failure to timely submit the Annual Financial Report and approve withholding 10% of the charter holder’s monthly state aid apportionment until the fiscal year 2016 AFR is submitted to ADE.

Option 2: The Board may decide to take no action at this time.