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**AGENDA ITEM:** Consent Agreement – Legacy Education Group

**Issue**

Whether to adopt the proposed Consent Agreement related to Legacy Education Group’s submission of its annual audit reporting package.

**Background**

At its November 21, 2014 meeting, the Board voted to issue a notice of intent to revoke the charter contract of Legacy Education Group for its failure to submit the fiscal year 2014 annual audit reporting package. At the time of consideration, the materials reflected this was the second consecutive year the charter holder had failed to timely submit its annual audit reporting package. A representative of the charter holder was not in attendance at the November 21 meeting.

On November 24, 2014, Legacy Education Group submitted a complete fiscal year 2014 audit reporting package.

A copy of the proposed terms of the Consent Agreement may be found following the staff report. The Legacy Education Group board has adopted the terms of the Consent Agreement.

**Board Options**

Option 1: The Board may adopt the terms of the Consent Agreement. Staff recommends the following language for consideration: I move to accept the proposed Consent Agreement for Legacy Education Group.

Option 2: The Board may direct staff to continue Consent Agreement discussions. The following language is provided for consideration: I move to direct staff to continue Consent Agreement discussions with Legacy Education Group with the intent to work toward an agreement that includes *(member will need to detail the alternative terms under which an agreement may be considered)*.

Option 3: The Board may choose to proceed to set a hearing on the notice of intent to revoke the charter contract of Legacy Education Group. No action is required.

## **CONSENT AGREEMENT**

This Consent Agreement (“Agreement”) is made by and between LEGACY EDUCATION GROUP (“Charter Operator”), a nonprofit corporation organized under the laws of the state of Arizona and operating EAST VALLEY HIGH SCHOOL, a charter school, and the ARIZONA STATE BOARD FOR CHARTER SCHOOLS (“Board”), collectively referred to herein as the “Parties.”

### **JURISDICTION**

The Board is charged by Arizona Revised Statutes (“A.R.S.”) §§ 15-182(E)(1) and (2) and 15-183(R) with granting charter status to qualifying applicants for charter schools and exercising general supervision over the charter schools it sponsors. A charter is effective for fifteen years. A.R.S. § 15-183(I). The Board may submit a request to the Arizona Department of Education to withhold up to ten percent of the monthly apportionment of state aid that would otherwise be due a charter school if the Board determines at a public meeting that the charter school is not in compliance with federal law, with the laws of this state or with its charter. A.R.S. § 15-185(H). The Board may revoke a charter of a school it sponsors at any time if the charter school breaches one or more provisions of its charter or if the Board determines that the charter holder has failed to comply with charter school statutes or any provision of law from which the charter school is not exempt. A.R.S. § 15-183(I)(3)(c).

### **RECITALS**

1. The Charter Operator operates East Valley High School (“the School”) pursuant to a charter contract (“Charter”) executed on May 17, 2005 between the Charter Operator and the Board.
2. Pursuant to A.R.S. § 15-183 and the Charter, the Board sponsors the Charter

Operator to operate one school site to serve students in grades nine through twelve.

3. Kathy Tolman is the Charter Representative and person authorized to execute documents on behalf of the Charter Operator.

4. The Charter of the Charter Operator and the Board requires that the Charter Operator comply with all state, federal and local laws applicable to the operation of a charter school.

5. A.R.S. §§ 15-183(E)(6) and 15-914 and the Charter of the Charter Operator and the Board require that the Charter Operator undergo an annual financial and compliance audit, including the completion of a legal compliance questionnaire, ("Annual Audit") by an independent certified public accountant.

6. The Charter Operator's Annual Audit for the fiscal year ending June 30, 2014 was due to the Board by November 15, 2014.

7. At its public meeting held on November 21, 2014, the Board determined that the Charter Operator, having failed to submit its Annual Audit for the fiscal year ending June 30, 2014, was not in compliance with state law and with its Charter. The Board passed a motion to submit a request to the Arizona Department of Education to withhold ten percent of the monthly apportionment of state aid that would otherwise be due the Charter Operator and to issue a notice of intent to revoke the Charter of the Charter Operator.

8. The Charter Operator breached its Charter and A.R.S. §§ 15-183(E)(6) and 15-914 when it failed to timely submit its Annual Audit for the fiscal year ending June 30, 2014.

9. The Charter Operator has a history of failure to timely submit its Annual Audit to the Board; it failed to timely submit its Annual Audit for the fiscal year ending June 30, 2013.

10. On November 24, 2014, the Charter Operator submitted its Annual Audit for the

fiscal year ending June 30, 2014.

### **AGREEMENT TERMS AND CONDITIONS**

The Parties agree as follows:

11. Because of the Board's decision to issue a notice of intent to revoke the Charter, the Charter Operator is subject to the revocation and termination of its Charter.

12. A.R.S. §§ 15-183(Q) and 41-1092.07(F)(5) provide that informal disposition of this matter may be made by stipulation, agreed settlement, consent order or default.

13. In consideration of the Parties foregoing their option to proceed with the charter revocation proceedings and hearing, it is in the best interests of the Board and the Charter Operator to mutually resolve this matter.

14. The Charter Operator waives its right to a hearing and to provide its defense, except as set forth herein, on the Recitals set forth in this Agreement.

15. By entering into this Agreement, the Charter Operator agrees to the Recitals set forth in this Agreement and understands that it cannot contest any of the Recitals in the future.

16. This Agreement does not limit other actions the Board may take under the law if it determines that the Charter Operator is not in compliance with its Charter or with state or federal law.

17. The Charter Operator agrees to submit its Annual Audit for the fiscal year ending June 30, 2015 by November 15, 2015. The Charter Operator agrees to submit its Annual Audit for all subsequent fiscal years of its operation by November 15 of the following fiscal year.

18. If the Charter Operator fails to comply with the terms and conditions of this Agreement, the Board may, on no less than thirty (30) calendar days' notice, hold a hearing at which time the Board will receive information to determine whether evidence exists that the Charter

Operator failed to comply with the terms and conditions of this Agreement. The Charter Operator shall be entitled to present all appropriate evidence at this hearing. If the Board determines that a breach of this Agreement has occurred, the Board may revoke the Charter Operator's Charter to operate the School and terminate its Charter for breach of this Agreement and of its Charter and the state laws identified in the Recitals.

19. This Agreement is not binding on either party until both the Board and the Charter Operator's governing board accept it by the number of votes necessary to pass a measure at a public meeting. This Agreement is effective immediately upon its approval and execution by the authorized representatives of the Charter Operator and the Board.

20. If either party rejects this Agreement or any part of it, then this Agreement is null and void and not binding on the Parties and the Board may proceed with the charter revocation hearing.


21. The Charter Operator has the legal right to consult with an attorney prior to entering into this Agreement.

22. The Parties shall be responsible for their own attorneys' fees and costs, if any, in this matter.

ARIZONA STATE BOARD FOR CHARTER SCHOOLS

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By: Janna Day  
President, Arizona State Board for Charter Schools  
Date: \_\_\_\_\_

LEGACY EDUCATION GROUP

  
\_\_\_\_\_  
By: Kathryn Tolman  
Charter Representative, Legacy Education Group  
Date: 12/8/2014

COPY mailed this  
\_\_\_\_\_ day of \_\_\_\_\_, 2014 to:

Legacy Education Group  
Attention: Kathy Tolman, Charter Representative  
7420 E. Main Street  
Mesa, AZ 85207

By \_\_\_\_\_