

703 ANNUAL AUDIT

I. PURPOSE

The purpose of this policy is to provide for an annual audit of the books and records of the charter school in order to comply with law, to provide a permanent record of the financial position of the charter school, and to provide guidance to the charter school to correct any errors and discrepancies in its practices.

II. GENERAL STATEMENT OF POLICY

The policy of this charter school is to comply with all laws relating to the annual audit of the books and records of the charter school.

III. REQUIREMENT

- A. The charter school board shall appoint independent certified public accountants to audit, examine, and report upon the books and records of the charter school. The school board may enter into a contract with a person or firm to provide the agreed upon services.
- B. After the close of each fiscal year, the books, records, and accounts of the charter school shall be audited by said independent certified public accountants in accordance with applicable standards and legal requirements. The executive director and members of the administration shall cooperate with the auditors.
- C. The audit must be conducted in compliance with generally accepted governmental auditing standards, the Federal Single Audit Act, if applicable, Minnesota Statutes section 6.65, and the Minnesota Legal Compliance Audit Guide for School Districts issued by the Office of the Minnesota State Auditor.
- D. The charter school is subject to the same financial audits, audit procedures, and audit requirements as a district, except as required under Minnesota Statutes section 124E.16.
- E. The charter school is subject to and must comply with Minnesota Statutes sections 15.054; 118A.01; 118A.02; 118A.03; 118A.04; 118A.05; 118A.06 governing government property and financial investments; and sections 471.38; 471.391; 471.392; and 471.425 governing municipal contracting.
- F. The audit must comply with the requirements of Minnesota Statutes sections 123B.75 to 123B.83 governing school district finance, except when the commissioner and authorizer approve a deviation made necessary because of school program finances. The commissioner, state auditor, legislative auditor, or authorizer may conduct financial, program, or compliance audits.
- G. A charter school in statutory operating debt under Minnesota Statutes sections 123B.81 to 123B.83 must submit a plan under section 123B.81, subdivision 4.
- H. The charter school shall, prior to September 15 of each year, submit unaudited financial data for the preceding year to the Commissioner of the Minnesota Department of

Education (Commissioner) on forms prescribed by the Commissioner. The report shall also include those items required by Minnesota Statutes section 123B.14, subdivision 7.

- I. The charter school shall, prior to November 30 of each year, provide to the Commissioner audited financial data for the preceding fiscal year. The charter school shall, prior to December 31 of each year, provide to the Commissioner and the State Auditor an audited financial statement in a form that will allow comparison with and correction of material differences in the unaudited data. The audited financial statement must also provide a statement of assurance pertaining to compliance with uniform financial accounting and reporting standards and a copy of the management letter submitted to the charter school by its auditor.
- J. The charter school must submit an audit report to the commissioner and its authorizer annually by December 31. The charter school, with the assistance of the auditor conducting the audit, must include with the report, as supplemental information: (1) a copy of management agreements with a charter management organization or an educational management organization and (2) service agreements or contracts over the lesser of \$100,000 or ten percent of the school's most recent annual audited expenditures. The agreements must detail the terms of the agreement, including the services provided and the annual costs for those services. If the entity that provides the professional services to the charter school is exempt from taxation under section 501 of the Internal Revenue Code of 1986, that entity must file with the commissioner by February 15 a copy of the annual return required under section 6033 of the Internal Revenue Code of 1986. The charter school independent audit report shall include audited financial data of an affiliated building corporation under section 124E.13, subdivision 3, or another component unit.
- K. If the audit report finds that a material weakness exists in the financial reporting systems of a charter school, the charter school must submit a written report to the commissioner explaining how the charter school will resolve that material weakness. An auditor, as a condition of providing financial services to a charter school, must agree to make available information about a charter school's financial audit to the commissioner and authorizer upon request.
- L. The charter school board must approve the audit report by resolution or require a further or amended report.
- M. The administration shall report to the charter school board regarding any actions necessary to correct any deficiencies or exceptions noted in the audit.
- N. The accounts and records of the charter school shall also be subject to audit and inspection by the State Auditor to the extent provided in Minnesota Statutes chapter 6.

Legal References: Minn. Stat. Ch. 6 (State Auditor)
Minn. Stat. § 6.65 (Minimum Procedures for Auditors, Prescribed)
Minn. Stat. Ch. 118A (Deposit and Investment of Public Funds)
Minn. Stat. § 123B.77 (Accounting, Budgeting, and Reporting Requirement)
Minn. Stat. § 124E.07 (Board of Directors)
Minn. Stat. § 124E.14 (Conflicts of Interest)
Minn. Stat. § 124E.16 (Reports)
Minn. Stat. § 471.425 (Prompt Payment of Local Government Bills)

Cross References: MSBA/MASA Model Policy 702 (Accounting)