



TO: Charter Schools and District Authorizers

FROM: Jennifer Okes, Chief Operating Officer

DATE: April 25, 2018, with September 13, 2018 revisions

RE: Financial Audit Requirements for Network Charter Schools

This memorandum addresses the financial audit requirements for charter school networks.

Since October 2011, the Colorado Department of Education has required each charter school in the state to complete a separate independent audit as required by [22-30.5-112 \(7\), C.R.S.](#) In 2015, a new law authorized “charter school networks” ([H.B. 15-1184](#)). This statute was amended in 2016 to clarify the audit requirements for charter school networks ([H.B. 16-1422](#)). As a result of these legislative changes, it is necessary to update and clarify CDE’s guidance related to audit requirements.

Charter schools follow the same fiscal rules and requirements as school districts. Hence, a charter school’s finances show up in two audits: the charter school’s annual audit under the Charter School Act, and the authorizer’s annual audit under the Local Government Audit Law.

The Charter School Act now provides for a network-level audit in lieu of school-by-school audits. Any schools fitting the definition of a charter school network qualify for one audit, treating the schools in the network as a single legal entity. This includes a charter school network holding more than one charter contract, and it includes a charter school network holding contracts with more than one authorizer. The charter school contract with the authorizer must address the charter school network’s responsibilities for each school.

In such cases, the charter school network audit must provide sufficient information so that each authorizer may present its charter school(s) as a discrete component unit for its reporting purposes. This will allow the charter schools’ finances to be appropriately included in each authorizer’s annual audit as required by the Local Government Audit Law. Additionally, an authorizer may request separate audit(s) for that authorizer’s charter schools.

Further, in order to support the ESSA school level reporting requirements, the central office activities and other unallocated funds of the network are to be allocated to the individual charter schools of the network. If this is not being done by the network within its audit, then a reasonable allocation of the central office activities will be reported by the charter school members (each unique school code) of the network for data pipeline purposes to ensure that the charter school activities remain within the charter school and do not rollup to the district level inappropriately.

The charter school network statutes do not change the other statutory requirements imposed on individual charter schools, including the budgeting requirements.

If you have any questions related to this charter school network guidance, please contact Kirk Weber at 303-866-6610 or weber_k@cde.state.co.us

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