



New Hampshire

Department of Education

<p>Subject: Annual Financial Audit</p>	<p>Legal Reference(s):</p> <ul style="list-style-type: none"> • RSA 194:1 • RSA 194-B:10:II • Ed 318:16(14), (15) • GASB Codification Section 1000.801 – The Hierarchy of Generally Accepted Accounting Principles • GASBS 14 – The Financial Reporting Entity • AICPA SLG 2018, ¶1.02
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This Technical Advisory provides information regarding Annual Financial Audits required by Chartered Public Schools.

This technical advisory clarifies the format requirements of the charter school annual financial audits. All charter school financial audits must be prepared in accordance with Government Accounting Standards Board (GASB) requirements.

194-B:10 Chartered Public Schools; Reporting Requirements. –

II. A chartered public school shall provide at its own expense an annual financial audit and report to the state board and the school board complying with any current format and content requirements imposed upon a public school. The report shall include the number of pupils served by the school and their respective tuition rates and a discussion of progress made towards the achievement of the school's academic and other goals set forth in its charter.

Ed 318:16 Charter School Annual Report Requirements.

In addition to the requirement of RSA 194-B:10, each charter school shall provide an annual report that includes the elements prescribed in Ed 318:16(a) *Charter School Annual Report Requirements*.

GASB is the recognized standard setting body for Generally Accepted Accounting Principles (GAAP) for state and local governments. Public school districts are political subdivisions of the state made for convenient administration of government and are “municipal corporations” (RSA 191:1). Based on these criteria and the requirements of RSA 194-B:10, state chartered public schools must obtain an annual financial audit in accordance with GASB financial reporting requirements.

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Definition of Government (for public school districts)

Public corporations and bodies corporate and politic are governmental organizations. Other organizations are governmental if they contain one or more of the following characteristics:

- Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments;
- The potential for unilateral dissolution by a government with the net assets reverting to a government; or
- The power to enact and enforce a tax levy.

GASB Codification Section 1000.801 – The Hierarchy of Generally Accepted Accounting Principles

The AICPA notes that the classification of an organization as governmental or nongovernmental for accounting, financial reporting, and auditing purposes based solely on the application of the preceding criteria; other factors are not determinative. For example, the fact that an entity is incorporated as a not-for-profit organization and exempt from federal income tax under the provisions of IRC Section 501 is not a criterion in determining whether an organization is governmental or nongovernmental for accounting, financial reporting, and auditing purposes.

AICPA Audit and Accounting Guide SLG 2018, ¶1.02

Financial Reporting Entity

GASB further defines the financial reporting entity as follows. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASBS 14 ¶12

The foundation of a primary government is a separately elected governing body – one that is elected by the citizens in a general popular election. A primary government is any state government or general-purpose local government (municipality or county). A primary government is also a special-purpose government (for example, a school district or a park district) that meets all of the following criteria:

- a. It has a separately elected governing body
- b. It is legally separate
- c. It is fiscally independent of other state and local governments

GASBS 14 ¶13

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Charter School Single-Audit Requirements

A Charter School must have a single-audit conducted by an independent auditor if it expends **\$750,000** or more in federal grant funds in that fiscal year. This requirement is given in 2 CFR 200.501(a). Charter Schools must submit the single-audit report with their annual financial and compliance reports (AFRs) to the [Federal Audit Clearinghouse](#). Subrecipients, including Charter Schools, that receive federal grant funds must comply with all of the single-audit requirements for auditees given in 2 CFR 200.508.

The NHDOE is required by 2 CFR 200.331(d)(3) and 200.521(a) and (c) to issue a management decision for all findings in a subrecipient's single-audit report that involve federal grants awarded by NHDOE. The management decision states whether the agency sustains or does not sustain each single-audit finding and the reason for doing so. The agency must issue the management decision within six months of either the date it receives the single-audit report or the date the report is accepted by the Federal Audit Clearinghouse, whichever is earliest.

The NHDOE is also required to follow up with subrecipients to ensure they complete corrective actions that address the findings. The management decision includes any corrective actions that need to be completed and a deadline for completion. Some corrective actions may include an enforcement action that requires the subrecipient to return federal funds to NHDOE. NHDOE's requirements to follow up on single-audit findings are given in 2 CFR 200.331(d)(2) and 200.521(a).

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