

**PROPOSED REGULATION OF THE
STATE BOARD OF EDUCATION**

LCB File No. R026-09

June 23, 2009

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§1-3 and 46, NRS 386.540; §§ 4-45, NRS 386.540 and 392A.060.

A REGULATION relating to education; adopting the Charter School and University School for Profoundly Gifted Pupils Budget and Finance Regulations; and providing other matters properly relating thereto.

Section 1. NAC 386.215 is hereby amended to read as follows:

386.215 1. Except as otherwise provided in subsection 4 of NAC 386.140, a committee to form a charter school shall obtain insurance from an authorized insurer as follows:

(a) Industrial insurance coverage in accordance with the applicable provisions of the Nevada Industrial Insurance Act, chapters 616A to 616D, inclusive, of NRS.

(b) Except as otherwise provided in subsection 2, general liability insurance with a minimum coverage of \$1,000,000. The general liability insurance policy must include coverage for molestation and sexual abuse, and have a broad form policy, with the named insureds as follows:

- (1) The sponsor of the charter school;
 - (2) All employees of the charter school, including, without limitation, former, present and future employees;
 - (3) Volunteers at the charter school; and
 - (4) Directors of the charter school, including, without limitation, executive directors.
- (c) Umbrella liability insurance with a minimum coverage of \$3,000,000.

- (d) Educators' legal liability insurance with a minimum coverage of \$1,000,000.
- (e) Employment practices liability insurance with a minimum coverage of \$1,000,000.
- (f) Employment benefits liability insurance with a minimum coverage of \$1,000,000.
- (g) Insurance covering errors and omissions of the sponsor and governing body of the charter school with a minimum coverage of \$1,000,000.
- (h) If applicable, motor vehicle liability insurance with a minimum coverage of \$1,000,000.
- (i) If applicable, liability insurance for sports and athletic participation with a minimum coverage of \$1,000,000.

↪ The cost of insurance required by this subsection must be provided to the proposed sponsor by the authorized insurer and included in each budget submitted pursuant to subsection 4 of NAC 386.180 and ~~NAC 386.370.~~ *section 33 of this regulation.*

2. The sponsor of a charter school may waive all or part of the general liability insurance required pursuant to paragraph (b) of subsection 1 if the sponsor determines that such a waiver is reasonable based upon the risk profile of the charter school or the conditions of the insurance market, or both, including, without limitation, a determination that the cost of obtaining the insurance is excessive or that the insurance is not available because of special circumstances of the charter school.

3. If an application to form a charter school is approved, the governing body of the charter school shall maintain the insurance required by this section.

4. As used in this section, "motor vehicle" has the meaning ascribed to it in NRS 485.050.

Sec. 2. NAC 386.323 is hereby amended to read as follows:

386.323 1. Except as otherwise provided in subsection 2, the governing body of a charter school may request a change in the sponsorship of the charter school pursuant to NRS 386.527.

Such a request must be made at the time that the written charter for the school would otherwise be renewed by the current sponsor in accordance with the timeline prescribed in subsection 3.

2. A request for a change in sponsorship may not be made if:

(a) The proposed sponsor is a school district other than the school district in which the charter school is located.

(b) The proposed sponsor is the State Board and the charter school will use facilities in more than one county.

3. A request for a change in sponsorship must be submitted to the proposed sponsor not more than 200 days and not less than 180 days before the expiration of the current charter and must include:

(a) An application for renewal of the charter school;

(b) A copy of the most recently approved application to form a charter school; and

(c) A copy of the written agreement with the current sponsor.

4. A proposed sponsor may approve a request for a change in sponsorship if:

(a) The school is in sound financial condition as determined by the most recent annual audit required by ~~NAC 386.380;~~ *section 42 of this regulation;*

(b) The school is not:

(1) Currently on the list of schools that failed to make adequate yearly progress, commonly referred to as the “watch list,” which is maintained by the Department; or

(2) Designated as demonstrating need for improvement;

(c) The school’s most recent annual report of compliance required by NAC 386.410 does not indicate a noncompliant item; and

(d) The school agrees to sign a new written agreement with the new sponsor. The written agreement may differ from the written agreement which the charter school signed with the current sponsor.

5. The governing body of a charter school shall submit a copy of a request for a change in sponsorship to the current sponsor of the charter school.

6. If a request for a change in sponsorship is denied:

(a) The renewal of the charter school by the proposed sponsor shall be deemed denied; and

(b) The charter school may apply to the current sponsor for renewal.

Sec. 3. NAC 386.410 is hereby amended to read as follows:

386.410 The sponsor of a charter school shall submit to the Department an annual report of compliance for the charter school. If the board of trustees of a school district is the sponsor of a charter school, the annual report of compliance must be included in the report that is required pursuant to NRS 386.610. The annual report of compliance must include:

1. A determination whether the charter school and its governing body comply with the terms and conditions of operation set forth in the written charter.

2. A determination whether the membership of the governing body of the charter school complies with NRS 386.549 and NAC 386.345, including, without limitation, whether:

(a) The governing body consists of at least three teachers, as defined in subsection 4 of NRS 386.549;

(b) A majority of the members of the governing body reside in the county in which the charter school is located; and

(c) Each member of the governing body has filed an affidavit with the Department indicating that he:

(1) Has not been convicted of a felony or offense involving moral turpitude; and

(2) Has read and understands material concerning the roles and responsibilities of members of governing bodies of charter schools and other material designed to assist the governing bodies of charter schools, if such material is provided to him by the Department,

↳ as required pursuant to NRS 386.549.

3. A determination whether the governing body has held at least one regularly scheduled public meeting in the county in which the charter school is located during each calendar quarter and each meeting complied with chapter 241 of NRS.

4. A determination whether the governing body and the charter school comply with the provisions of NRS 332.800.

5. Upon examination of the agenda and minutes of each meeting of the governing body and the reports submitted to the governing body during each meeting, a determination whether the governing body is fulfilling its duty to evaluate the performance of each entity with whom the governing body has entered into a contract, including, without limitation, the performance of an educational management organization.

6. If the charter school is dedicated to providing educational programs and opportunities for pupils who are at risk, a determination whether the educational programs and services provided to those pupils is appropriate and carried out in an effective manner.

7. A determination whether the charter school has complied with generally accepted standards of accounting and fiscal management.

8. A determination whether all money received by the charter school from this State and from the board of trustees of a school district is deposited and maintained in a bank, credit union or other financial institution in this State.

9. A determination whether the charter school has adopted a final budget, as required by NRS 386.550 and ~~[NAC 386.370.]~~ *section 33 of this regulation.*

10. A determination whether the charter school complies with NRS 386.573 regarding orders for payment of money.

11. A determination whether the charter school administers achievement and proficiency examinations in accordance with chapter 389 of NRS and chapter 389 of NAC.

12. A summary of the manner in which the charter school ensures the health and safety of the pupils enrolled in the charter school, including, without limitation, a determination whether the charter school:

- (a) Complies with the requirements for reporting the abuse or neglect of a child;
- (b) Complies with Title V of the Rehabilitation Act of 1973, 29 U.S.C. §§ 791 et seq.;
- (c) Provides adequate health services;
- (d) Maintains records of the immunizations required of pupils in accordance with NRS 392.435;
- (e) Complies with NRS 392.450 by providing drills for pupils in the appropriate procedures to be followed in the event of an emergency and by posting escape routes; and
- (f) Complies with the requirements for crisis response in public schools in accordance with NRS 392.600 to 392.656, inclusive.

13. A determination whether each facility that the charter school occupies complies with applicable building codes, codes for the prevention of fire, and codes pertaining to safety, health and sanitation.

14. A determination whether the charter school complies with NRS 386.585, including, without limitation, whether the charter school:

(a) Provides a copy of the rules of behavior, prescribed punishments and procedures to be followed in imposing punishments to each pupil;

(b) Maintains, for public inspection at the charter school, a copy of the rules of behavior, prescribed punishments and procedures to be followed in imposing punishments; and

(c) Complies with the policies and procedures for the suspension and expulsion of pupils.

15. A description of the attendance policy of the charter school and a determination whether the policy is:

(a) Distributed to each pupil in accordance with NAC 386.350; and

(b) Available for public inspection during the school's regular business hours.

16. If pupils with disabilities are enrolled in the charter school, a determination whether the provision of special educational services and programs to those pupils complies with the requirements set forth in chapters 388 and 395 of NRS and NAC 388.150 to 388.450, inclusive.

17. A determination whether the charter school provides instruction in the core academic subjects set forth in subsection 1 of NRS 389.018, as applicable for the grade levels of pupils who are enrolled in the charter school.

18. A determination whether the charter school provides at least the courses of study that are required of pupils by statute or regulation for promotion to the next grade or graduation from a public high school and requires the pupils who are enrolled in the charter school to take those courses of study.

19. A determination whether the charter school complies with NRS 386.590 regarding the employment of teachers and other educational personnel.

20. A determination whether the status of the employees of the charter school and the rights and benefits provided to those employees comply with NRS 386.595.

21. A description of the manner in which the charter school maintains personnel records for its employees.

22. A description of the procedure for the enrollment of pupils in the charter school, including, without limitation, whether the charter school enrolls pupils on the basis of a lottery system if more pupils who are eligible for enrollment apply for enrollment than the number of spaces that are available.

23. If the charter school provides instruction to pupils enrolled in kindergarten, first grade or second grade, a determination whether the charter school complies with NRS 392.040 regarding the ages for enrollment in those grades.

24. A determination whether the charter school refrains from charging tuition or fees, except for those fees that are authorized by specific statute or by the written charter of the charter school.

25. A determination whether the charter school provides written notice to the parents and legal guardians of pupils enrolled in grades 9 to 12, inclusive, whether the charter school is accredited by the Commission on Schools of the Northwest Association of Accredited Schools.

26. A determination whether the charter school complies with NRS 386.583 regarding the adoption of rules for academic retention.

27. A determination of whether the charter school maintains the type and amount of insurance:

(a) Required by NAC 386.215.

(b) In a manner that complies with paragraph (l) of subsection 1 of NRS 386.550, which may include worker's compensation insurance, or is otherwise prepared to hold harmless, indemnify and defend the sponsor of the charter school as required by that paragraph.

28. A determination whether the written inventory of equipment, supplies and textbooks that is maintained by the charter school pursuant to NAC 386.342 is current and accurate.

Sec. 4. Chapter 387 of NAC is hereby amended by adding thereto the provisions set forth as sections 5 to 45, inclusive, of this regulation.

Sec. 5. *The provisions of sections 5 to 45, inclusive, of this regulation may be cited as the Charter School and University School for Profoundly Gifted Pupils Budget and Finance Regulations.*

Sec. 6. 1. *The purposes of sections 5 to 45, inclusive, of this regulation are:*

(a) To establish standard methods and procedures for the preparation, presentation, adoption and administration of budgets of all charter schools and university schools for profoundly gifted pupils.

(b) To enable charter schools and university schools for profoundly gifted pupils to make financial plans for programs of both current and capital expenditures and to formulate fiscal policies to accomplish these programs.

(c) To provide for estimation and determination of revenues and expenditures.

(d) To provide for the control of revenues, expenditures and expenses in order to promote prudence and efficiency in the expenditure of public money.

(e) To provide specific methods enabling the public, taxpayers and investors to be apprised of the financial preparations, plans, policies and administration of all charter schools and university schools for profoundly gifted pupils.

2. For the accomplishment of these purposes, the provisions of sections 5 to 45, inclusive, of this regulation must be broadly and liberally construed.

Sec. 7. *As used in sections 5 to 45, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 8 to 29, inclusive, of this regulation have the meanings ascribed to them in those sections.*

Sec. 8. *“Accrual basis” means the basis of accounting under which expenditures or expenses are recorded as soon as they result in liabilities for benefits received and revenues are recorded when earned, despite the possibility that the receipt of the revenue or the payment for the expense may take place, in whole or in part, in another accounting period.*

Sec. 9. *“Anticipated revenue” means the amount of revenue anticipated to be collected or accrued during a given period.*

Sec. 10. *“Appropriation” means an authorization by a governing body to make expenditures and to incur obligations for specified purposes.*

Sec. 11. *“Assets” means property which:*

- 1. Is owned by a charter school or university school for profoundly gifted pupils; and*
- 2. Has a monetary value.*

Sec. 12. *“Audit” means the examination and analysis of financial statements, accounting procedures and other evidence made in conformity with generally accepted auditing standards in the United States for one or more of the following purposes:*

- 1. Determining the propriety and mathematical accuracy of material financial transactions;*
- 2. Ascertaining whether financial transactions have been properly recorded;*
- 3. Ascertaining whether the financial statements prepared from the accounting records fairly present in all material respects the financial position and the results of financial operations and cash flows of the charter schools and university schools for profoundly gifted*

pupils in accordance with generally accepted accounting principles in the United States and on a basis which is consistent with that of the preceding year;

4. Evaluating internal accounting controls over financial reporting of the handling of the public money and public property;

5. Determining whether the fiscal controls established by law and administrative regulations are being properly applied;

6. Determining whether there is any evidence that fraud or dishonesty has occurred in the handling of funds or property;

7. Determining whether the acquisition, depreciation and disposition of property and equipment are accounted for in accordance with generally accepted accounting principles in the United States; and

8. Determining whether the removal of the uncollectible accounts receivable from the records of a charter school or university school for profoundly gifted pupils is done in accordance with the procedure established by law and administrative regulations.

Sec. 13. *“Budget” means a plan of financial operation embodying an estimate of proposed expenditures and expenses for a given period and the proposed means of financing them.*

Sec. 14. *“Budget augmentation” is a procedure for increasing appropriations of a fund with the express intent of employing previously unbudgeted resources of the fund for carrying out the increased appropriations.*

Sec. 15. *“Budget year” means the fiscal year for which a budget is being prepared.*

Sec. 16. *“Capital assets” means assets of a long-term character which are intended to continue to be held or used such as land, buildings, machinery, furniture and other equipment.*

Sec. 17. *“Contingency account” means an account showing money that has been appropriated to provide for unforeseen expenditures or anticipated expenditures of an uncertain amount.*

Sec. 18. *“Department” means the Department of Education.*

Sec. 19. *“Encumbrances” means commitments related to unperformed contracts for goods or services, the accounting for which is used to ensure effective budgetary control and accountability and to promote effective cash planning and control. For reporting purposes, encumbrances outstanding at a year’s end represent the estimated amount of the expenditure ultimately to result if the unperformed contracts existing at the year’s end are performed. Encumbrances outstanding at a year’s end do not constitute expenditures or liabilities.*

Sec. 20. 1. *“Expenditure” means:*

(a) If the accounting records are kept on the modified accrual basis, the cost of goods delivered or services rendered, whether paid or unpaid. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term liabilities which should be recognized when due.

(b) If accounts are kept on the cash basis, only cash disbursements for the purposes listed in paragraph (a).

2. *Encumbrances are not considered expenditures.*

Sec. 21. *“Expense” means any charge incurred, under the accrual basis, whether paid or unpaid, for operation, maintenance or interest or any other charge which is presumed to provide benefit in the current fiscal period.*

Sec. 22. *“Final budget” means the budget which has been adopted by a charter school or university school for profoundly gifted pupils and which has been determined by the Department to be in compliance with applicable statutes and regulations.*

Sec. 23. *“Fiscal year” means the 12-month period beginning on the first day of July and ending on the last day of June.*

Sec. 24. *“Liabilities” means, for the purpose of financial reporting, debts or other legal obligations arising out of transactions in the past which must be liquidated or refunded at some future date.*

Sec. 25. *“Modified accrual basis” means the basis of accounting under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when they become measurable and available to finance expenditures of the fiscal period.*

Sec. 26. *“Reserve” means, in accounting and reporting of government funds, a portion of the fund equity which is not appropriable for expenditures or is segregated by law or contract for a specific future use.*

Sec. 27. *“Revenue” means the gross receipts and receivables of a charter school or university school for profoundly gifted pupils derived from all sources.*

Sec. 28. *“State Board” means the State Board of Education.*

Sec. 29. *“Tentative budget” means the budget that is prepared initially, published and recorded by each charter school and university school for profoundly gifted pupils for an ensuing fiscal year prior to its subsequent adoption.*

Sec. 30. 1. *Each charter school and each university school for profoundly gifted pupils shall annually prepare, on a form prescribed by the Department of Taxation for use by local governments, a capital improvement plan for the fiscal year ending on June 30 of that year and the ensuing 5 fiscal years.*

2. On or before August 1 of each year, each charter school and each university school for profoundly gifted pupils shall submit a copy of the capital improvement plan to the:

(a) Department;

(b) Director of the Legislative Counsel Bureau; and

(c) For a charter school that is not sponsored by the State Board, the sponsor of the charter school.

3. The total amount of the expenditures contained in the capital improvement plan of the charter school or university school for profoundly gifted pupils for the next ensuing fiscal year must equal the total amount of expenditures for capital outlay set forth in the final budget of the charter school or university school for profoundly gifted pupils for each fund listed in that budget.

4. The capital improvement plan must include the estimated or actual revenues and expenditures for each capital project and the estimated or actual date for completion of each capital project.

5. The capital improvement plan must reconcile the capital outlay in each fund in the final budget for the first year of the capital improvement plan to the final budget in the next

ensuing fiscal year. The reconciliation must identify the minimum level of expenditure for items classified as capital assets in the final budget and the minimum level of expenditure for items classified as capital projects in the capital improvement plan. The reconciliation of capital outlay items in the capital improvement plan must be presented on forms created and distributed by the Department of Taxation for use by local governments.

Sec. 31. *1. In addition to the records and inventory controls established and maintained pursuant to section 43 of this regulation, the governing body of each charter school and the governing body of each university school for profoundly gifted pupils shall, for each fiscal year, compile a report concerning the capital improvements owned, leased or operated by the charter school or university school for profoundly gifted pupils.*

2. The report of the capital improvements required pursuant to subsection 1 must be prepared in such detail as is required by generally accepted accounting principles.

3. The governing body of each charter school and the governing body of each university school for profoundly gifted pupils shall submit, in any format including an electronic format, a copy of the report compiled pursuant to subsection 1 on or before February 1 of the year next succeeding the period to which the report pertains to the Department.

Sec. 32. *1. The person designated by the governing body of a charter school pursuant to NRS 386.573 or by the governing body of a university school for profoundly gifted pupils pursuant to NRS 392A.085, as applicable, shall prepare or the governing body shall cause to be prepared, on appropriate forms prescribed by the Department of Taxation for the use of local governments, a tentative budget for the ensuing fiscal year.*

2. On or before April 15, a tentative budget for the following fiscal year must be submitted to the clerk or the secretary of the governing body of the charter school or university school

for profoundly gifted pupils, as applicable, and a copy of the tentative budget must be submitted to the Department of Education.

3. At the time of submission of the tentative budget, the governing body of the charter school or university school for profoundly gifted pupils, as applicable, shall give notice of the time and place of a public hearing on the tentative budget. The notice of the public hearing must state:

(a) The time and place of the public hearing;

(b) That a tentative budget has been prepared in such detail as prescribed by the Department of Education on forms prescribed by the Department of Taxation; and

(c) The places where copies of the tentative budget are on file and available for public inspection.

4. Budget hearings must be held during the second or third week in May.

5. At the time and place advertised for public hearing, or at any time and place to which the public hearing is from time to time adjourned, the governing body of the charter school or university school for profoundly gifted pupils, as applicable, shall hold a public hearing on the tentative budget, at which time interested persons must be given an opportunity to be heard.

6. At the public hearing, the governing body of the charter school or university school for profoundly gifted pupils, as applicable, shall indicate changes, if any, to be made in the tentative budget.

Sec. 33. *1. Not later than June 8 of each year, the governing body of each charter school and the governing body of each university school for profoundly gifted pupils shall, at a public meeting, adopt its final budget for the ensuing fiscal year by the favorable votes of a majority of the members of the governing body.*

2. *The governing body shall submit copies of the final budget to:*

(a) The Department;

(b) The Legislative Counsel Bureau; and

(c) For a charter school that is not sponsored by the State Board, the sponsor of the charter school.

Sec. 34. *1. Upon the adoption of the final budget pursuant to section 33 of this regulation or the amendment of the budget pursuant to section 35 of this regulation, the several amounts stated in it as proposed expenditures are appropriated for the purposes indicated in the budget.*

2. No governing body may adopt any budget which appropriates for any fund any amount in excess of the budget resources of that fund.

Sec. 35. *1. If anticipated resources actually available during a budget period exceed those estimated, a charter school or university school for profoundly gifted pupils may amend the budget by an augmentation of the appropriations of a fund. If it is desired to augment the appropriations of a fund, the governing body shall, by majority vote of all members of the governing body, adopt a resolution reciting the appropriations to be augmented, and the nature of the unanticipated resources intended to be used for the augmentation at a regular meeting of the body.*

2. A budget augmentation becomes effective upon delivery to the Department of an executed copy of the resolution providing therefor.

3. Nothing in sections 5 to 45, inclusive, of this regulation precludes the amendment of a budget by increasing the total appropriation for any fiscal year to include a grant-in-aid, gift or bequest to a charter school or university school for profoundly gifted pupils which is

required to be used for a specific purpose as a condition of the grant. Acceptance of such a grant and agreement to the terms imposed by the granting agency or person constitutes an appropriation to the purpose specified.

4. Budget appropriations may be transferred between functions, funds or contingency accounts in the following manner, if such a transfer does not increase the total appropriation for any fiscal year and is not in conflict with other statutory provisions:

(a) The person designated to administer the budget for a charter school or university school for profoundly gifted pupils may transfer appropriations within any function.

(b) The person designated to administer the budget may transfer appropriations between functions or programs within a fund, if:

(1) The governing body is advised of the action at the next regular meeting; and

(2) The action is recorded in the official minutes of the meeting.

(c) Upon recommendation of the person designated to administer the budget, the governing body may authorize the transfer of appropriations between funds or from the contingency account, if:

(1) The governing body announces the transfer of appropriations at a regularly scheduled meeting and sets forth the exact amounts to be transferred and the accounts, functions, programs and funds affected;

(2) The governing body sets forth its reasons for the transfer; and

(3) The action is recorded in the official minutes of the meeting.

5. In any year in which the Legislature by law increases or decreases the revenues of a charter school or university school for profoundly gifted pupils, and that increase or decrease was not included or anticipated in the final budget of the charter school or university school

for profoundly gifted pupils as adopted pursuant to section 33 of this regulation, the governing body of any such charter school or university school for profoundly gifted pupils may, within 60 days after the adjournment sine die of the legislative session, file an amended budget with the Department increasing or decreasing its anticipated revenues and expenditures from that contained in its final budget to the extent of the actual increase or decrease of revenues resulting from the legislative action.

6. In any year in which the Legislature enacts a law requiring an increase or decrease in expenditures of a charter school or university school for profoundly gifted pupils, which was not anticipated or included in its final budget as adopted pursuant to section 33 of this regulation, the governing body of any such charter school or university school for profoundly gifted pupils may, within 60 days after the adjournment sine die of the legislative session, file an amended budget with the Department providing for an increase or decrease in expenditures from that contained in its final budget to the extent of the actual amount made necessary by the legislative action.

7. For each school year, within 60 days of the receipt of the final enrollment and attendance audit performed pursuant to NRS 387.126, each charter school or university school for profoundly gifted pupils shall adopt an amendment to its final budget after the count of pupils is completed pursuant to subsection 1 of NRS 387.1233. The amendment must reflect any adjustments necessary as a result of the completed count of pupils.

Sec. 36. *Each budget of a charter school and each budget of a university school for profoundly gifted pupils must include:*

1. Detailed estimates of revenues, balances in other funds and other sources of financing for the budget year classified by funds and sources in a manner and on forms prescribed by the Department of Taxation for use by local governments.

2. Detailed estimates of expenditures and other uses of money for the budget year classified in a manner and on forms prescribed by the Department of Taxation for use by local governments.

3. A separate statement of the anticipated expenses relating to activities designed to influence the passage or defeat of any legislation, setting forth each separate category of expenditure that is required to be included in a supplemental report pursuant to subsection 1 of section 37 of this regulation.

Sec. 37. *1. In each year in which the Legislature convenes, a charter school or university school for profoundly gifted pupils which expends more than \$6,000 on activities designed to influence the passage or defeat of any legislation shall file with the Department within 60 days after the adjournment sine die of the legislative session a report supplemental to its final budget which includes separate items for expenses relating to that activity, including, without limitation:*

(a) Transportation.

(b) The amount of money spent on:

(1) The lodging and meals of its officers, lobbyists and employees;

(2) The salary or wages paid to its officers and employees; and

(3) Compensation paid to any lobbyists, to the extent that such information does not duplicate the information required pursuant to subparagraphs (1) and (2).

(c) The amount of money spent on entertainment, gifts or other expenses which are required to be reported pursuant to NRS 218.900 to 218.944, inclusive.

(d) The amount of money spent in Carson City on supplies, equipment and facilities and other personnel and services needed to support the activity.

(e) An identification of the fund, account or other source against which the expenses were charged.

2. The amounts reported pursuant to subsection 1 must include any funds spent by an educational management organization with whom the charter school or university school for profoundly gifted pupils has a contract.

3. The charter school or university school for profoundly gifted pupils shall make a copy of the supplemental report available for inspection within 60 days after the adjournment sine die of the legislative session.

Sec. 38. *A charter school or university school for profoundly gifted pupils shall not begin the construction of a capital improvement unless the funding for the operation and maintenance of the improvement during the current fiscal year, including personnel, is included in an approved budget.*

Sec. 39. *A contingency account may be established in any governmental fund. The maximum amount which may be appropriated for such a contingency account is 3 percent of the money otherwise appropriated to the fund, exclusive of any amounts to be transferred to other funds. No expenditure may be made directly from such a contingency account, except as a transfer to the appropriate account, and then only in accordance with the procedure established in section 35 of this regulation.*

Sec. 40. 1. *The governing body of any charter school or university school for profoundly gifted pupils may, by resolution, establish one or more petty cash accounts, imprest accounts or revolving accounts in a bank or credit union to assist in the administration of any activities in which the charter school or university school for profoundly gifted pupils is authorized by law to engage.*

2. A resolution establishing any petty cash account, imprest account or revolving account in a bank or credit union shall, in detail, set forth the following:

- (a) The object and purpose of the account.*
- (b) The source of money to be used to establish and maintain the account.*
- (c) The method of controlling expenditures from the account.*
- (d) The maximum dollar amount of any single expenditure.*

3. Payments made out of any such accounts in accordance with the establishing resolution may be made directly without approval of the governing body of any charter school or university school for profoundly gifted pupils.

4. Reimbursement of any such petty cash, imprest or revolving accounts must be made no less often than monthly. The reimbursement must be supported by proper evidences of expenditures made from the account and must be approved by the governing body in the same manner as other claims against the fund to which the reimbursement is to be charged.

Sec. 41. *A charter school or university school for profoundly gifted pupils shall:*

- 1. Comply with generally accepted accounting principles.*
- 2. Use the chart of accounts prescribed by the Department.*
- 3. Maintain all money received by the charter school or university school for profoundly gifted pupils from this State and from the board of trustees of a school district in:*

(a) A bank in this State whose deposits are insured by the Federal Deposit Insurance Corporation;

(b) A credit union in this State whose deposits are insured by the National Credit Union Share Insurance Fund or by a private insurer approved pursuant to NRS 678.755; or

(c) A savings and loan association in this State whose deposits if made by the State, a charter school or a university school for profoundly gifted pupils or an agency of either, are insured by the Federal Deposit Insurance Corporation, or the legal successor of the Federal Deposit Insurance Corporation.

4. No expenditures from an account may be made in excess of the balance of the account.

Sec. 42. 1. *The governing body of a charter school or university school for profoundly gifted pupils shall cause the charter school or university school for profoundly gifted pupils to be audited on an annual basis.*

2. All audits must be performed by:

(a) A public accountant certified or registered; or

(b) A partnership or professional corporation registered,

↪ pursuant to the provisions of chapter 628 of NRS.

3. Each annual audit must:

(a) Cover the business of the charter school or university school for profoundly gifted pupils during the full fiscal year;

(b) Be a financial audit conducted in accordance with generally accepted auditing standards in the United States; and

(c) Include:

(1) An analysis of and findings on compliance with applicable statutes and regulations;

- (2) *A management letter outlining any recommendations for improvement;*
- (3) *An expression of opinion on the financial statements; and*
- (4) *Any other comments deemed pertinent by the auditor.*

↳ The form of the financial statements must be prescribed by the Department, and the chart of accounts must be, as nearly as possible, the same as that used in the preparation and publication of the annual budget.

4. The annual audit of the charter school or university school for profoundly gifted pupils must be concluded and the report submitted to the governing body not later than 4 months after the close of the fiscal year for which the audit is conducted.

5. The opinion and findings of the auditor contained in the report of the audit must be presented at a meeting of the governing body held not more than 30 days after the report is submitted to it.

6. Immediately thereafter, the entire report, together with the management letter required by generally accepted auditing standards in the United States, must be filed as a public record with:

- (a) The Department;*
- (b) The Legislative Counsel Bureau; and*
- (c) For a charter school that is not sponsored by the State Board, the sponsor of the charter school.*

7. After the report of the audit is filed by the charter school or university school for profoundly gifted pupils, the report of the audit, including, without limitation, the opinion and findings of the auditor contained in the report of the audit, may be disseminated by or on

behalf of the charter school or university school for profoundly gifted pupils for which the report was prepared by inclusion, without limitation, in or on:

(a) A filing made pursuant to the laws or regulations of this State;

(b) A filing made pursuant to a rule or regulation of the Securities and Exchange Commission of the United States; or

(c) A website maintained by a charter school or university school for profoundly gifted pupils on the Internet or its successor,

↳ without the consent of the auditor who prepared the report of the audit. A provision of a contract entered into between an auditor and a charter school or university school for profoundly gifted pupils that is contrary to the provisions of this subsection is against the public policy of this State and is void and unenforceable.

8. If an auditor finds evidence of fraud or dishonesty in the financial statements of a charter school or university school for profoundly gifted pupils, the auditor shall report such evidence to the appropriate level of management in the charter school or university school for profoundly gifted pupils, or to the governing body or sponsor of the charter school or university school for profoundly gifted pupils if the evidence of fraud or dishonesty involved the highest levels of management or the governing body.

9. The governing body shall act upon the recommendations of the report of the audit within 3 months after receipt of the report, unless prompter action is required concerning violations of law or regulation, by setting forth in its minutes its intention to adopt the recommendations, to adopt them with modifications or to reject them for reasons shown in the minutes.

Sec. 43. *The governing body of each charter school and the governing body of each university school for profoundly gifted pupils shall:*

1. Cause to be established and maintained adequate property and equipment records and, where appropriate, adequate inventory controls. Each charter school and each university school for profoundly gifted pupils shall establish such records and controls within 1 year after its creation unless the Department grants an extension of time.

2. Require that all such property, equipment and inventory records clearly indicate specific ownership.

3. Designate, by entry in the minutes of the governing body, the officer, employee or officers or employees responsible for the maintenance of property and equipment records and, where appropriate, inventory records, and notify the Department of such designation.

Sec. 44. *1. No charter school or university school for profoundly gifted pupils governing body or member thereof may, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function, other than medium-term obligation repayments and any other long-term contract expressly authorized by law.*

2. Without limiting the generality of the exceptions contained in subsection 1, the provisions of this section specifically do not apply to:

(a) Contracts between a charter school or university school for profoundly gifted pupils and any person for the construction or completion of public works, money for which has been or will be provided by the proceeds of medium-term obligations or an installment-purchase

agreement and that are entered into by the charter school or university school for profoundly gifted pupils after:

(1) Any approvals by any other governmental entity required to be obtained before the medium-term obligations or installment-purchase agreement can be issued have been obtained; and

(2) The ordinance or resolution that specifies each of the terms of the medium-term obligations or installment-purchase agreement has been adopted.

(b) Contracts which are entered into by a charter school or university school for profoundly gifted pupils and delivered to any person solely for the purpose of acquiring supplies, services and equipment necessarily ordered in the current fiscal year for use in an ensuing fiscal year and which, under the method of accounting adopted by the charter school or university school for profoundly gifted pupils, will be charged against an appropriation of a subsequent fiscal year. Purchase orders evidencing such contracts are public records available for inspection by any person on demand.

(c) The receipt and proper expenditure of money received pursuant to a grant awarded by an agency of the Federal Government.

(d) The incurrence of obligations beyond the current fiscal year under a lease or contract for installment purchase which contains a provision that the obligation incurred thereby is extinguished by the failure of the governing body to appropriate money for the ensuing fiscal year for the payment of the amounts then due.

(e) The receipt by a charter school or university school for profoundly gifted pupils of increased revenue that:

(1) Was not anticipated in the preparation of the final budget of the charter school or university school for profoundly gifted pupils; and

(2) Is required by statute to be remitted to another governmental entity.

3. The fund balance of a governmental fund may not be used unless appropriated in a manner provided by law.

Sec. 45. *1. The Department shall review the annual audit of each charter school and each university school for profoundly gifted pupils to determine whether it complies with the applicable statutes and regulations governing charter schools and university schools for profoundly gifted pupils. Any independent auditor's report, whether upon financial position and results of operations or upon internal financial controls, which the Department believes may not comply with those regulations must be referred by the Department to the Nevada State Board of Accountancy for investigation and such action in respect to the issuing accountant as the Board may find appropriate in the circumstances.*

2. In its review of the annual audits submitted, the Department shall identify all violations of statute and regulation reported therein. Within 60 days after the delivery of the annual audit to the charter school or university school for profoundly gifted pupils, the governing body shall advise the Department what action has been taken to prevent recurrence of each violation of law or regulation or to correct each continuing violation. The Department shall evaluate the plan of correction proposed by the charter school or university school for profoundly gifted pupils and, if the plan is satisfactory, shall so advise the governing body. If the plan is not satisfactory, the Department shall advise the governing body that it deems the plan inadequate and propose an alternative plan. Within 30 days thereafter the governing body shall report its assent to the Department's plan or request a hearing before the State

Board of Education. The hearing must be held at the next meeting of the State Board of Education, but must not be held more than 90 days after such a request is received. The determination of the State Board of Education is final.

3. If the governing body fails to submit a proposed plan of correction pursuant to subsection 2, or if the Superintendent of Public Instruction determines that the plan established is not being complied with, he must, through the office of the Attorney General, seek a writ from a court of competent jurisdiction to compel compliance.

Sec. 46. NAC 386.370, 386.380 and 386.390 are hereby repealed.

TEXT OF REPEALED SECTIONS

386.370 Final budget. (NRS 386.540, 386.550)

1. Not later than May 1 of each year, the governing body of a charter school shall, at a public meeting, adopt its final budget for the charter school for the ensuing fiscal year.

2. The final budget must be prepared on forms prescribed by the Department.

3. The governing body shall submit copies of the final budget to:

- (a) The Department;
- (b) The Legislative Counsel Bureau; and
- (c) The sponsor of the charter school.

386.380 Annual audit. (NRS 386.540)

1. The governing body of a charter school shall cause the charter school to be audited on an annual basis. The annual audit of the charter school must be completed and submitted to the governing body for review at a public meeting not later than 120 days after the close of the fiscal year for which the audit is conducted.

2. All audits must be performed by:

- (a) A public accountant certified or registered; or
- (b) A partnership or professional corporation registered,

↳ pursuant to the provisions of chapter 628 of NRS.

3. Each annual audit must:

- (a) Cover the business of the charter school during the full fiscal year;
- (b) Be a financial audit conducted in accordance with generally accepted auditing standards;

and

(c) Include:

- (1) An analysis of the charter school's compliance with applicable laws and regulations;
- (2) Any recommendations for improvement by the charter school; and
- (3) Any other comments deemed pertinent by the auditor, including the auditor's opinion

regarding the financial statements.

↳ The form of the financial statements must be prescribed by the Department, and the chart of accounts must be, insofar as practicable, the same as that used in the preparation and publication of the annual budget.

4. The governing body shall submit copies of the annual audit to:

- (a) The Department;
- (b) The Legislative Counsel Bureau; and

(c) The sponsor of the charter school.

386.390 Compliance with accounting principles; utilization of chart of accounts; maintenance of money. (NRS 386.540, 386.570)

A charter school shall:

1. Comply with generally accepted accounting principles.
2. Use the chart of accounts prescribed by the Department.
3. Maintain all money received by the charter school from this State and from the board of trustees of a school district in a bank, credit union or other financial institution in this State that is insured by an agency of the Federal Government or by a private insurer approved pursuant to NRS 678.755.