SUBJECT
Xavier Charter School Fiscal Status Update

APPLICABLE STATUTE, RULE, OR POLICY
I.C. § 33-5209

BACKGROUND
Xavier Charter School (XCS) is a public charter school authorized by the Public Charter School Commission (PCSC). Located in Twin Falls, XCS is now in its sixth year of operations and serves grades K-12.

XCS is currently attempting to recover from a history of inadequate fiscal oversight by the board and management company. The interim administration team and new board are working to correct significant fiscal concerns resulting from XCS's failure to properly document expenditures attached to a significant sum of federal funding for Special Education, an unsustainable facility lease situation, and improper payroll tax filings during the first quarter of 2010.

DISCUSSION
Since spring 2012, XCS has worked closely with the State Department of Education (SDE), providing monthly updates on the status of its reconstruction of federal fund expenditures from FY11. The SDE, which notes that the school has not yet fully implemented the Idaho Financial Accounting Reporting Management System (IFARMS) will perform a follow-up technical assistance visit in November and provide a report on their findings for the PCSC's consideration.

Much of the expenditure reconstruction work was done internally or pro bono, so the school anticipates that associated costs will be minimal. At this time, the amount XCS will be required to repay remains unclear. School officials estimate that approximately 85% of the expenditures can be documented. If this estimate is accurate, XCS may need to repay roughly $105,000 of the $700,000 originally in question.

Additionally, XCS currently leases its built-to-suit facility from a Utah company. The lease agreement includes an annual increase to the already-unsustainably high monthly payments. XCS's legal counsel has opened conversation with the landlord regarding possible renegotiation of the lease or financing to purchase the building. It is unlikely that additional progress can be made until the FY11 fiscal audit is complete.

No new information is available regarding possible resolution of the IRS request for payment. As of May 2012, the XCS board was hopeful that the $81,000 in back payroll taxes would not need to be paid; however, no conclusion has yet been reached.

Additional accounting work has raised new concerns regarding XCS's carryover from FY12. Although the school carried over $506,000 from FY11, extensive unbudgeted expenditures have lead to an anticipated FY12 ending deficit of approximately $55,000.

The actual and potential financial challenges faced by XCS are likely to result in an FY13 deficit of at least $232,000. Recent declines in high school enrollment may further threaten the school.

XCS's board and administration continue to maintain open lines of communication with SDE and PCSC staff as the situation develops.

IMPACT

If the PCSC has reason to believe that a public charter school has failed to demonstrate fiscal soundness, the PCSC must provide the public charter school written notice of the defect and provide a reasonable opportunity to cure the defect.

Pursuant to I.C. §33-5209(2)(d), "In order to be fiscally sound, the public charter school must be: (i) Fiscally stable on a short term basis, that is, able to service all upcoming obligations; and (ii) Fiscally sustainable as a going concern, that is, able to reasonably demonstrate its ability to service any debt and meet its financial obligations for the next fiscal year."

STAFF COMMENTS AND RECOMMENDATIONS

Staff recommends that the PCSC direct staff to issue to XCS a notice of defect on the grounds of failure to demonstrate fiscal soundness as defined by I.C. §33-5209(2)(d).

COMMISSION ACTION

A motion to direct staff to issue to Xavier Charter School a notice of defect on the grounds of failure to demonstrate fiscal soundness as defined by I.C. §33-5209(2)(d).

Moved by ________ Seconded by _________ Carried yes _____ or no _____

September 20, 2012

Xavier Charter School 8/16/2012	Proposed (Board Approved Budget for Fiscal Year)	Actual (Through Most Recent Month End)	Projected (Anticipated Year-End Numbers)	Percentage Used (Actual / Proposed)	Notes
REVENUE					
Salary Apportionment	$1,670,442.00		$1,670,442.00	0.00%	
Benefit Apportionment	$279,191.00		$279,191.00	0.00%	
Entitlement	$711,387.00		$711,387.00	0.00%	
State Transportation	$109,000.00		$109,000.00	0.00%	
Lottery				#DIV/0!	
Other State Funds (Specify)	$152,373.00		$152,373.00	0.00%	Lottery, IRI, Hiring Positions, Technology, Prof Dev/Mobile
Special Ed - Regular	$82,488.00		$82,488.00	0.00%	
Special Ed - ARRA				#DIV/0!	
Title I	$81,081.00		$81,081.00	0.00%	
Federal Title I Funds : ARRA				#DIV/0!	
Medicaid Reimbursement	$31,000.00		$31,000.00	0.00%	
Title IIA	$5,000.00		$5,000.00	0.00%	$5000 was carry-over, We will receive $7,476 for FY12-13
Local Revenue (Specify)	$500.00		$500.00	0.00%	Building Rental
Federal Startup Grant	$73,690.00		$73,690.00	0.00%	Fed Food Reimburseable - THIS IS NOT FEDERAL STARTUP GRANT
Other Grants (Specify)	$89,267.00		$89,267.00	0.00%	Food NON-Reimburseable
Fundraising		$1,741.71		#DIV/0!	Misc Other
Interest Earned	$2,000.00	$25.90	$2,000.00	1.30%	
Other (Specify)	$35,000.00		$35,000.00	0.00%	Exceptional Child/SED Support
Other (Specify)	$11,000.00		$11,000.00	0.00%	Transfer IN from Food Service Utilities
TOTAL REVENUE	$3,333,419.00	$1,767.61	$3,333,419.00	0.05%	
EXPENDITURES					
100 Salaries					
Teachers	$999,796.00	$85,071.01	$999,796.00	8.51%	
Special Education	$91,506.00		$91,506.00	0.00%	
Instructional Aides	$92,100.00		$92,100.00	0.00%	
Classified/Office	$150,245.92	$12,265.13	$150,245.92	8.16%	
Administration	$88,872.92	$8,218.75	$88,872.92	9.25%	
Maintenance	$9,800.00	$1,518.39	$9,800.00	15.49%	
Other (Specify)	$58,266.70		$58,266.70	0.00%	Food Service
Other (Specify)				#DIV/0!	
Total Salaries	$1,490,587.54	$107,073.28	$1,490,587.54	7.18%	
200 Employee Benefits					
PERSI/FICA/Benefits	$450,104.97	$48,411.99	$450,104.97	10.76%	
Other (Specify)	$10,926.00		$10,926.00	0.00%	Workers Comp
Total Benefits	$461,030.97	$48,411.99	$461,030.97	10.50%	
300 Purchased Services					
Management Services	$71,676.33		$71,676.33	0.00%	Admin Consultant, SPED & Title IA contracted services
Staff Dev/Title IIA	$5,000.00		$5,000.00	0.00%	
Legal Pub/Advertising	$23,023.32		$23,023.32	0.00%	
Legal Services	$30,000.00	$1,010.00	$30,000.00	3.37%	
Special Education	$28,270.97		$28,270.97	0.00%	
Liablity & Property Ins	$6,454.00		$6,454.00	0.00%	
Substitute Teachers	$10,000.00		$10,000.00	0.00%	
Board Expenses	$12,640.00	$1,402.00	$12,640.00	11.09%	Audit & Memberships
Computer Services	$27,903.00	$10,431.30	$27,903.00	37.38%	One-Call, Webpage, IP Monitoring Software, Plato, IDLA
Transportation	$109,000.00	$318.00	$109,000.00	0.29%	
Travel	$5,000.00	$922.12		18.44%	Travel & Purchase Services
Other (Specify)	$24,610.00		$24,610.00	0.00%	Custodial Contract & Pest Contract & Snow Removal
Other (Specify)	$24,000.00		$24,000.00	0.00%	Food Service Purchase Services & Transfer
Total Services	$377,577.62	$14,083.42	$372,577.62	3.73%	
Facilities				#DIV/0!	
Building Lease	$809,824.68	$66,488.07	$809,824.68	0.12%	
Land Lease				#DIV/0!	
Modular Lease				#DIV/0!	
Utilities, Phones, Lndscp	$53,641.16	$2,229.69	$53,641.16	0.00%	

Site Preparation				#DIV/0!	
Other (Specify)	$3,623.00		$3,623.00	287.92%	Fire/Security Monitoring& HVAC Contract
Other (Specify)	$3,816.00	$318.00	$3,816.00	8.33%	Storage Rental
Total Facilities	$870,904.84	$69,035.76	$870,904.84	7.93%	
400 Supplies and Maintenance					
Textbooks	$25,992.00		$25,992.00	0.00%	
School Supplies	$49,446.00		$49,446.00	0.00%	Paper & Teacher Supplies
Power School	$3,500.00		$3,500.00	0.00%	
Custodial Supplies	$35,982.00		$35,982.00	0.00%	
Other (Specify)	$47,938.40	$954.64	$47,938.40	1.99%	Copy Machine Lease, Maintenance & Copies
Other (Specify)	$50,572.00		$50,572.00	0.00%	Food Service Supplies & Food
Total Supplies	$213,430.40	$954.64	$213,430.40	0.45%	
500 Capital Objects					
Furniture				#DIV/0!	
Technical AV Equipment				#DIV/0!	
Other (Specify)	$13,820.00	$10,761.22	$13,820.00	77.87%	Skyward 2 of 3 payments
Other (Specify)	$2,838.12	$83.75	$2,838.12	2.95%	Lawn Mower
Other (Specify)	$3,798.00	$219.00	$3,798.00	5.77%	Floor Cleaning Equipment
Other (Specify)	$81,000.00		$81,000.00	0.00%	Building Maintenance
Total Capital Objects	$101,456.12	$11,063.97	$101,456.12	10.91%	
Debt Service					
Specify				#DIV/0!	
Specify				#DIV/0!	
Specify				#DIV/0!	
Total Debt Service	$0.00	$0.00	$0.00	#DIV/0!	
Grant Purchases					
Specify				#DIV/0!	
Specify				#DIV/0!	
Specify				#DIV/0!	
Specify				#DIV/0!	
Specify				#DIV/0!	
Total Grant Purchases	$0.00	$0.00	$0.00	#DIV/0!	
Reserve Fund				#DIV/0!	
Building Fund				#DIV/0!	
Total Expenses	$3,514,987.49	$250,623.06	$3,509,987.49	7.13%	
Carryover from Previous FY	$300,000.00	($55,639.39)	($55,639.39)	-18.55%	
Reserve/(Deficit)	$118,431.51	($304,494.84)	($232,207.88)	-257.11%	

Xavier Charter School 8/16/202	Proposed Budget	Notes	
REVENUE			
Local Revenue	$2,500.00		
State Revenue			
Entitlement	$1,089,926.51	Based on ADA of 655	
Wages			
Administration	$113,783.37		
Teachers	$1,248,417.00		
Classified	$253,689.12		
Medicaid	$0.00		
Benefit	$279,191.00		
Transportation	$109,000.00		
Federal Revenue			
Title I	$81,081.00		
Special Ed	$82,488.00		
Title II	$0.00		
Startup Grant	$0.00		
Other Sources (Specify)	$35,000.00	State SED Support	
Other Sources (Specify)			
Other Sources (Specify)	$169,690.00	School Lunch	
Total Revenue before holdback	$3,464,766.00		
PROPOSED HOLDBACK		Holdbacks should be estimated at a minimum of 5% - 5.5% for FY 2011.	
Teacher Salaries	$0.00		
Classified Salaries	$0.00		
Admin Salaries	$0.00		
Benefits	$0.00		
Entitlement	$0.00		
Transportation	$0.00		
Total Holdback	$0.00		
Total Revenue after holdback	$3,464,766.00		
EXPENDITURES			
100 Salaries			
Teachers	$1,263,000.00		
Admin	$90,000.00		
Classified	$171,644.00		
Special education	$48,271.00		
Other (Specify)			
Other (Specify)			
Total Salaries	$1,572,915.00		
200 Benefits			
Benefit Dollars	$279,121.00		
PERSI/Payroll taxes	$182,603.04		
Other (Specify)	$7,340.00	Workers Comp	
Total Benefits	$469,064.04		
300 Purchased Services			
Transportation	$109,000.00		
Special Education	$28,270.97		
Proctor costs			
Legal	$30,000.00		
Insurance	$17,380.00		
Copier Lease	$27,464.00		
Printer Lease			
Facility Lease	$821,927.00		
Utilities	$50,000.00		
Professional Development	$5,000.00		
Technology	$25,000.00		
Management Services	$70,000.00	Consultant, Title I & SPEDContractor	
Legal Publications/Advertising	$15,000.00		

Substitute Teachers	$10,000.00		
Board Expenses	$10,000.00		
Other (Specify)	$70,000.00	Building Maintenance and Custodial	
Other (Specify)			
Total Purchased Services	$1,289,041.97		
Supplies & Materials			
Teacher/Classroom	$50,000.00		
Office	$5,000.00		
Janitorial	$35,982.00		
Textbooks	$10,000.00		
Other (Specify)			
Other (Specify)	$52,000.00	Food Service	
Total Supplies & Materials	$152,982.00		
Grant Expenditures			
Specify			
Specify			
Specify			
Total Grant Expenditures	$0.00		
Capital Outlay	$20,456.12	Lawn Mower, Skyward & Floor Scrubber	
Total Capital Outlay	$20,456.12		
Debt Retirement			
Total Debt Retirement	$0.00		
Insurance & Judgements	$0.00		
Total Insurance & Judgements	$0.00		
Transfers		Food Service $11,000	
Total Transfers	$11,000.00		
Contingency Reserve	$0.00		
Building Fund	$0.00		
Total Expenditures	$3,515,459.13		
Carryover from Previous FY	($232,207.88)	Reflects projected reserve/(deficit) from "current year" worksheet	
Reserve/(Deficit)	($282,901.01)		

	GENERAL M & O FUND								ALL OTHER FUNDS			
REVENUES	Prior Year Actual **2009-2010**	Prior Year Actual **2010 - 2011**	Prior Year Actuals **2011 - 2012**	Adopted Budget **2012 - 2013**	Projected Budget **2013-2014**	Projected Budget **2014-2015**	Projected Budget **2015-2016**	Projected Budget **2016-2017**	Prior Year Actual 2009-2010	Prior Year Actual 2010 - 2011	Prior Year Actuals 2011 - 2012	Adopted Budget 2012 - 2013
Beginning Balances	*	$ 387,177	$ 506,278	$ (55,639)	$ (170,870)	$ (246,110)	$ (230,432)	$ (245,318)			$ 16,506	$ 5,000
Local Tax Revenue												
Other Local	$ 130,321	$ 198,446	$ 96,264	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500		$ 81,070	$ 83,551	$ 89,267
County Revenue												
State Revenue	$ 2,582,760	$ 2,941,258	$ 2,750,455	$ 2,988,393	$ 3,094,007	$ 3,252,637	$ 3,533,869	$ 3,944,624	$ 878			
Federal Revenue	$ 399,630	$ 112,541	$ 21,463						$ 453,144	$ 458,413	$ 295,052	$ 237,259
Other Sources			$ 11,000	$ 11,000	$ 11,000	$ 11,000	$ 11,000	$ 11,000				
Totals	$3,112,711	$3,639,422	$3,385,461	$ 2,946,254	$ 2,936,637	$3,020,027	$3,316,938	$3,712,807	$454,022	$539,483	$ 395,109	$331,526
EXPENDITURES	Prior Year Actual **2009-2010**	Prior Year Actual **2010 - 2011**	Prior Year Actuals **2011 - 2012**	Adopted Budget **2012 - 2013**	Projected Budget **2013-2014**	Projected Budget **2014-2015**	Projected Budget **2015-2016**	Projected Budget **2016-2017**	Prior Year Actual 2009-2010	Prior Year Actual 2010-2011	Prior Year Actual 2011-2012	Adopted Budget 2012-2013
Salaries	$ 1,537,941	$ 1,422,180	$ 1,348,152	$ 1,277,831	$ 1,303,388	$ 1,329,455	$ 1,568,757	$ 1,882,509	$ 81,896	$ 168,532	$ 106,492	$ 169,008
Benefits	$ 364,934	$ 499,748	$ 553,511	$ 425,455	$ 446,728	$ 469,064	$ 492,517	$ 522,068	$ 23,122	$ 37,645	$ 14,997	$ 36,269
Purchased Services	$ 980,692	$ 898,437	$ 1,269,359	$ 1,260,462	$ 1,272,609	$ 1,284,939	$ 1,326,653	$ 1,370,453	$ 89,094	$ 218,232	$ 130,196	$ 69,676
Supplies & Materials	$ 65,517	$ 243,795	$ 185,717	$ 132,920	$ 139,566	$ 146,544	$ 153,872	$ 161,565	$ 162,647	$ 96,431	$ 110,842	$ 45,573
Capital Outlay	$ 1,353	$ 68,984	$ 84,360	$ 20,456	$ 20,456	$ 20,456	$ 20,456	$ 20,456	$ 97,263	$ 2,137	$ 14,293	
Debt Retirement											$ 36	
Insurance & Judgments												
Transfers (net)											$ 11,000	$ 11,000
Contingency Reserve												
Unappropriated Balances	$ 162,274	$ 506,278							$ -	$ 16,506	$ 7,253	$ -
Totals	$3,112,711	$3,639,422	$ 3,441,100	$ 3,117,124	$3,182,747	$3,250,458	$3,562,255	$3,957,051	$454,022	$539,483	$ 395,109	$331,526
	Excess (Deficiency) of Revenue over Expenditures & Transfers		($55,639)	($170,870)	($246,110)	($230,432)	($245,318)	($244,244)				

Assumptions	YR	Annual Lease	Projected ADA		Support = $19,706 Add Support Unit
3% Increase in State Revenue	2009-2010		569.45		
2% Increase in Salary	2010-2011		609.38		
5% Increase in Benefits	2011-2012	$ 797,857	640.17		
Increase in Lease	2012-2013	$ 809,825	640		0.81
of approx 1.5% per year	2013-2014	$ 821,927	655	Projected	1.259
(actual based upon CPI)	2014-2015	$ 834,256	670		5.26
5% Increase in cost of supplies	2015-2016	$ 846,770	685		6.33
	2016-2017	$ 859,472	700		

* Data Not Available

2012-2013 Adopted budget was adjusted to reflect actual carry-over.