Fountain Hills Charter School, Inc. - 4356
School(s): Fountain Hills Charter School

Renewal Executive Summary

Sources of Evidence for this Document

Pursuant to A.R.S. 15-183.I, the Arizona State Board for Charter Schools (Board) has established a process for the renewal of a charter that is based on affirmative evidence in three areas:

I. Success of the academic program, including academic achievement
II. Viability of the organization, including fiscal management and compliance
III. Adherence to the terms of the charter, including contract and legal compliance

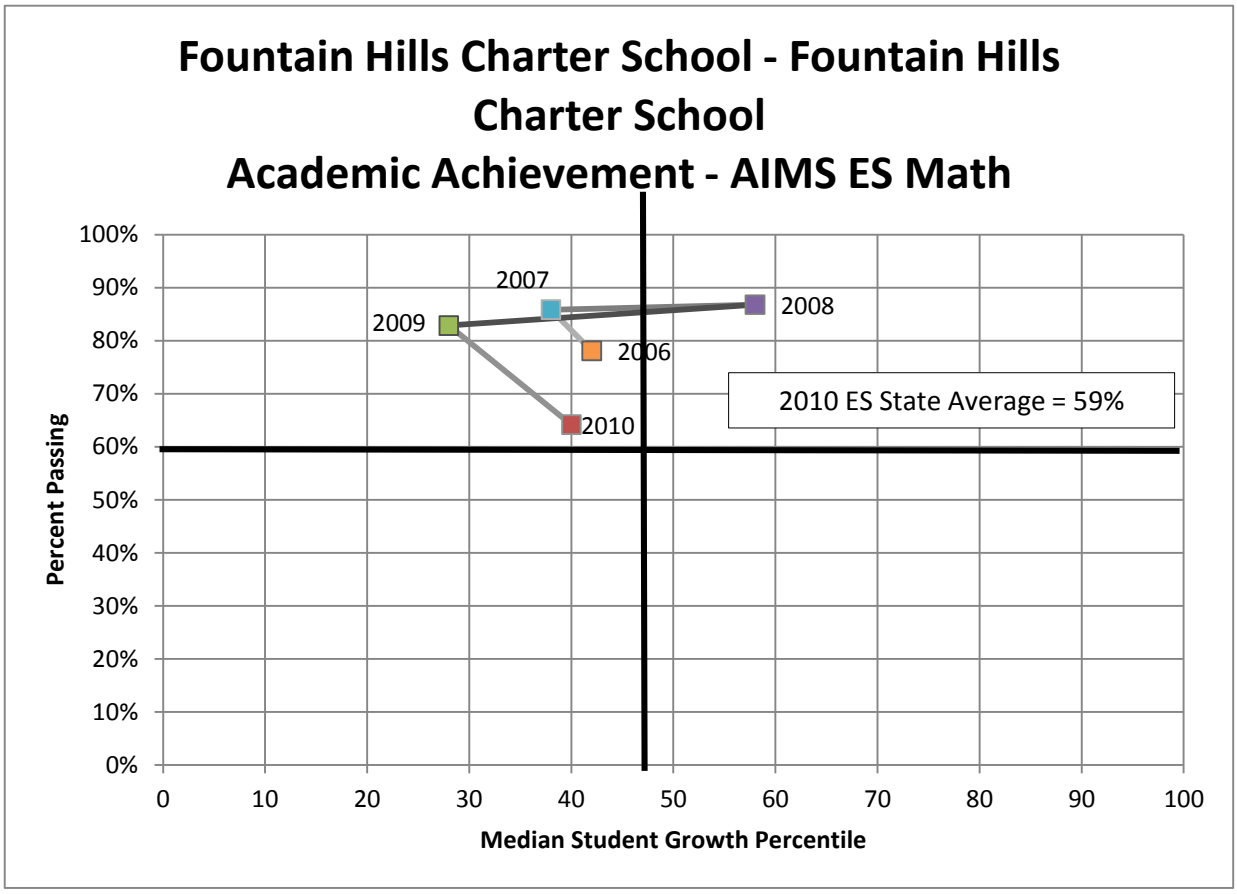
Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

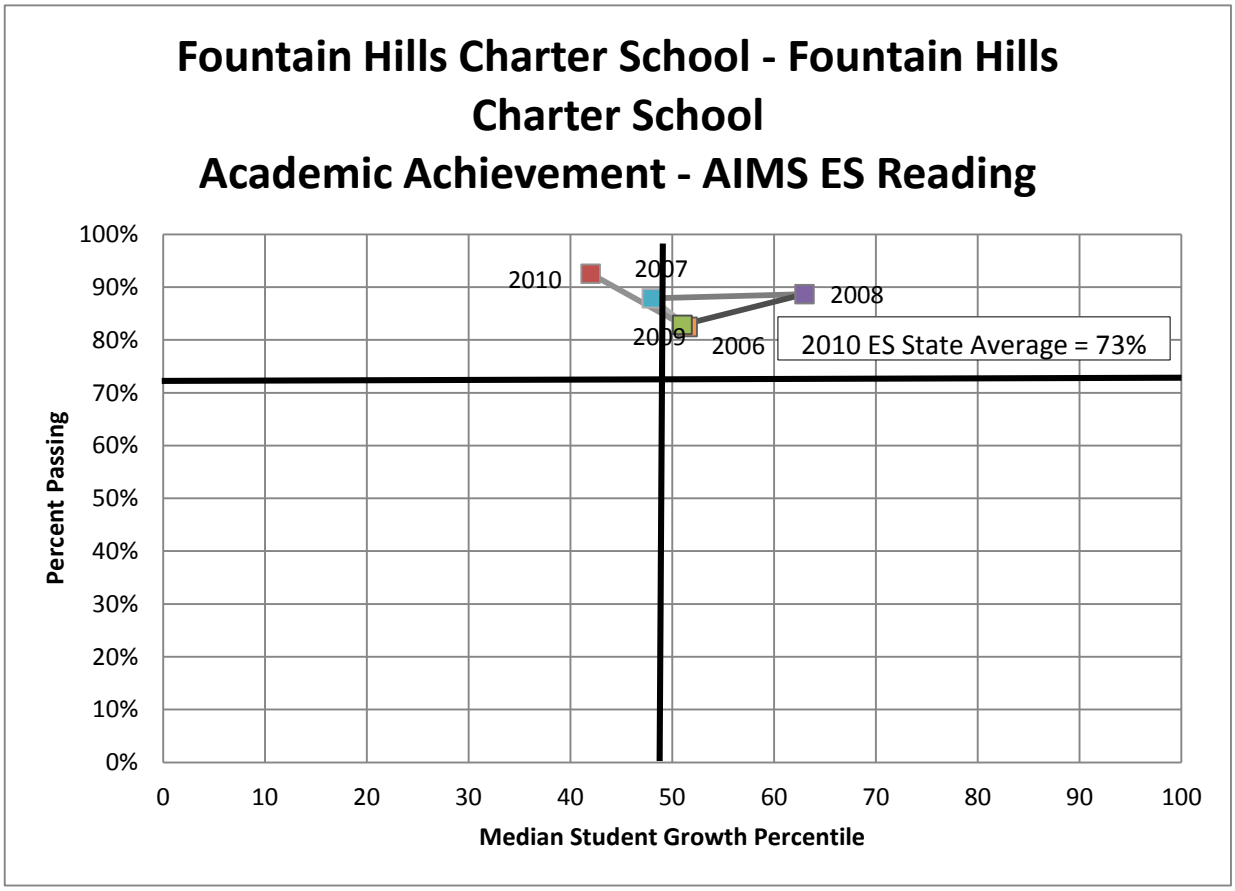
- Pupil achievement data
- Independent financial audits
- Five-year interval summary reviews
- Site visit reports
- Monitoring reports
- Application package for renewal

Profile

Fountain Hills Charter School, Inc. operates 1 school serving grades K-8 with a total FY11 average daily membership (ADM) of 135.848. Additional information can be found in the Renewal Summary Review.

Graphs displaying the academic achievement for the past five years, if available, are provided on the next page.


Fountain Hills Charter School - Fountain Hills Charter School
Academic Achievement - AIMS ES Math
Percent Passing
Median Student Growth Percentile
2007
2008
2009
2006
2010
2010 ES State Average = 59%


Fountain Hills Charter School - Fountain Hills Charter School
Academic Achievement - AIMS ES Reading
Percent Passing
Median Student Growth Percentile
2010
2007
2008
2009
2006
2010 ES State Average = 73%

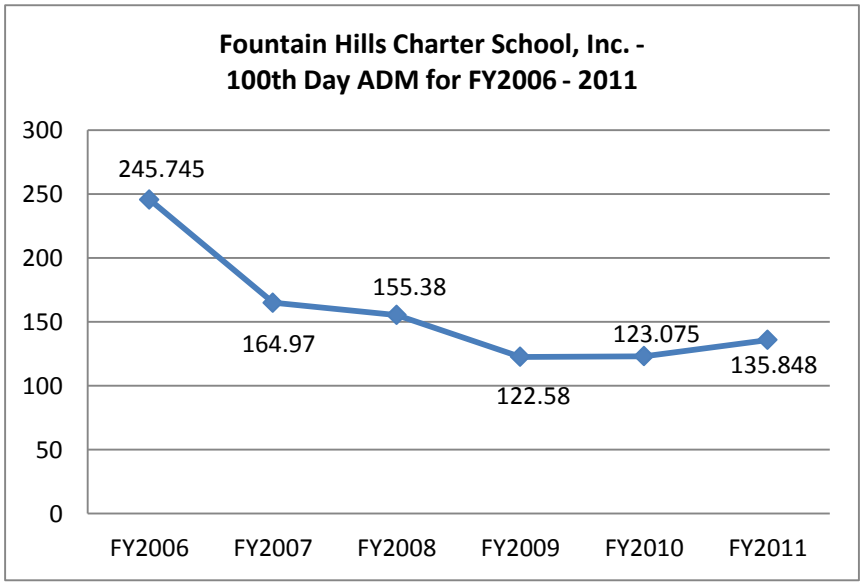
I. Success of the Academic Program

The academic performance of the schools operated by the charter holder meets or demonstrates sufficient progress toward the Board's level of adequate academic performance. Therefore, the charter holder was not required to submit a Performance Management Plan.

II. Viability of the Organization

Because the charter holder's fiscal years 2009 and 2010 audits identified negative net assets at the end of each year, the charter holder was required to complete the Renewal Budget Plan and submit the Financial Sustainability Narrative and supporting evidence. Required submissions for the charter holder's Financial Sustainability portion of the Detailed Business Plan Section of the application and the applicable checklist are included in the charter holder's portfolio. The checklist completed by staff identifies whether the required elements of the Detailed Business Plan were addressed.

The graph below shows the charter holder's actual 100th day average daily membership (ADM) for fiscal years 2006 through 2010 and the fiscal year 2011 ADM as of June 13, 2011. The ADM included in the Renewal Budget Plan for fiscal years 2010 and 2011 was in line with reports available through the Arizona Department of Education's website.



As indicated in the graph above, after three consecutive fiscal years of declining ADM, the charter holder's ADM has grown in the two most recent years with an approximately 10% increase realized from fiscal year 2010 to fiscal year 2011. The projected ADM included in the Renewal Budget Plan for fiscal years 2012 and 2013 anticipates growth of approximately 3% in each year.

In reviewing the five most recent audits (2006-2010), only the fiscal years 2009 and 2010 financial statements show deficits resulting from liabilities in excess of assets of $14,738 and $36,367, respectively. As of June 30, 2010, the charter holder did not have sufficient cash or other readily available resources [$16,070] to satisfy obligations due within the next year [$54,549]. With the exception of fiscal year 2008, this situation also existed in the other fiscal years in the five-year period. Additionally, in the two most recent audits, the charter holder experienced deficits of $35,829 (2009) and $21,629 (2010) resulting from expenses exceeding

revenues. The Renewal Budget Plan projects that revenues will exceed expenses in fiscal years 2011 through 2013.

In the Financial Sustainability Narrative, the charter holder states, " A significant cause of the prior years' negative net assets was due to estimates recorded for a capital lease liability which has since been resolved." The narrative indicates that the capital lease has been renegotiated and that the actual liability is significantly less than the recorded estimates. Further, a new asset has been recorded as part of the new agreement, which according to the narrative, improves the overall financial position of the school. As evidence, the charter holder submitted invoices dated May 2009 and June 2009. The narrative concludes that based on this, " …both the current ratio and net asset position are expected to improve significantly for the year ended June 30, 2011 and subsequent years." The fiscal years 2009 and 2010 financial statements indicated that the charter holder failed to comply with a covenant under a capital lease agreement for copier equipment that requires monthly payments. Further, the financial statements for each year indicated that the charter holder was in the process of negotiating the buyout of the current lease and a new capital lease agreement with a new lessor for the lease of copier equipment. As a result, according to the financial statements, the entire amount of the liability ($28,112) was classified as current in each fiscal year.

Related to the charter holder's financial sustainability, the narrative references the " Sustaining Fund" , which the charter holder states has " positively impacted the financial viability of our school" . For more information about the " Sustaining Fund" , please see the narrative and policies and procedures found in the charter holder's portfolio.

III. Adherence to the Terms of the Charter

A. Compliance Matters Requiring Board or Other Agency Action[1]

Over the past six years, there were no items to report.

B. Other Compliance Matters[2]

In February 2006, ADE Exceptional Student Services notified the charter holder of partial compliance issues in some areas with regard to specific regulations for Part B, Individuals with Disabilities Education act (IDEA), and the Arizona Revised Statutes. The compliance issues were reported by ADE as resolved in January 2007.

C. Charter Holder's Organizational Membership

Because the organizational membership on file with the Board was consistent with the information on file with the Arizona Corporation Commission, the charter holder was not required to submit the charter holder's Organizational Membership portion of the Detailed Business Plan Section.

[1] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".
[2] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".

Staff Recommendation

Based upon the academic performance, fiscal compliance, legal and contractual compliance, and the information in the renewal application package, I move to approve the request for charter renewal and grant a renewal contract to Fountain Hills Charter School, Inc.