



REALM MIDDLE SCHOOL

Notice of Violation

Background

- BUSD sponsoring agency - fiscal oversight of REALM Charter Schools
- June 11, 2011 – District authorized and granted a five-year charter
- December 9, 2015 - District renewed with significant conditions to remedy its fiscal issues – not met
- Operating at a deficit since 2013-14
- The projected ending fund balance for 2017-18 is negative \$1.2 million
- Projected ending fund balance is negative over the next three years

REALM Middle School Ending Fund Balances

REALM Middle School Historical Summary							
	2014-15	2015-16	2016-17 Est Act	2016-17	2016-17	2017-18	2017-18
	Unaudited	Unaudited		Unaudited	Audited	Adopted	First Interim
	Actuals	Actuals		Actuals	Actuals	Budget	Budget
Beginning Fund Balance	(80,025)	(841,551)	(1,146,107)	(1,146,107)	(1,146,107)	(1,319,914)	(1,520,408)
FB adjustment							
Surplus/(Deficit)	(761,526)	(305,359)	(173,807)	(374,300)	(374,302)	309,363	271,962
Ending Fund Balance	\$ (841,551)	\$ (1,146,910)	\$ (1,319,914)	\$ (1,520,407)	\$ (1,520,409)	\$ (1,010,551)	\$ (1,248,446)

REALM Middle School Multi – Year Projections

	First Interim		
	2017/18	2018/19	2019/20
Revenue	2,106,791	2,459,869	2,755,831
Expense	1,834,829	2,334,183	2,467,350
Net Increase/(Decrease) in Fund Balance	271,962	125,686	288,481
Beginning Fund Balance	(1,520,408)	(1,248,446)	(1,122,760)
Net Increase/(Decrease) in Fund Balance	271,962	125,686	288,481
Ending Fund Balance	(1,248,446)	(1,122,760)	(834,279)

REALM Middle Enrollment and ADA

REALM Middle School		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment at First Interim		302	249	185	245	270	295
ADA		289.67	242.25	177	232.75	256.5	280.25
Yield		95.9%	97.3%	95.7%	95.0%	95.0%	95.0%
Growth (Decline) Between Year		-8	-53	-64	60	25	25
LCFF Calc MYP Revenue as submitted at First Interim				1,470,176	1,997,599	2,259,316	2,569,337
LCFF Calc MYP Revenue with flat enrollment (at 185)				1,470,176	1,521,811	1,563,071	1,626,101
Revenue Understatement (Overstmt) with flat enrol				-	(475,787)	(696,245)	(943,236)

Notice of Violation (NOV)

- REALM Middle is projecting a surplus in the current and subsequent two years, however, it is Insufficient to eliminate the negative ending fund balances.
- Obligated under the law to avoid fiscal mismanagement and use Generally Accepted Accounting Principles. (Education Code section 47607(c)(1)(C).)
- Required to maintain fiscal solvency and a positive ending fund balance
- District continues to have serious concerns about the fiscal health of REALM Middle School, and its ability to continue as a going concern, and issued a NOV on Feb 2, 2018

Next Steps

- Written response to the NOV by REALM before by the remedy period ending **April 11, 2018**
- REALM must identify remedial steps to address fiscal concerns including:
 - the negative ending fund balances
 - Improved cash flow – no need to sell receivables
 - Paid off or significantly reduced debt
 - Realistic and supported
 - cuts in expenditures, ADA and attendance levels, and revenue sources

Next Steps

- Continue oversight responsibility
- Review response to NOV at end of remedy period
- If needed – proceed with Notice of Intent to Revoke
- Timeline in accordance with Ed Code.