

Freddie Woodson, Deputy Superintendent
School Operations

SUBJECT: REQUEST SCHOOL BOARD APPROVAL OF THE TERMINATION OF THE CHARTER SCHOOL CONTRACTUAL AGREEMENT WITH SPIRIT CITY ACADEMY, INC., ON BEHALF OF SPIRIT CITY ACADEMY

COMMITTEE: INSTRUCTIONAL EXCELLENCE AND COMMUNITY ENGAGEMENT

LINK TO DISTRICT STRATEGIC PLAN: GENERAL OPERATIONS

Section 1002.33(8), Florida Statutes, and the contract between the charter school and the School Board, provide guidelines for the termination of a charter school contract and for the dissolution of a charter school.

History & Overview

The initial charter school contractual agreement for Spirit City Academy, Inc., on behalf of Spirit City Academy (Spirit City or School), was approved by The School Board of Miami-Dade County, Florida (School Board), on May 18, 2005, for a term of five years, commencing with the 2005-2006 school year. Subsequent amendments were granted by the School Board on July 13, 2005, to change the school's location prior to school opening and, on August 2, 2006, to relocate prior to the second year of operation. Under the current contractual agreement, Spirit City is authorized to serve a maximum of 400 special education students in grades six through eight, through June 30, 2010. Spirit City is currently located at 285 Northwest 199 Street, Miami Gardens, Florida 33169, and serves approximately 41 special education students.

Good Cause Basis for Immediate Termination of Contract

Section 1002.33(8)(d), Florida Statutes, provides that a charter may be terminated immediately "if the sponsor determines that good cause has been shown or if the health, safety, or welfare of the student is threatened." Here, the School Board may terminate this charter school contractual agreement between Spirit City and the School Board, for the following reasons:

- (1) Having substantial debt or delinquency in payments to vendors or having finances generally in disarray [Part II, section D(10)];
- (2) Failure to have an acceptable annual audit and timely submit financial reports or other reports required by section 1002.33(9)(g), Florida Statutes, or by the contractual charter school agreement [Part II, section D(12)];

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- (3) Failure to meet generally accepted accounting principles [Part II, section D(13)];
- (4) Failure to manage public funds in a prudent or legal manner [Part II, section D(14)];
- (5) Failure to comply with the timely submission of all financial statements in the required format specified by the Sponsor [Part II, section D(18)(b)];
- (6) Failure of the school to comply with the timely submission of the annual financial audit as required by section 218.39, Florida Statutes [Part II, section D(18)(m)];
- (7) Failure to provide Special Education students with programs and services in accordance with federal, state, and local policies [Part II, section D(18)(k)];
- (8) Substantially inadequate student performance [Part II, section D(2)]; and
- (9) Failure to implement a Corrective Action Plan required by the Sponsor [Part II, section D(4)].

Financial Performance

For the 2006 and 2007 fiscal years, Spirit City was designated as a charter school in a state of financial emergency, pursuant to Section 218.503, Florida Statutes. Detailed below are the financial conditions of the School which met the qualifications of the determination of financial emergency.

2006 FY: At the conclusion of the 2006 fiscal year, the School's audited financial statements revealed an unrestricted net asset fund balance deficit of \$70,401 and that there were insufficient resources to cover the deficit as the assets at that time were only \$17,730.

Current liabilities of \$85,724 were five times as much as the assets at that time and did not include unknown liabilities for which the School's auditor was unable to obtain sufficient documentation due to the School's inadequate accounting records.

In addition, the School's auditor indicated additional deficiencies in the management letter, such as: failure to make payroll tax payments and accruals and unacceptable business and accounting practices.

2007 FY: At the conclusion of the 2007 fiscal year, audited financial statements indicated the School had a net asset deficit of \$49,669, a negative unreserved fund balance of \$56,682, and insufficient resources to cover the deficit. In addition, the School had an inadequate working capital position of negative \$62,682, which raised serious doubt about the School's ability to continue as a going concern. Again, the management letter contained comments relative to the School's business and accounting practices. Pursuant to Section 1002.33(9)(g), Florida Statutes, the School submitted a two-year financial recovery plan that primarily relied upon expense reductions; increase in enrollment to 70 – 75 students; increase public and private revenue; and improvement of business and accounting practices. The plan was accepted by the Audit Committee and the School Board.

2008 FY: As of October 13, 2008, Spirit City had yet to engage an independent auditor to complete and submit its June 30, 2008 audited financial statements, which were due

September 1, 2008. As such, the School is in breach of section V (10) and (11) of its contractual agreement as well as section 1002.33 (9)(g), Florida Statutes. Repeated attempts have been made by the District to obtain this required information. Based on the June 30, 2008 unaudited financial statements submitted by Spirit City, the School had a net asset deficit of \$75,508 and a negative unreserved fund balance of \$54,013. Should these conditions remain at the completion of an official audit, the School would meet the criteria for a determination of financial emergency for a third consecutive year. Furthermore, these results would render the two-year Financial Recovery Plan to be unsuccessful.

Academic Performance

Spirit City has been ineligible to be graded under Florida’s System of School Improvement and Accountability as it did not meet the threshold of serving at least 30 students with valid FCAT scores in reading and math in both the current year and the previous school years, pursuant to State Board of Education Rule 6A-1.0998. However, the following table delineates student achievement levels in reading and mathematics on the FCAT, levels 1 and 2, for the 2007-2008 school year:

| FCAT Reading SSS – Spring 2008 | | FCAT Mathematics SSS – Spring 2008 |
|--------------------------------|---------------------|------------------------------------|
| Grade | Level 1 and Level 2 | Level 1 and Level 2 |
| 6 | 100% | 100% |
| 7 | 79% | 97% |
| 8 | 100% | 100% |

Effect of Immediate Termination

Under the statutory and contractual provisions governing immediate termination, the School Board must assume the operation of the School and continue operating the School at least through any timely appeal by the School to the State Board of Education. The School Board may not assume any of the debts of the School.

Spirit City’s governing board and principal were noticed on November 10, 2008, of the intent to recommend immediate termination to the School Board. Should the Board approve this recommendation, Spirit City’s governing board may, within 30 days after receiving the School Board’s decision to terminate the charter school contractual agreement, appeal the decision pursuant to the procedure established in section 1002.33(6)(f), Florida Statutes (2008). Should the School not appeal or should an appeal be unsuccessful, District Staff would work with the parents and/or guardians of the School’s students to minimize the impact of this situation by transitioning the students into other quality educational programs provided by M-DCPS.

Copies of the notice of termination will be transmitted to the School Board Members under separate cover and will be available for inspection by the public in the Office of Board Recording Secretary, Room 924, and in the Citizen Information Center, Room 158, 1450 NE Second Avenue, Miami, Florida 33132.

RECOMMENDED: That The School Board of Miami-Dade County, Florida approve the immediate termination for good cause of the charter school contractual agreement with Spirit City Academy, Inc., on behalf of Spirit City Academy.

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