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December 01, 2009

Steven L. Fish, Ed.D  
Superintendent  
Saddleback Valley Unified School District  
25631 Peter A. Hartman Way  
Mission Viejo, CA 92691

Re: "Oxford Preparatory Academy of Mission Viejo", Charter School Petition Budget

Dear Dr. Fish:

Thank you for providing the "Oxford Preparatory Academy of Mission Viejo" ("OPA") Charter Petition Budget. As you requested, I have reviewed OPA's charter petition to identify OPA's Budgetary Assumptions and analyzed Oxford Preparatory Academy of Mission Viejo Charter School's 2010-2013 Budget Projections as submitted with the Charter Petition.

## **EXECUTIVE SUMMARY**

After a comprehensive review of the OPA charter petition budget, budget notes and assumptions, I believe that the OPA charter will experience higher costs and lower revenues based on the following facts:

1. The OPA charter school petition budget has not budgeted for any start-up costs as is required by Title 5 CCR Section 11967.5.1(c)(3)(B), and such costs could range between \$50,000 and \$200,000 in additional expenditures;
2. The organizational governance structure between OPA, Inc., OPA-Chino Hills, and OPA-Mission Viejo is not explained and costs to be shared between each organization are not identified;
3. Significant conflicting student enrollment and teacher staffing projections exist within the OPA charter petition;
4. Class Size Reduction revenue is budgeted within the OPA charter petition; however, the California Department of Education recommends that new charter schools do not budget for such funding since the CSR program is closed through 2011-2012;
5. Other budgeted revenues within the OPA charter budget are described as estimates and no budget notes or assumptions are available to establish the credibility of the estimates;

6. Detailed budget notes and assumptions for all budgeted years were not provided;
7. Special Education encroachment was not budgeted within the OPA charter budget;
8. Contingent rent and pro-rata facilities estimated rent costs were not budgeted within the OPA charter budget.
9. Education Code section 47604.32 (d) states that it is the duty of each chartering authority to “monitor the fiscal condition of each charter under its authority.” From an accounting and auditing perspective, without full disclosure of all financial and operational arrangements between OPA, Inc., OPA-MV, and OPA-CH, the Saddleback Valley Unified School District cannot carry out the statutory monitoring responsibility it is required to provide.
10. **Exhibit “A”** of this report represents the proposed OPA first year of operation budget presented with additional columns to account for adjustments to OPA’s original budget resulting from this analysis.
11. **Exhibit “B”** of this report represents the effect of adjustments from this analysis on the proposed OPA’s original budget for years one through three.

### **Budgetary Scope and Other Assumptions**

The Budget, Budget Model and Budget Assumptions that OPA provided are an integral component of this analysis. OPA’s most important budget assumptions are identified below and are applicable throughout this analysis:

- **Organization/Governance Structure:** Oxford Preparatory Academy of Mission Viejo will be a second charter school organized under a Corporate Board of Directors, Advisory Board, Executive Director, and Directors of Educational Services and Operations, serving both OPA-Chino Hills and OPA-Mission Viejo.
- **Student Enrollment:** Enrollment is described in two conflicting sections of the Charter Petition. Page 55-Projected Enrollment by Grade Levels and the Budget Assumptions of the Charter Petition outline considerably different levels of student enrollment. Page 55 projects a year-one enrollment of 656 students while the budget assumptions identifies enrollment as 264 students.
- **Start-Up Costs:** The OPA charter petition does not provide any identification of or budget for start-up costs.
- **Budget Notes and Assumptions:** Based on the OPA charter petition reviewed, the budget related notes and assumptions provided are incomplete, do not offer detailed supporting information to help further understand the financial budget and are primarily contained within the budget section of the charter petition.

The budget assumptions document of the Oxford Preparatory Academy charter petition describes student enrollment, staffing levels and class sizes but does not delineate how those assumptions were determined.

Other pages of the Oxford Preparatory Academy charter petition briefly address subjects such as retirement and health insurance, etc; however, detailed budget notes and assumptions documenting the budget projections are not included.

- ❖ California Code of Regulations (“CCR”) Title 5, Subchapter 19-Charter Schools, Article 2-General Provisions describes the criteria for Review and Approval of Charter School Petitions.

Title 5, Section 11967.5.1 of the CCR defines many factors that determine whether a charter petitioner is “demonstrably unlikely to successfully implement the program” under Education Code section 47605(b)(2).

Based upon section 11967.5.1(c)(3)(B), an unrealistic financial and operational plan for the proposed charter exists when the charter or supporting documents do not adequately include:

1. At a minimum, the first year operational budget, start-up costs, and cash flow, and financial projections for the first three years.
2. Include in the operational budget reasonable estimates of all anticipated revenues and expenditures, necessary to operate the school including, but not limited to, special education, based, when possible, on historical data from schools or school districts of similar type, size, and location.
3. Include budget notes that clearly describe assumptions on revenue estimates, including, but not limited to, the basis for average daily attendance estimates and staffing levels.
4. Present a budget that in its totality appears viable and over a period of no less than two years of operations provides for the amassing of a reserve required by law for a school district of similar size to the proposed charter school.
5. Demonstrate an understanding of the timing of receipts of various revenues and their relative relationship to timing of expenditures that are within reasonable parameters, based, when possible, on historical data from schools or school districts of similar type, size and location.

## **BUDGET NOTES, ASSUMPTIONS AND START-UP COSTS**

In order to properly analyze the OPA budget, the charter school petitioners must present information and documentation to establish that OPA has prepared a budget based on sound and verifiable data.

In order for the budgetary information to be verifiable, the OPA charter petition should have provided detailed supporting documentation presenting start-up costs and detailed transaction information in order to support their stated revenue, expenditure, loan, grant, attendance, ADA and other rates, etc., for all operational years.

**Start-Up Costs:**

1. The budget notes, budget assumptions and the OPA charter petition do not identify any start-up costs.
2. Other charter petitions I have reviewed included a separate budget for start-up costs in addition to the petitioners' proposed first three years of budgeted operations.
3. Examples of start-up costs are:
  - a. Temporary salaries and benefits for temporary start-up staff,
  - b. Pre-wiring of rooms for computers, set up of computer servers, installation of server racks and other mounting equipment, testing of existing wiring, and other site preparation,
  - c. Staff orientation, legal and accounting fees, and many other opening day considerations.
4. Start-up costs are added to the cost of the budget, and, depending on the size of the facilities and number of students, can range from \$50,000 to \$200,000 in addition to budgeted first year of operation costs.
5. Start-up costs are required to be provided as part of the minimum requirements of 5 CCR 11967.5.1(c)(3)(B), and **Exhibit "A"** illustrates the effect on the OPA budget of adding an estimated \$100,000 to the year-one budget.

**Budget Notes and Assumptions:**

The financial notes, tables, and budget assumptions presented within the Charter Petition do not support the OPA financial budget. Examples of the OPA budget assumptions are as follows:

1. The budget assumptions page of the OPA charter petition states, "Charter Petition Budget Projections (Fall 2010 Opening)."
  - a. No other budget assumptions pages specific to year-two or year-three of the OPA budget are provided.
  - b. Information is presented within the Fall 2010 Opening budget assumptions for other years; however, the financial effect of many budgetary revenue and expenditure items for years two and three are not documented within the first-year budget assumptions.
  - c. If budget assumptions are described specifically for Fall 2010 Opening or year-one, detailed budget assumptions should also be provided for years two and three.
2. Class size reduction funding is presented in the OPA budget; however, the budget assumptions do not identify how OPA will obtain funding when the California Department of Education states on the CDE web site that, "The program is closed in 2009-2010 through 2011-2012 to participants that did not apply for 2008-2009 funds."

- a. The CDE recommends that new charters do not budget for CSR funding since there is no guarantee that there will be funding available for new schools.
  - b. The CDE web site address containing the above information is, <http://www.cde.ca.gov/fg/fo/profile.asp?id=1624>.
3. A \$250,000 state revolving loan is described; however, the OPA budget summary, budget projection, budget assumptions, and funding calculations do not identify the state revolving loan funds as revenue or other sources of income and do not disclose interest rates, amortization schedules, guarantors, payback timelines, or any other documentation to provide further detailed information.
  4. Payroll, staffing and benefits are only referenced within the budget assumptions and identify the source of further information as “See Payroll & Staffing Detail Tables...” The Payroll and Staffing Detail tables only represent the first year of operations and do not include detailed supporting documentation for years two and three. All three years of OPA budget assumptions should be clearly stated for payroll, staffing and benefits.
  5. Other budgetary expenditures such as books, supplies, instructional consultants, etc., are described within the budget assumptions as “Other expenses generally assumed to increase at 2.5% CPI;” however, no other detailed information is provided that supports the numerous other types of expenditures presented in the OPA budget.

Detailed budget notes that clearly describe budget assumptions and start-up costs as required by 5 CCR 11967.5.1(c)(3)(B) were not presented within the OPA budget notes, budget assumptions, or financial budgets that would support OPA’s anticipated revenues, expenditures and start-up costs.

Limited OPA financial information regarding funding rates, conflicting enrollment projections, other sources of funding and other service and operating expenditures are set out in the OPA budget projections; however, detailed documentation supporting how this information was determined was not provided.

Other charter school petition budgets that I have reviewed contained detailed budget notes and assumptions, tables, start-up costs, and detailed financial analysis in order for the charter petitioners to demonstrate that their revenue and expenditure estimates were reasonable and based on sound, documented assumptions.

## **ORGANIZATION AND GOVERNANCE STRUCTURE**

The OPA organizational chart shown on page 126 of the OPA charter petition identifies a shared organizational structure for two charter schools shown as OPA-Chino Hills and OPA-Mission Viejo. Page 124 of the OPA charter petition states, “Bylaws will be developed by the Corporate Board of Directors..” The OPA charter petition does not provide any bylaws or proposed bylaws. Without governing bylaws, how the governance structure of OPA, Inc., OPA-Chino Hills, and OPA-Mission Viejo will operate and share resources and personnel, or which organization will pay for certain expenditures, is unknown.

1. The OPA-Mission Viejo, (“OPA-MV”), charter petition budget assumptions identifies that two administrative positions are split between OPA-MV and OPA-Chino Hills, (“OPA-CH”).

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2. The OPA-MV budget assumptions describe a shared staffing arrangement; however, the petition does not describe any financial arrangement with OPA, Inc., the parent company. The budgetary impact of both charter schools and any overhead to be charged by the parent company should be fully disclosed and budgeted. No such arrangement is disclosed within the OPA-MV charter petition and no cost categories could be found within the OPA-MV budget documenting any overhead expenditures.
3. Page 123 of the OPA charter petition states, “The specific purpose of this corporation will be to exclusively establish and operate Oxford Preparatory Academy charter school campuses, including OPA-Chino and OPA-Mission Viejo..”
4. The current organizational structure appears as if OPA, Inc. is a management company for OPA charter schools and intends to operate multiple “campuses” that include OPA-CH and OPA-MV. Without bylaws and a transparent description of each organizations financial arrangement with each other and the parent company, and the ability for all charter schools and supporting school district’s to audit the books of OPA, Inc. and each other, the OPA-MV charter petition budget is incomplete and cannot be fully evaluated.
5. Education Code section 47604.32 (d) states that it is the duty of each chartering authority to “monitor the fiscal condition of each charter under its authority.” From an accounting and auditing perspective, without full disclosure of all financial and operational arrangements between OPA, Inc., OPA-MV, and OPA-CH, the Saddleback Valley Unified School District cannot carry out the statutory monitoring responsibility it is required to provide.
6. Without any governing bylaws provided to address areas such as organizational resources, shared staffing, or potential transfer of funds as inter-charter school loans, how these subjects will be addressed is unknown.

**STUDENT ENROLLMENT**

Student enrollment is described in two conflicting sections of the Charter Petition. Page 55-Projected Enrollment by Grade Levels and the Budget Assumptions of the Charter Petition outline considerably different levels of student enrollment. Page 55 projects a year-one enrollment of 656 students while the budget assumptions exhibit identifies enrollment at 264 students. There are several discrepancies with the enrollment figures provided by the OPA charter petition.

1. OPA budget assumptions state “Assumes site-based enrollment of 264 in Year 1, growing to 480 in Years 2 and on,” and then states, “Beginning in Year 2, 80 additional students will be enrolled as independent study (560 total in Year 2 on).”
2. Table 1 below compares the OPA charter petition’s projected enrollment described on page 55 of the charter petition with the budget assumptions.

**Table 1**

Description	Year 1	Year 2	Year 3
<b>OPA Enrollment:</b>			
Projected Enrollment (OPA Petition Page 55)	656	728	728
Derived based on Budget Assumptions	264	560	560
<b>Difference</b>	<b>392</b>	<b>168</b>	<b>168</b>

3. The OPA budget notes and assumptions do not identify why there are such differences between the 656-student enrollment numbers described on page 55 of the OPA charter petition and the 264-student enrollment in OPA's budget assumptions.
4. The OPA budget notes and assumptions also do not identify what the student and staffing capacity is at the operational site, or what the charter school's plans are should student and staffing capacity be exceeded.

## **REVENUE**

### **Class Size Reduction Revenue:**

The OPA budget assumptions and funding calculations has identified class size reduction revenue of \$86,160 in year-one, \$141,120 for year-two and \$144,576 for year-three. No budgetary notes or assumptions are presented that document how OPA will qualify for class size reduction funding.

The California Department of Education web site at <http://www.cde.ca.gov/fg/fo/profile.asp?id=1624>, states, "The program is closed in 2009-2010 through 2011-2012 to participants that did not apply for 2008-2009 funds." Education Code Section 52121.5 allows charter schools to apply for CSR; however, according to the CDE, there is no guarantee that there will be funding for the CSR program. The CDE recommends that new charter schools do not budget for class size reduction funding. The OPA charter petition does not state why OPA believes they will receive class size reduction funding that is contrary to the CDE web site posting.

**Exhibit "A"** illustrates the effect on the OPA budget after adjusting for the removal of class size reduction funding of \$86,160 in budget year-one. Without budget notes and assumptions providing detailed and complete budget documentation, the OPA budget is unrealistic.

### **Categorical Flexibility Funding (estimated)**

The OPA budget assumptions state, "\$25,000 in Categorical flexibility funding (Arts & Music Block Grant, Mid/High Supp. Counseling, etc.)," while the OPA funding calculations identify the categorical flexibility funding as estimated. In addition, the OPA budget assumptions documentation is specific to year-one and identifies the funding as \$25,000; however, while the budget funding calculations document years two and three categorical flexibility funding as \$25,000 per year, the year-one funding is shown as only \$12,500. The budget assumptions and notes are contrary to the budgeted financial information presented.

The categorical flexibility funding is defined as estimated in the OPA funding calculations budget. The OPA charter petition has not documented how the categorical flexibility funding estimate was determined, why year-one only budgets \$12,500 versus \$25,000 as described in the year-one budget assumptions, and what the contingency is should the estimate not be realized.

**Exhibit "A"** illustrates the effect on the first year of operation of the OPA budget after adjusting for the removal of categorical flexibility funding of \$12,500 in budget year-one. Without budget notes and assumptions providing detailed and complete budget documentation, the OPA budget is unrealistic.

**Loans and Fundraising:**

1. The OPA budget assumptions identify a State Revolving Fund Loan of \$250,000 that is assumed in year-one.
  - a. The OPA charter petition budget notes and assumptions do not identify any terms of the revolving loan.
  - b. Since this \$250,000 is directly identified as a “loan” in the OPA budget assumptions, proper documentation should be provided including repayment terms, amortization schedules, names of loan guarantors, interest rates, conditions of use, etc.
2. Local Donations/Contributions or fundraising is considered “soft money.”
  - a. The OPA charter petition budget notes and assumptions do not describe how \$25,000, \$35,000 and \$30,000 in donations will be raised for years, one, two and three respectively.
  - b. The OPA budget notes and assumptions do not identify any existing pledged donations, how donations will be solicited, or how the specific amounts shown in the budget calculations documents were estimated.
  - c. **Exhibit “A”** illustrates the effect on the budget of removing the \$25,000 from the year-one budget.

**Special Education Revenue and Expenditures**

The OPA charter petition and budget assumptions discuss special education needs, district oversight, charter school responsibilities, etc.; however, special education revenue and expenditures are not budgeted.

1. The OPA budget assumptions state, “All special education services handled by SELPA – no encroachment assumed.”
2. However, Appendix “J” of the OPA charter petition, at its “Contribution to Encroachment” section contradicts OPA’s budget assumptions and states, “The Charter School shall contribute its fair share to offset special education’s encroachment upon the District’s general fund. Accordingly, the Charter School shall pay to the District a pro-rata share of the District’s unfunded special education costs (“Encroachment”).”
3. This analysis assumes that it is likely there will be special education needs students attending the charter school and that it is unrealistic to assume that no encroachment will occur on the OPA budget.
  - a. Since the OPA charter school has agreed to contribute its fair share towards district special education encroachment, using Saddleback Valley Unified School District provided 2008 – 2009 actual unfunded special education costs and average daily attendance figures, an encroachment figure can be determined based on the formula provided by Appendix “J” of the OPA charter petition.

- b. The 2008 – 2009 Saddleback Valley Unified School District Unfunded Special Education Costs were provided as \$12,429,494 and the Average Daily Attendance was 31,196.72. In addition, OPA Average Daily Attendance for budget year-one is 250.8.
  - c. Since the OPA charter petition has not budgeted funds to pay its fair share of special education encroachment, based on the formula provided by the OPA charter petition - Appendix “J,” the calculated special education encroachment for year-one is approximately \$99,919  $((\$12,429,494 / 31,196.72) * 250.8)$  and is added to **Exhibit “A”** of this report.
4. California Code of Regulations (“CCR”) Title 5, Subchapter 19-Charter Schools, Article 2-General Provisions describes the criteria for Review and Approval of Charter School Petitions.

Section 11967.5.1 of the CCR defines many factors that determine whether a charter petitioner is “demonstrably unlikely to successfully implement the program” under Education Code section 47605(b)(2).

Under section 11967.5.1(c)(3)(B), an unrealistic financial and operational plan for the proposed charter exists when the charter or supporting documents do not adequately include:

- a. At a minimum, the first year operational budget, start-up costs, and cash flow, and financial projections for the first three years.
  - b. Include in the operational budget reasonable estimates of all anticipated revenues and expenditures, necessary to operate the school including, but not limited to, special education, based, when possible, on historical data from schools or school districts of similar type, size, and location.
  - c. Include budget notes that clearly describe assumptions on revenue estimates, including, but not limited to, the basis for average daily attendance estimates and staffing levels.
5. The OPA charter petition and budget assumptions have not provided detailed budgetary notes and assumptions that document how OPA’s assumption of no special education budgetary encroachment is reasonable and OPA has not based their assumption on historical data from schools or school districts of similar type, size, and location.
6. Without providing detailed budget notes or assumptions regarding special education revenue and expenditures or lack thereof, the OPA budget presents an unrealistic financial and operational plan for the proposed charter school.

### **Budget Notes and Assumption, Start-Up Costs, Revenue Summary**

These sections are materially significant to the financial viability and overall credibility of the OPA Charter School Petition.

Charter school start-up costs and budget notes that clearly describe assumptions are a required component of 5 CCR 11967.5.1(c)(3)(B). The OPA charter petition does not contain adequate budget notes and assumptions and does not provide any documentation for budgeted start-up costs.

The OPA charter petition and supporting documents do not adequately comply with 5 CCR 11967.5.1(c)(3)(B) and therefore presents an unrealistic financial and operational plan.

Federal and California State Law require Special Education services; however, the OPA budget notes and assumptions do not describe how special education revenues and expenditures will be accounted for.

Overall, based on the material nature of the omissions of the OPA budget notes and assumptions, the OPA budget presents an unrealistic financial and operational plan for the proposed charter school. As shown on Exhibit "B," in total, the material revenue deficiencies have decreased OPA's revenues by approximately \$123,660 or 6.4% in the proposed charter school's first year of operation alone.

## **EXPENDITURES**

### **Salaries and Employee Benefits**

#### **Certificated Salaries:**

1. The OPA payroll and staffing detail tables identify the full time equivalent or FTE associated with each position presented in the payroll and staffing detail tables.
  - a. The OPA payroll and staffing tables identify an Executive Director and Director of Educational Services funded at .25 FTE and one full time Campus Dean. The OPA organizational chart shown on page 126 of the OPA charter petition identifies a Director of Operations position that is not budgeted.
  - b. The OPA budget assumptions state, "Exec. Dir, Dir. of Ed. Services split between OPA-Chino and OPA-MV." Regarding the Director of Operations position, the OPA charter petition does not provide any further financial information.
  - c. For purposes of this budget analysis, since the OPA charter petition does not identify why the Director of Operations position is not included in the OPA payroll and staffing detail table, this position will be valued the same as the Director of Educational Services and an FTE of .25 and salaries and benefits of \$44,600 (*\$30,000 salary + \$14,600 benefits = \$44,600*) will be added to Exhibit "A" of this report.
  - d. Since the OPA-MV charter petition does not include the OPA-CH charter petition and budget notes and assumptions, it cannot be determined if OPA-MV, in receiving a .25 or ¼ time Executive Director and Director of Educational Services, is receiving an appropriate level of management and supervisory staffing.
  - e. Page 127 and 128 of the OPA charter petition define 21 duties of the Executive Director that at face value seem difficult to achieve for OPA-MV while only serving and being compensated as a .25 FTE employee.

- f. The OPA budget assumptions and employee positions and cost tables do not identify any category for Substitute Teachers, amount of any potential Certificated Stipends, or how many employees, if any, of any category of employees accrue vacation and sick time. When a teacher is not working due to illness and if that teacher accrues compensable sick leave time, the teacher that is ill would not receive a reduction in pay for the time lost and OPA would need the services of substitute teacher to fill in. Vacation and sick leave costs are not addressed within the OPA charter petition budget notes and assumptions.
2. "Projected Hiring Assumptions" as shown on page 133 of the OPA charter petition states, "The first year of operations, OPA assumes it will employ.. sixteen (16) elementary school teachers for grades K-5; six (6) middle school teachers for grades 6-8; two (2) Teachers on Assignment.." In total, the number of teachers OPA assumes it will employ is 24 teachers, ( $16 + 6 + 2 = 24$ ).
    - a. The OPA Payroll and Staffing Detail Tables under the heading of Employee Positions and Costs budgets for and identifies a total of 11 teachers.
    - b. The OPA charter petition does not specify why the OPA budget has not budgeted for all 24 teachers as described on page 133 of the OPA projected hiring assumptions.
    - c. Table 1 of this report identifies that OPA has provided conflicting projected student enrollment figures that range from 264 students to 656 students in year-one. There may be a correlation between the conflicting student enrollment figures and the conflicting projected teacher hiring assumptions within the OPA charter petition; however, without detailed budget notes and assumptions within the OPA charter petition to substantiate the conflicting assumptions, the discrepancies cannot be reconciled.
    - d. An additional 13 teachers, ( $24 \text{ teachers} - 11 \text{ teachers} = 13 \text{ teachers}$ ) represents a considerable increase in year-one budgeted expenses as follows:
      - i. 13 teachers gross pay at \$57,618 per teacher = \$749,034.
      - ii. 13 teachers total benefits at \$17,914 per teacher = \$232,882.
      - iii. Combined salaries and benefits for the un-accounted for 13 teachers represent an additional \$981,919 of potential costs to the OPA financial budget

**Employee Benefits:**

Employee Benefits is a category that all charter school budgets should describe in complete detail. All benefits should be clearly identified as to which employees receive what benefits, what the health care plan cost is per employee, what range of health plans and costs employees are to choose from, and what those benefits are as a percentage of salaries, etc. Benefits are a constantly escalating cost area in California. If more detail were provided it would demonstrate that the OPA charter school petitioners are competent in their budgetary assumptions and understand the cost climate for benefits.

1. The OPA charter petition on page 179 identifies Employee Benefits and states, "Full-time employees (36 hours or more per week) will be provided additional benefits such as, but not limited to, life, health, dental, vision and related benefits."
  - a. All benefits should be clearly described as to which employees receive what benefits, what the health care plan cost is per employee, what range of health plans and costs there are to choose from, etc.
  - b. All benefit plans should be fully described including who the provider is, the type of life, health, dental and vision plans employees are to choose from and the cost of each plan. This information should be documented for all types of employees.
2. Based on 5 CCR 11967.5.1(c)(3)(B), the Oxford Preparatory Academy budget notes and assumptions do not clearly describe assumptions for anticipated costs of employee salaries and health benefits.

**Books/Supplies/Materials:**

**Textbooks & Reference Materials:**

Textbooks and reference materials are budgeted at approximately \$246 per student or \$65,000 for year-one, ( $\$65,000 / 264 \text{ students enrolled} = \$246 \text{ per student}$ ). The OPA budget assumptions do not describe the type of textbooks and reference materials, which student populations will benefit, which businesses and publishing companies will provide the textbooks and materials, if any textbooks and materials will be donated, and what revenue source will pay for the purchases.

1. Without any supporting documentation, this analysis cannot determine if the Oxford Preparatory Academy' estimated costs for textbooks and reference materials are reasonable, and as such, these budgeted amounts provide an unrealistic financial and operational plan for the proposed charter school.
2. The Saddleback Valley Unified School District provided what the district considered to be a conservative per student estimate cost for a complete set of textbooks that an elementary school student would require. The student cost for elementary school textbooks that the Saddleback Valley Unified School District determined was \$330 per student.
3. The difference between the OPA textbooks and reference materials amount of \$246 per student, and what the Saddleback Valley Unified School District considers for textbooks alone at \$330 per student, is \$84 per student, ( $\$330 - \$246 = \$84$ ).
4. \$84 per student multiplied by the OPA budgeted year-one number of students of 264 represents approximately \$22,176 ( $\$84 \times 264 = \$22,176$ ) of additional under budgeted textbook costs. The additional \$22,176 of textbook costs has been added to the OPA budget and is identified in **Exhibit "A."**

**Services and Operations Expenses:**

Services and operating expenses in total represent significant expenditures in the OPA charter petition budget.

1. Professional/Consulting Services is the second largest expenditure within the services and operations category at \$40,000 in year-one and combined with Instructional Consultants at \$10,000 in year-one totals \$50,000. The other material consulting cost is the DMS Business Services expenditure of \$50,396 for year-one and as shown on the OPA budget projection and described in detail on page 187 of the OPA charter petition.
  - a. The OPA charter petition does not identify what the professional/consulting and instructional services are comprised of other than expenditure account names as shown in the OPA budget projection, what any of the consultant fee arrangements are, or the names of the organizations or individuals that will be performing such services.
  - b. Page 187 of the OPA charter petition provides only general criteria that describe how contract services will be selected. Pages 17 and 18 of the OPA charter petition describe a few consultants; however, the amount budgeted for consultants within the OPA budget does not identify if the consultants shown on pages 17 and 18 will receive all of the \$40,000 in consulting dollars or if there are other consultants not stated within the OPA charter petition.
  - c. With regard to all professional and consulting services including auditors and other consultants, such consulting individuals and/or their service companies should be fully disclosed and include the following within the OPA charter petition:
    - i. The names of all individual professionals, consultants and service companies,
    - ii. The Internal Revenue Service income tax form in which the individuals and/or organization files its federal income taxes, such as 1120 Corporation, 501(c) 3 Not-for-Profit, etc.,
    - iii. State of incorporation,
    - iv. How long the service companies and individuals have been in business and what their area of expertise is,
    - v. Number of California clients served and references from all California clients,
    - vi. Names of all principals and disclosure of any pre-existing relationships to the charter school petitioners,
    - vii. The financial terms of each individual and service company's contract with the charter school petitioners, as well as comparison data from other similar service companies such as service cost agreements, fees, etc.,
    - viii. Copies of all MOU and contracts between the individuals and service companies and the charter school petitioners,
    - ix. Revocation rights of the charter school petitioners, if any,
    - x. Organizational and operational contract terms between the service companies and the proposed charter school,

- xi. Service company and consultants' employee limits of authorization.

5 CCR section 11967.5.1(c)(3)(A) states, "An unrealistic financial and operational plan is one to which any or all of the following applies: In the area of administrative services, the charter or supporting documents do not adequately:

1. Describe the structure for providing administrative services, including, at a minimum, personnel transactions, accounting and payroll that reflects an understanding of school business practices and expertise to carry out the necessary administrative services, or reasonable plan and time line to develop and assemble such practices and expertise.
2. For any contract services, describe criteria for the selection of a contractor or contractors that demonstrate necessary expertise and the procedure for selection of the contractor or contractors."

The OPA Charter Petition and supporting documents do not adequately comply with 5 CCR 11967.5.1(c)(3)(A) and therefore present an unrealistic financial and operational plan.

2. Liability Insurance is expensed at \$17,500 for budget year-one; however, there are no budget notes or assumptions describing the type of insurance policy, what the policy terms are, who the insurance underwriter is, the insurance company's relationship to OPA, if any, and comparable prices of other similar policies.
3. Site Rent is not budgeted and the OPA charter petition and budget discloses that the charter school will be seeking Proposition 39 Facilities. Other budget notes found on page 19 of the OPA charter petition state, "Jeff Nauta has been retained as Oxford Preparatory Academy Charter School's Real Estate Broker and has been exploring several options of available facilities with the Saddleback Valley Unified School District. These commercial properties offer existing office buildings and vacant land, and are available on a Full Service Gross Lease Basis (See Facilities)." The facilities section of the OPA charter petition on page 188 consists of two sentences and states, "OPA looks forward to working with the District to identify an appropriate facility to house the projected enrollment contained in the Proposition 39 facilities request."
  - a. California Code of Regulations ("CCR"), Subchapter 19-Charter Schools, Article 2-General Provisions describes the criteria for Review and Approval of Charter School Petitions. Title 5, section 11967.5.1 paragraph(c)(3)(D) states "An unrealistic financial and operational plan is one to which any or all of the following applies: In the area of facilities, the charter and supporting documents do not adequately:
    - i. Describe the types and potential location of facilities needed to operate the size and scope of educational program proposed in the charter.
    - ii. In the event a specific facility has not been secured, provide evidence of the type and projected cost of the facilities that may be available in the location of the proposed charter school.
    - iii. Reflect reasonable costs for the acquisition or leasing of facilities to house the charter school, taking into account the facilities the charter school may be allocated under the provisions Education Code section 47614."

- b. The OPA budget notes and assumptions do not describe in detail the “..several options of available facilities..” as referenced on page 19 of the OPA charter petition. The available facilities are not described in detail as to, how many bathrooms, proximity to business establishments, proximity to residential neighborhoods, who rent will be paid to, who the landlord is and if the landlord is related in any way to any of the charter petitioners, petitioner’s friends or family members or management companies and their affiliates.
  - c. On November 3, 2009, OPA stated in a Charter School Information Meeting that ‘For the first year, OPA might use district facilities so the district can recoup some funds.’ All three OPA budget years do not have any site rent budgeted and the petition and petitioner’s statements are conflicting and have offered no financial contingency for site rent expense.
  - d. The OPA budget should have identified a pro-rata facilities projected cost and/or a contingent rent amount for each presented budget year in the event that the charter school does not qualify for Proposition 39 Facilities.
  - e. Based on information provided by the Saddleback Valley Unified School District for total square feet of the district, total square feet of the O’Neill school site, and 2009-2010 estimated budget expenditures for facilities, a pro-rata facilities figure is estimated as \$84,917,  $((35,668 \text{ O’Neill sq ft} / 2,553,662 \text{ District sq ft}) \times \$6,079,675 \text{ estimated budget expenditures} = \$84,917)$ .
  - f. Based on the size of the anticipated student enrollment and other charter school petitions I have reviewed, a contingent site rent amount of \$140,000 per year has also been estimated.
  - g. Both the pro-rata share facilities estimate of \$84,917 and \$140,000 contingent site rent are accounted for in **Exhibit “A”** of this report. Since no amount has been budgeted for site rent within the OPA budget projection, year-one rent is shown as starting at \$84,917 with an additional \$55,083  $(\$140,000 - \$84,917 = \$55,083)$  added in year-one to total \$140,000 as part of a lease contingency.
4. Food Services are not budgeted.
- a. On November 3, 2009, OPA stated in a Charter School Information Meeting that ‘The charter school can pick anything they need and use down to the food services and they would have even better lunches, and that Saddleback Valley Unified School District has no control over anything but the facility.’ Page 59 of the OPA charter petition identifies lunch and nutrition breaks but does not identify if the students will bring their own food or if food will be provided.
  - b. The OPA budget projection has identified Staff Meals/Events; however, the budget does not describe any costs for food services.
  - c. Even a part-time food service program will require employee safe food handling certification and a health department certified location and staff. A conservative estimate of the staffing cost is approximately \$25,000 per year.

- d. Other food costs such as cost of goods sold, i.e. milk, napkins, plastic utensils, may be absorbed by the selling price; however, budgeting \$1,000 per year for food services budget encroachment is considered reasonable.
- e. As such, based on the size of the anticipated student enrollment and other charter school petitions I have reviewed, a food services cost of \$26,000 per year (\$25,000 + \$1,000 = \$26,000) has been added to the OPA budget and is identified in **Exhibit "A."**

**District Oversight Fee:**

Page 165 of the OPA charter petition states; "The Chartering Agency may charge an oversight fee not to exceed one (1) % of the general purpose and categorical block grant revenue received by the School or three (3) % in the case that the Chartering Agency provides substantially rent-free facilities.."

- 1. The OPA charter petition identifies that the oversight fee is three percent if the charter school receives Proposition 39 Facilities and one percent if they do not receive Proposition 39 Facilities. Since OPA was aware of the difference in oversight fee calculations they should have provided contingent rental costs if Proposition 39 Facilities were not granted and adjusted the district oversight fee accordingly.
- 2. For purposes of this analysis, a 1% district oversight fee is considered applicable. As such, the district oversight fee expense has been reduced from \$42,000 at three percent to \$13,841 as shown on **Exhibit "A."**

**Expenditures Summary**

All of the expenditure categories described are material to the overall OPA budget. Detailed health insurance benefit costs were not described in the budget notes and assumptions.

Expenditures for Books and Supplies, Services and Other Operating Expenditures, Site Rent, and District Oversight Fees are further examples that the OPA charter petition budget has not properly documented the necessary budgetary notes and assumptions in order to provide an accurate and realistic financial budget.

Budget notes that clearly describe assumptions are a required component of 5 CCR 11967.5.1(c)(3)(B). The OPA Charter School Petition does not contain adequate budget notes and assumptions and therefore presents an unrealistic financial and operational plan for the proposed charter school.

## OVERALL CONCLUSION

When preparing their budget, charter school petitioners must convey complete and reasonably accurate assumptions documented within their budget and their budget assumptions narrative. Budget assumptions and documentation supporting the assumptions form a critical component of the basis upon which approval of the Charter Petition is granted. Based on the information provided, the Oxford Preparatory Academy of Mission Viejo Charter School Petition and Budget Assumptions have not clearly described the material assumptions necessary to support the budgeted amounts presented in the charter petition.

Overall, based on the material nature of the omissions and lack of assumptions identified throughout this report, in my opinion, the Oxford Preparatory Academy of Mission Viejo Charter School Budget provides an unrealistic financial and operational plan for the proposed charter school.

**Exhibit "A"** illustrates the effects of the adjustments that this analysis incorporates into the OPA first year of operation. There are two types of adjustments for the first year of operation, Tier 1 "Adjusted Budget" results and Tier 2 "Final Budget" results. Tier 1, or "Conservative Adjustments" are those adjustments that are considered likely; Tier 2, or "Further Adjustments" are adjustments that are probable but should be viewed separately. The column titled Adjusted Budget represents the effect of the Tier 1 Conservative Adjustments.

### **Proposed Charter School's First Year of Operation - Budget Adjustments:**

- a. The column titled Adjusted Budget in **Exhibit "A"** represents the effects of Tier 1 Conservative Adjustments. The Tier 1 Conservative Adjustments resulted in the Budget Summary Ending Fund Balance "Decreasing" from an estimated \$97,236 less net adjustments of (\$434,496) to an adjusted **Deficit** Fund Balance of **(\$337,260)** for year-one. Tier 2 further adjustments must also be considered.
- b. The column titled Final Budget in **Exhibit "A"** represents the effects of the Tier 2 Further Adjustments. The Tier 2 adjustments resulted in Budget Summary Ending Fund Balance "decreasing" from \$97,236 less Tier 1 net adjustment of (\$434,496) less Tier 2 net adjustments of (\$93,700) to an adjusted **Deficit** Fund Balance of **\$(430,960)** in the proposed charter school's first year of operation.

Based on the results of my budget analysis and the assumptions made within this report, I believe that the charter will experience higher costs and lower revenues than anticipated.

**Exhibit "B"** illustrates the effect of the budget adjustments on years one, two and three and allows for a quick comparison of the original budget total revenues, expenditures and fund balance as compared to the adjusted budget.

**Oxford Preparatory Academy of Mission Viejo - Charter School:  
Budget Review Analysis and Report**

Using Exhibit "B," the summarized results of the OPA Budget adjustments are as follows:

Description	YEAR 1 Adjusted Budget	YEAR 2 Adjusted Budget	YEAR 3 Adjusted Budget
<b>Total Revenues</b>	<b>\$ 1,814,659</b>	<b>\$ 3,190,364</b>	<b>\$ 3,190,247</b>
<i>Original Budget</i>	<i>1,938,319</i>	<i>3,391,484</i>	<i>3,389,823</i>
<i>Difference - Reduced Revenue</i>	<i>(123,660)</i>	<i>(201,120)</i>	<i>(199,576)</i>
<i>Difference - % Reduced Revenue</i>	<i>-6.4%</i>	<i>-5.9%</i>	<i>-5.9%</i>
<b>Total Expenditures</b>	<b>\$ 2,245,619</b>	<b>\$ 3,233,300</b>	<b>\$ 3,304,373</b>
<i>Original Budget</i>	<i>1,841,083</i>	<i>2,983,866</i>	<i>3,056,436</i>
<i>Difference - Increased Expenditures</i>	<i>404,536</i>	<i>249,434</i>	<i>247,937</i>
<i>Difference - % Increased Expenditures</i>	<i>18.0%</i>	<i>7.7%</i>	<i>7.5%</i>
<b>Ending Fund Balance - Deficit</b>	<b>\$ (430,960)</b>	<b>\$ (473,896)</b>	<b>\$ (588,022)</b>
<i>Original Budget</i>	<i>97,236</i>	<i>504,853</i>	<i>838,240</i>
<i>Difference- Deficit Fund Balances</i>	<i>(528,196)</i>	<i>(978,749)</i>	<i>(1,426,262)</i>
<i>Difference - % Deficit Fund Balances</i>	<i>-543.2%</i>	<i>-193.9%</i>	<i>-170.1%</i>

The Saddleback Valley Unified School District Board of Education must decide if the Oxford Preparatory Academy Charter School's budget as presented demonstrates a realistic financial and operational plan and a level of financial skill commensurate with operating and managing a California Charter School.

Thank you for allowing me to be of service to the Saddleback Valley Unified School District. If you have any questions regarding my analysis, please contact me any time. I look forward to hearing from you.

Sincerely,



Michael Ammermon

Enclosures:

Exhibit "A"  
Exhibit "B"

**Oxford Preparatory Academy Charter School**  
Submitted Budget vs. Adjusted Budget

Description	Budget Assumptions			(Tier 1) Adjusted Assumptions	Original Charter Budget	(Tier 1) Conservative Adjustments	Adjusted Budget	(Tier 2) Adjusted Assumptions	(Tier 2) Further Adjustments	Final Budget
	Funding Rate	Number Students	ADA							
<b>Revenues</b>										
General Purpose Entitlement										
Grades K-3	5,053	96	114.0		\$ 576,042	\$ -	\$ 576,042		\$ -	\$ 576,042
Grades 4-6	5,131	138	102.6		526,441	-	526,441		-	526,441
Grades 7-8	5,279	30	34		180,542	-	180,542		-	180,542
Grades 9-12	6,125	0	0		-	-	-		-	-
		<b>264</b>	<b>250.8</b>		-	-	-		-	-
Total Revenue Limit Sources					1,283,025	-	1,283,025		-	1,283,025
Federal Revenues										
Title I-V Funding					6,000	-	6,000		-	6,000
PCSGP Startup/Implementation Grant					375,000	-	375,000		-	375,000
Total Federal Revenues					381,000	-	381,000		-	381,000
Other State and Local Revenue										
Categorical Block Grant	\$ 403		250.80		101,072	-	101,072		-	101,072
State Lottery Income	\$ 124.25			\$ 124.25	31,162	-	31,162		-	31,162
Categorical Flexibility Funding (estimated)					12,500	(12,500)	-		-	-
Interest					2,500	-	2,500		-	2,500
EIA	\$ 318		50		15,900	-	15,900		-	15,900
Local Donations/Contributions					25,000	(25,000)	-		-	-
Class Size Reduction	\$ 718		120		86,160	(86,160)	-		-	-
Total Other State Revenue					274,294	(123,660)	150,634		-	150,634
<b>Total Revenues</b>					<b>1,938,319</b>	<b>(123,660)</b>	<b>1,814,659</b>		<b>-</b>	<b>1,814,659</b>

**Oxford Preparatory Academy Charter School**

Submitted Budget vs. Adjusted Budget

Description	Budget Assumptions	(Tier 1) Adjusted Assumptions	Original Charter Budget	(Tier 1) Conservative Adjustments	Adjusted Budget	(Tier 2) Adjusted Assumptions	(Tier 2) Further Adjustments	Final Budget
<b>EXHIBIT "A2"</b>								
<b>Expenditures</b>								
<b>Certificated Salaries</b>								
Teachers	11	\$ 57,618	633,800	-	633,800		-	633,800
Substitute Teachers			-	-	-		-	-
Certificated Supervisor & Admin.	1.5 Exec. Dir, Dir & Dean		137,500	-	137,500		-	137,500
<b>Total Certificated Salaries</b>			<b>771,300</b>	<b>-</b>	<b>771,300</b>		<b>-</b>	<b>771,300</b>
<b>Classified Salaries</b>								
Instructional Aide	3		75,000	-	75,000		-	75,000
Classified Support Salaries	2		22,000	-	22,000		-	22,000
Classified Supervisory/Admin			-	-	-	1 Dir. of Op.	44,600	44,600
Clerical/Tech/Office Staff	2		94,000	-	94,000		-	94,000
<b>Total Classified Salaries</b>			<b>191,000</b>	<b>-</b>	<b>191,000</b>		<b>44,600</b>	<b>235,600</b>
<b>Employee Benefits</b>								
STRS / OASDI/Medicare - Certificated			74,816	-	74,816		-	74,816
PERS / OASDI/Medicare - Classified			23,738	-	23,738		-	23,738
Health Insurance	19.5	\$11,846 per year	231,000	-	231,000		-	231,000
Unemployment Insurance			2,887	-	2,887		-	2,887
Workers Compensation Insurance			19,246	-	19,246		-	19,246
<b>Total Employee Benefits</b>			<b>351,687</b>	<b>-</b>	<b>351,687</b>		<b>-</b>	<b>351,687</b>
<b>Total Salaries &amp; Benefits</b>			<b>1,313,987</b>	<b>-</b>	<b>1,313,987</b>		<b>44,600</b>	<b>1,358,587</b>
<b>Books and Supplies</b>								
Textbooks & Reference Materials			65,000	-	65,000		22,176	87,176
Student Instructional Materials			37,200	-	37,200		-	37,200
Office Supplies			17,500	-	17,500		-	17,500
Staff Meals/Events			9,000	-	9,000		-	9,000
Non-Capitalized Equipment			55,000	-	55,000		-	55,000
<b>Total Books and Supplies</b>			<b>183,700</b>	<b>-</b>	<b>183,700</b>		<b>22,176</b>	<b>205,876</b>

**Oxford Preparatory Academy Charter School**

Submitted Budget vs. Adjusted Budget

Description	Budget Assumptions	(Tier 1) Adjusted Assumptions	Original Charter Budget	(Tier 1) Conservative Adjustments	Adjusted Budget	(Tier 2) Adjusted Assumptions	(Tier 2) Further Adjustments	Final Budget
<b>EXHIBIT "A3"</b>								
Services & Other Operating Expenditures								
Travel and Conferences			14,500	-	14,500		-	14,500
Liability Insurance			17,500	-	17,500		-	17,500
Site Rent	Prop 39 or Traditional Lease		-	84,917	84,917		55,083	140,000
Professional/Consulting Services			40,000	-	40,000		-	40,000
DMS Business Services			50,396	-	50,396		-	50,396
Instructional Consultants			10,000	-	10,000		-	10,000
Food Services Program			-	26,000	26,000		-	26,000
Other-			169,000	-	169,000		-	169,000
Total Services & Other Operating Expenditures			301,396	110,917	412,313		55,083	467,396
Capital Outlay								
Depreciation			-	-	-		-	-
Total Capital Outlay			-	-	-		-	-
Other Outgo								
District Oversight Fee	3% with Prop 39	1%	42,000	-	42,000	1%	(28,159)	13,841
SPED Encroachment			-	99,919	99,919		-	99,919
Interest (State Revolving Fund Loan)			-	-	-		-	-
<b>START-UP COSTS</b>			-	100,000	100,000		-	100,000
Total Other Outgo			42,000	199,919	241,919		(28,159)	213,760
<b>Total Expenditures</b>			<b>1,841,083</b>	<b>310,836</b>	<b>2,151,919</b>		<b>93,700</b>	<b>2,245,619</b>
<b>Net Increase / (Decrease)</b>			<b>97,236</b>	<b>(434,496)</b>	<b>(337,260)</b>		<b>(93,700)</b>	<b>(430,960)</b>
<b>Fund Balance</b>								
Beginning Fund Balance			-	-	-		-	-
<b>Ending Fund Balance</b>			<b>\$ 97,236</b>	<b>\$ (434,496)</b>	<b>\$ (337,260)</b>		<b>\$ (93,700)</b>	<b>\$ (430,960)</b>
Components of Ending Fund Balance								
Reserve for Cash Flow		5%	\$ -	\$ 107,596	\$ 107,596		\$ 4,685	\$ 112,281
Net Income After Reserves			97,236	(542,092)	(444,856)		(98,385)	(543,241)
Ending Fund Balance			\$ 97,236	\$ (434,496)	\$ (337,260)		\$ (93,700)	\$ (430,960)

EXHIBIT "B1"

**Oxford Preparatory Academy Charter School**  
Submitted Budget vs. Adjusted Budget

Description	YEAR 1 Adjusted Budget	YEAR 2 Adjusted Budget	YEAR 3 Adjusted Budget
<b>Revenues</b>			
General Purpose Entitlement			
Grades K-3	\$ 576,042	\$ 1,139,248	\$ 1,167,679
Grades 4-6	526,441	1,226,691	1,257,306
Grades 7-8	180,542	420,660	431,177
Grades 9-12	-	-	-
Total Revenue Limit Sources	1,283,025	2,786,599	2,856,162
Federal Revenues			
Title I-V Funding	6,000	6,000	6,000
PCSGP Startup/Implementation Grant	375,000	75,000	-
Total Federal Revenues	381,000	81,000	6,000
Other State and Local Revenue			
Categorical Block Grant	101,072	219,184	224,504
State Lottery Income	31,162	66,101	66,101
Categorical Flexibility Funding (estimated)	-	-	-
Interest	2,500	2,500	2,500
EIA	15,900	34,980	34,980
Local Donations/Contributions	-	-	-
Class Size Reduction	-	-	-
Total Other State Revenue	150,634	322,765	328,085
<b>Total Revenues</b>	<b>1,814,659</b>	<b>3,190,364</b>	<b>3,190,247</b>
	<i>Original Budget</i>	<i>Original Budget</i>	<i>Original Budget</i>
	<i>1,938,319</i>	<i>3,391,484</i>	<i>3,389,823</i>
	<i>Difference - Reduced Revenue</i>	<i>Difference - Reduced Revenue</i>	<i>Difference - Reduced Revenue</i>
	<i>(123,660)</i>	<i>(201,120)</i>	<i>(199,576)</i>
	<i>Difference - % Reduced Revenue</i>	<i>Difference - % Reduced Revenue</i>	<i>Difference - % Reduced Revenue</i>
	<i>-6.4%</i>	<i>-5.9%</i>	<i>-5.9%</i>

**Oxford Preparatory Academy Charter School**

Submitted Budget vs. Adjusted Budget

Description	YEAR 1 Adjusted Budget	YEAR 2 Adjusted Budget	YEAR 3 Adjusted Budget
<b>Expenditures</b>			<b>EXHIBIT "B2"</b>
Certificated Salaries			
Teachers	633,800	1,053,422	1,085,025
Substitute Teachers	-	-	-
Certificated Supervisor & Admin.	137,500	185,250	190,808
Total Certificated Salaries	<u>771,300</u>	<u>1,238,672</u>	<u>1,275,833</u>
Classified Salaries			
Instructional Aide	75,000	154,500	159,135
Classified Support Salaries	22,000	22,550	23,113
Classified Supervisory/Admin	44,600	44,600	44,600
Clerical/Tech/Office Staff	94,000	127,720	131,552
Total Classified Salaries	<u>235,600</u>	<u>349,370</u>	<u>358,400</u>
Employee Benefits			
STRS / OASDI/Medicare - Certificated	74,816	120,151	123,756
PERS / OASDI/Medicare - Classified	23,738	37,878	39,000
Health Insurance	231,000	370,182	381,242
Unemployment Insurance	2,887	4,630	4,768
Workers Compensation Insurance	19,246	30,868	31,793
Total Employee Benefits	<u>351,687</u>	<u>563,709</u>	<u>580,559</u>
Total Salaries & Benefits	1,358,587	2,151,751	2,214,792
Books and Supplies			
Textbooks & Reference Materials	87,176	125,000	120,000
Student Instructional Materials	37,200	65,000	66,625
Office Supplies	17,500	22,500	23,063
Staff Meals/Events	9,000	9,225	9,455
Non-Capitalized Equipment	55,000	145,000	148,625
Total Books and Supplies	<u>205,876</u>	<u>366,725</u>	<u>367,768</u>

**Oxford Preparatory Academy Charter School**

Submitted Budget vs. Adjusted Budget

Description	YEAR 1 Adjusted Budget	YEAR 2 Adjusted Budget	YEAR 3 Adjusted Budget
	<b>EXHIBIT "B3"</b>		
Services & Other Operating Expenditures			
Travel and Conferences	14,500	14,863	15,234
Liability Insurance	17,500	24,500	25,113
Site Rent	140,000	140,000	140,000
Professional/Consulting Services	40,000	65,000	66,625
DMS Business Services	50,396	88,179	88,135
Instructional Consultants	10,000	25,000	25,625
Food Services Program	26,000	26,000	26,000
Other-	169,000	191,974	196,774
Total Services & Other Operating Expenditures	467,396	575,516	583,506
Capital Outlay			
Depreciation	-	1,250	1,500
	-	-	-
Total Capital Outlay	-	1,250	1,500
Other Outgo			
District Oversight Fee	13,841	30,058	30,807
SPED Encroachment	99,919	100,000	100,000
Interest (State Revolving Fund Loan)	-	8,000	6,000
<b>START-UP COSTS</b>	100,000	-	-
Total Other Outgo	213,760	138,058	136,807
<b>Total Expenditures</b>	<b>2,245,619</b>	<b>3,233,300</b>	<b>3,304,373</b>
	<i>Original Budget</i>	<i>2,983,866</i>	<i>3,056,436</i>
	<i>Difference- Increased Expenditures</i>	<i>249,434</i>	<i>247,937</i>
	<i>Difference - % Increased Expenditures</i>	<i>7.7%</i>	<i>7.5%</i>
<b>Net Increase / (Decrease)</b>	<b>(430,960)</b>	<b>(42,936)</b>	<b>(114,126)</b>
<b>Fund Balance</b>			
Beginning Fund Balance	-	(430,960)	(473,896)
<b>Ending Fund Balance</b>	<b>\$ (430,960)</b>	<b>\$ (473,896)</b>	<b>\$ (588,022)</b>
	<i>Original Budget</i>	<i>504,853</i>	<i>838,240</i>
	<i>Difference- Deficit Fund Balances</i>	<i>(978,749)</i>	<i>(1,426,262)</i>
	<i>Difference - % Deficit Fund Balances</i>	<i>-193.9%</i>	<i>-170.1%</i>