Figure: 19 TAC §109.1001(f)(4)

Charter FIRST - Rating Worksheet Dated February 2018 for Rating Year 2017-2018

Fiscal Year Ended June 30, ____, or August 31, ____

Indicator number	Charter FIRST: 2017-2018 Ratings based on Fiscal Year 2017 data	Select the appropriate box below	
	Critical Indicators	**Pass**	**Fail**
1	Was the complete annual financial report (AFR) and charter school financial data submitted to TEA within 30 days of the November 27 or January 28 deadline depending on the charter school's fiscal year end date of June 30 or August 31, respectively?	Yes	No
2	Review the AFR for an unmodified opinion and material weaknesses. The charter school must pass 2.A to pass this indicator. The charter school fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B.		
2.A	Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)	Yes	No
2.B	Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)	Yes	No
3	Was the charter school in compliance with the payment terms of all debt agreements at fiscal year end? (If the charter school was in default in a prior fiscal year, an exemption applies in following years if the charter school is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)	Yes	No
4	Did the charter school make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes	No
5	Was the total net asset balance in the Statement of Financial Position for the charter school greater than zero? (If the charter school's change of students in membership over 5 years was 7 percent or more, then the charter school passes this indicator.) (New charter schools that have a negative net asset balance will pass this indicator if they have an average 7 percent growth in students year over year until it completes its fifth year of operations. After the fifth year of operations, the calculation changes to the 7 percent increase in 5 years.)	Yes	No

	Solvency Indicators	Points
6	Was the number of days of cash on hand and current investments for the charter school sufficient to cover operating expenses? The calculation will use expenses, excluding depreciation. For government charter schools, pension expense will be excluded. (See ranges below.)	10
7	Was the measure of current assets to current liabilities ratio for the charter school sufficient to cover short-term debt? (See ranges below.)	10
8	Was the ratio of long-term liabilities to total assets for the charter school sufficient to support long-term solvency? (If the charter school's change of students in membership over 5 years was 7 percent or more, then the charter school passes this indicator.) (New charter schools that have a negative net asset balance will pass this indicator if they have an average of 7 percent growth in students year over year until it completes its fifth year of operations. After the fifth year of operations, the calculation changes to the 7 percent increase in 5 years.) (See ranges below.)	10
9	Did the charter school's revenues equal or exceed expenses, excluding depreciation? If not, was the charter school's number of days of cash on hand greater than or equal to 40 days? The calculation will use expenses, excluding depreciation. For government charter schools, pension expense will be excluded.	10
10	Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)	10
11	Was the charter school's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)	10

12	Did the charter school not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the charter school will automatically pass this indicator.)	10

	Financial Competence Indicators	Points
13	Did the comparison of Public Education Information Management System (PEIMS) data to like information in the charter school's AFR result in a total variance of less than 3 percent of all expenses by function?	10
14	Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)	10
15	Did the charter school **not** receive an adjusted repayment schedule for more than one fiscal year for an overallocation of Foundation School Program (FSP) funds as a result of a financial hardship?	10

Maximum possible points	100

Charter FIRST Determination of Points

Indicator number	10	8	6	4	2	0
6	≥ 60	< 60 ≥ 50	< 50 ≥ 40	< 40 ≥ 30	< 30 ≥ 20	< 20
7	≥ 2	< 2 ≥ 1.75	< 1.75 ≥ 1.5	< 1.5 ≥ 1.25	< 1.25 ≥ 1	< 1
8	≤ 0.60	> 0.60 ≤ 0.70	> 0.70 ≤ 0.80	> 0.80 ≤ 0.90	> 0.90 ≤ 1.00	> 1.00
9	≥ 0%	10 points are awarded if the charter school has at least 40 days cash on hand as determined in indicator #6.				< 0%
10	≥ 1.20	< 1.20 ≥ 1.15	< 1.15 ≥ 1.10	< 1.10 ≥ 1.05	< 1.05 ≥ 1.00	< 1.00

Indicator number	10	8	6	4	2	0
11 ADA Size	Threshold Ratio (based on ADA size)					
1,000 and Above	≤ 0.1401	> 0.1401 ≤ 0.1651	> 0.1651 ≤ 0.1901	> 0.1901 ≤ 0.2151	> 0.2151 ≤ 0.2401	> 0.2401
500 to 999	≤ 0.1561	> 0.1561 ≤ 0.1811	> 0.1811 ≤ 0.2061	> 0.2061 ≤ 0.2311	> 0.2311 ≤ 0.2561	> 0.2561
Less than 500	≤ 0.2645	> 0.2645 ≤ 0.2895	> 0.2895 ≤ 0.3145	> 0.3145 ≤ 0.3395	> 0.3395 ≤ 0.3645	> 0.3645

Indicator number	10		0
12	Yes		No
13	Yes		No
14	Yes		No
15	Yes		No

Determination of Charter School Rating	
Did the charter school fail any of the critical indicators 1, 3, 4, 5, or 2.A? If so, the charter school's rating is F for Substandard Achievement, regardless of points earned.	
Determine rating by applicable number of points.	**Points**
A = Superior Achievement	90 through 100
B = Above Standard Achievement	80 through 89
C = Meets Standard Achievement	60 through 79
F = Substandard Achievement *(The charter school receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 3, 4, 5, or 2.A, if the AFR or the data were not both complete, or if either the AFR or the data were not submitted on time for FIRST analysis.)*	0 through 59

19 TAC §109.1001(f)(4)

Charter FIRST - Rating Worksheet Calculations Dated February 2018 for Rating Year 2017-2018 through 2019-2020		
	Indicator	**Calculation Defined**
1	Was the complete annual financial report (AFR) and charter school financial data submitted to TEA within 30 days of the November 27 or January 28 deadline depending on the charter school's fiscal year end date of June 30 or August 31, respectively?	No Calculation Involved
2	Review the AFR for an unmodified opinion and material weaknesses. The charter school must pass 2.A to pass this indicator. The charter school fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B.	The charter school must pass 2.A
2.A	Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)	No Calculation Involved
2.B	Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)	No Calculation Involved
3	Was the charter school in compliance with the payment terms of all debt agreements at fiscal year end? (If the charter school was in default in a prior fiscal year, an exemption applies in following years if the charter school is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)	No Calculation Involved
4	Did the charter school make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.)	For TRS and TWC, if not cleared within 30 days. For the IRS and other governmental agencies there is no calculation involved. The agency will use the AFR, warrant holds, information from the IRS and other sources to make a determinations of timely payments.
5	Was the total net asset balance in the Statement of Financial Position for the charter school greater than zero? (If the charter school's change of students in membership over 5 years was 7 percent or more, then the charter school passes this indicator.) (New charter schools that have a negative net asset balance will pass this indicator if they have an average of 7 percent growth in students year over year until it completes its fifth year of operations. After the fifth year of operations, the calculation changes to the 7 percent increase in 5 years.)	(A - B) > C OR (((D - E) / E) x 100) ≥ F, where A = Total net asset balance in the statement of financial position in the annual financial report; B = Pension Expense, Other Post Employment Benefits (OPEB), and Net Pension Liability (NPL), as applicable C = Net assets threshold, which = 0; D = Number of students in membership in year 5 from base year; E = Number of students in membership in base year; F = Threshold for percent change in students in membership, which = 7%
6	Was the number of days of cash on hand and current investments for the charter school sufficient to cover operating expenses? The calculation will use expenses, excluding depreciation. For government charter schools, pension expense will be excluded.	[(A + B) / (C - D - E)] * 365, where A = Cash & Equivalents; B = Current Investments; C = Total Expenditures; D = Depreciation Expense; E = Pension Expense, OPEB, and NPL, as applicable
7	Was the measure of current assets to current liabilities ratio for the charter school sufficient to cover short-term debt?	A / B, where A = Current Assets; B = Current Liabilities

Charter FIRST - Rating Worksheet Calculations Dated February 2018 for Rating Year 2017-2018 through 2019-2020		
	Indicator	**Calculation Defined**
8	Was the ratio of long-term liabilities to total assets for the charter school sufficient to support long-term solvency? (If the charter school's change of students in membership over 5 years was 7 percent or more, then the charter school passes this indicator.) (New charter schools that have a negative net asset balance will pass this indicator if they have an average of 7 percent growth in students year over year until it completes its fifth year of operations. After the fifth year of operations, the calculation changes to the 7 percent increase in 5 years.)	A - B / C, where A = Long Term Liabilities; B = Pension Expense, OPEB, and NPL, as applicable C = Total Assets
9	Did the charter school's revenues equal or exceed expenses, excluding depreciation? If not, was the charter school's number of days of cash on hand greater than or equal to 40 days? The calculation will use expenses, excluding depreciation. For government charter schools, pension expense will be excluded.	[A / (B - C - D) - 1] > 0, where A = Total Revenue; B = Total Expenses; C = Depreciation; D = Pension Expense, OPEB, and NPL, as applicable
10	Was the debt service coverage ratio sufficient to meet the required debt service?	(A - B + C + D + E) / D, where A = Total Revenue; B = Total Expenses; C = Depreciation; D = Debt Service (interest and principal payments) E = Pension Expense, OPEB, and NPL, as applicable
11	Was the charter school's administrative cost ratio equal to or less than the threshold ratio?	(A / B) < threshold based on CS size, where A = Sum of amounts for function codes 21 and 41; B = Sum of amounts for function codes 11, 12, 13, and 31 ***Includes object codes 61XX-64XX in fund code 199 and 420**
12	Did the charter school not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the charter school will automatically pass this indicator.)	(A / B) - 1 > -0.15 or C - D > 0, where A = Student to Staff ratio in the year under review; B = Student to Staff ratio 3 years prior to the year under review; C = Enrollment in the year under review; D = Enrollment 3 years prior to the year under review
13	Did the comparison of Public Education Information Management System (PEIMS) data to like information in the charter school's AFR result in a total variance of less than 3 percent of all expenses by function?	A / B < C, where A = Sum of the absolute values of all differences in expenses (determined by function) between the Statement of Activities and PEIMS; B = Sum of expenses for all expenses presented in the Statement of Activities; C = Threshold for percentage of data variance, which = 3%
14	Did the independent external auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)	No Calculation Involved
15	Did the charter school **not** receive an adjusted repayment schedule for more than one fiscal year for an overallocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No Calculation Involved