

Figure: 19 TAC §109.1001(f)(7)

Charter FIRST - Rating Worksheet Dated June 2023 [~~October 2024~~] for Rating Years 2022-2023+ [~~2021-2022+~~]

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

Charter FIRST Worksheet based on Fiscal Year End Data

Indicator Number	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	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
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 Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? If the charter school received a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the charter school is considered to not have made timely payments and will fail this indicator. If the charter school was issued a warrant hold, the maximum points and highest rating that the charter school may receive is 95 points, A = Superior Achievement (even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days).	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 increase 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.) (If the charter school passes indicator 5 based only on the charter school's 7 percent or more increase in students in membership, the maximum points and highest rating that the charter school may receive is 79 points, C = Meets Standard Achievement.)	Yes	No

Indicator Number	Solvency Indicators	Points
6	Was the average change in total net assets over 3 years less than a 25 percent decrease or did the current year total net asset balance exceed 75 days of operational expenditures [(total expenditures less depreciation) /365]*75 days? (If the charter school fails indicator 6, the maximum points and highest rating that the charter school may receive is 89 points, B = Above Standard Achievement.)	Ceiling Indicator
7	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. (See ranges below.)	10
8	Was the measure of current assets to current liabilities ratio for the charter school sufficient to cover short-term debt? (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.	5
10	Did the charter school average less than a 10 percent variance (90%-110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years? [Note: This indicator will not be utilized for the 2021–2022 rating year.]	10
11	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 increase 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
12	Was the debt service coverage ratio sufficient to meet the required debt service?	10
13	Did the charter school have a debt-to-capitalization percentage that was reasonable for the charter school to continue operating?	5
14	Was the charter school's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)	10
15	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

Indicator Number	Financial Competence Indicators	Points
16	Was the charter school's actual average daily attendance (ADA) within 10 percent of the charter school's annual estimated ADA? [Note: This indicator will not be utilized for the 2021–2022 rating year.]	5
17	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? (If the charter school fails indicator 17, the maximum points and highest rating that the charter school may receive is 89 points, B = Above Standard Achievement.)	Ceiling Indicator
18	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 <u>and free from substantial doubt about the charter school's ability to continue as a going concern?</u> (The AICPA defines material weakness.) (If the charter school fails indicator 18, the maximum points and highest rating that the charter school may receive is 79 points, C = Meets Standard Achievement.)	Ceiling Indicator
19	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
20	Did the charter school post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the charter school's fiscal year end?	5
[21]	Did the charter school serve students that reside within its approved geographic boundaries? (If the charter school fails indicator 21, the maximum points and highest rating that the charter school may receive is 89 points, B = Above Standard Achievement.) [Note: This indicator will not be utilized for the 2021–2022 rating year.]	[Ceiling Indicator]

Maximum Possible Points 100

Charter FIRST Determination of Points

Indicator		10	8	6	4	2	0
6		Yes	Ceiling Indicator - If the charter school fails indicator 6, the maximum points and highest rating that the charter school may receive is 89 points, B = Above Standard Achievement.				No
7		≥ 60	< 60 ≥ 50	< 50 ≥ 40	< 40 ≥ 30	< 30 ≥ 20	< 20
8		≥ 2	< 2 ≥ 1.75	< 1.75 ≥ 1.5	< 1.5 ≥ 1.25	< 1.25 ≥ 1	< 1

Indicator		5		0
9		≥ 0%	5 points are awarded if the charter school has at least 40 days cash on hand as determined in indicator #7.	< 0%

Indicator		10	8	6	4	2	0
10		< 10%	10 points are awarded if the charter school's budgeted to actual revenues are < 10% variance (90% to 110%).				≥ 10%
11		≤ 0.60	> 0.60 ≤ 0.70	> 0.70 ≤ 0.80	> 0.80 ≤ 0.90	> 0.90 ≤ 1.00	> 1.00
12		≥ 1.20	< 1.20 ≥ 1.15	< 1.15 ≥ 1.10	< 1.10 ≥ 1.05	< 1.05 ≥ 1.00	< 1.00

Indicator		5		0
13		< 95%	5 points are awarded if the charter school has a debt to capitalization ratio < 95%.	≥ 95%

		Threshold Ratio (based on ADA size)					
Indicator	ADA Size	10	8	6	4	2	0
14	≥ 1,000	≤ 0.1401	> 0.1401 ≤ 0.1651	> 0.1651 ≤ 0.1901	> 0.1901 ≤ 0.2151	> 0.2151 ≤ 0.2401	> 0.2401
	500 to 1,000	≤ 0.1561	> 0.1561 ≤ 0.1811	> 0.1811 ≤ 0.2061	> 0.2061 ≤ 0.2311	> 0.2311 ≤ 0.2561	> 0.2561
	< 500	≤ 0.2645	> 0.2645 ≤ 0.2895	> 0.2895 ≤ 0.3145	> 0.3145 ≤ 0.3395	> 0.3395 ≤ 0.3645	> 0.3645

Indicator		10		0
15		Yes		No

Indicator		5		0
16		Yes		No

17		Yes	Ceiling Indicator - If the charter school fails indicator 17, the maximum points and highest rating that the charter school may receive is 89 points, B = Above Standard Achievement.	No
18		Yes	Ceiling Indicator - If the charter school fails indicator 18, the maximum points and highest rating that the charter school may receive is 79 points, C = Meets Standard Achievement.	No

Indicator		10		0
19		Yes		No

Indicator		5		0
20		Yes		No

[21]		[Yes]	[Ceiling Indicator - If the charter school fails indicator 21 the maximum points and highest rating that the charter school may receive is 89 points, B = Above Standard Achievement.]	[No]
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Ceiling Indicators		
Did the charter school meet the criteria for any of the following ceiling indicators 4, 5, 6, 17, <u>or</u> 18 [, or 21] ? If so, the charter school's applicable maximum points and rating are disclosed below.		
Determination of rating based on meeting ceiling criteria.	Maximum Points	Applicable Rating
Indicator 4 (Timely Payments) - Charter school was issued a warrant hold.	95	A = Superior Achievement
Indicator 5 (Total Net Assets) - Negative total net assets and pass indicator based only on 7% or more increase in students in membership over 5 years.	79	C = Meets Standard Achievement
Indicator 6 (Average Change in Total Net Assets) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 17 (PEIMS to AFR) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 18 (Material Weaknesses <u>and/or Going Concern</u>) - Response to indicator is <i>No</i> .	79	C = Meets Standard Achievement
Indicator 21 (Geographic Boundaries) - Response to indicator is <i>No</i>.	[89]	[B = Above Standard Achievement]

If the charter school's overall points earned is less than the maximum points allowed by the applicable ceiling indicator, the charter school will receive a rating based on the lesser points earned. If the charter school fails a critical indicator or the charter school's total number of points is equal to or less than 69 points, the charter school will receive an **F = Substandard Achievement** rating, regardless of any ceiling indicator criteria met.

Examples of the points and rating that a charter school may earn when the criteria of a ceiling indicator is met:

Example 1: Your charter school fails ceiling indicator 18 and your charter school's total points before failing ceiling indicator 18 is 98 points, the maximum points and rating that your charter school may receive is 79 points, C = Meets Standard Achievement.
Example 2: Your charter school fails ceiling indicator 6 and your charter school's total points before failing ceiling indicator 6 is 86 points, the maximum points and rating that your charter school may receive is 86 points, B = Above Standard Achievement, not 89 points, B = Above Standard Achievement.
Example 3: Your charter school fails critical indicator 4 and ceiling indicator 17 and your charter school's total points before failing indicators 4 and 17 is 67 points, the maximum points and rating that your charter school may receive is 67 points, F = Substandard Achievement.
Example 4: Your charter school fails Part 1 of indicator 5, but passes critical indicator 5 based on Part 2, the charter school's 7% or more increase in growth in students in membership over 5 years. Your charter school's total points before passing indicator 5 solely on Part 2 of the indicator is 100 points, the maximum points and rating that your charter school may receive is 79 points, C = Meets Standard Achievement.
Example 5: Your charter school received a warrant hold (Indicator 4) that was cleared within 30 days from the date that the warrant hold was issued and the charter school's total points is 90 points before any ceiling deduction. The maximum points and rating that your charter school may receive is 90 points, A = Superior Achievement because the total points is less than the ceiling of 95 points.

Determination of Charter School Rating	
Did the charter school fail any of the critical indicators 1, 2, 3, 4, or 5 (parts 1 and 2)? If so, the charter school's rating is F for Substandard Achievement regardless of points earned.	
Determine the rating by the applicable number of points.	Points
A = Superior Achievement	90 through 100
B = Above Standard Achievement	80 through 89
C = Meets Standard Achievement	70 through 79
F = Substandard Achievement (<i>The charter school receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, 4, or 5, 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.</i>)	0 through 69

Figure: 19 TAC §109.1001(f)(7)

Charter FIRST - Rating Worksheet Calculations Dated <u>June 2023</u> [October 2021] for Rating Years <u>2022-2023</u>+[2021-2022]		
#	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	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
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 Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued).	<p>If the charter school received a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the charter school is considered to not have made timely payments and will fail this indicator.</p> <p>If the charter school was issued a warrant hold, the maximum points and highest rating that the charter school may receive is 95 points, A = Superior Achievement (even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days).</p> <p>The agency will use the AFR, warrant holds, information from the IRS, and other sources to make a determination of timely payments.</p>
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 increase 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.)	<p>$(A + B) > C$ OR $\left(\frac{D - E}{E} \times 100\right) \geq F$, where</p> <p>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 increase in students in membership, which = 7%</p>

Charter FIRST - Rating Worksheet Calculations Dated June 2023 [~~October 2021~~] for Rating Years 2022-2023+~~[2021-2022]~~

#	Indicator	Calculation Defined
6	Was the average change in total net assets in the Statement of Financial Position over 3 years less than a 25% decrease or did the current year total net asset balance in the Statement of Financial Position exceed 75 days of operational expenditures [(total expenditures less depreciation) /365]*75?	<p>The average of the change in the total net asset balance in the Statement of Financial Position over 3 years must be less than 25%.</p> $\frac{[(B-A)/A]+((C-B)/B)+((D-C)/C)]}{3} < 25\%$ <p align="center">or</p> <p>$D > [(E-F)/365]*75$, where</p> <p>A = Total Net Asset Balance for Year 1 (three years prior to current year under review) B = Total Net Asset Balance for Year 2 (two years prior to current year under review) C = Total Net Asset Balance for Year 3 (one year prior to current year under review) D = Total Net Asset Balance for Year 4 (current year under review) E = Total Expenditures (total from Statement of Activities) F = Depreciation (Note: The data for variable "F" comes from the Statement of Cash Flows)</p> <p>If the average change in total net assets is not less than 25%, then use: $D > [(E-F)/365]*75$</p>
7	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.	<p>$[(A + B) / (C - D - E)] * 365 = F$, where</p> <p>A = Cash & Equivalents (total from the Statement of Financial Position) B = Current Investments (total from the Statement of Financial Position) C = Total Expenditures (total from the Statement of Activities) D = Depreciation Expense (Note: The data for variable "D" comes from the Statement of Cash Flows) E = Pension Expense, OPEB, and NPL, as applicable (Notes to the Financial Statements) F = Days of Cash on Hand & Current Investments</p>
8	Was the measure of current assets to current liabilities ratio for the charter school sufficient to cover short-term debt?	<p>$A / B = C$, where</p> <p>A = Current Assets (total from the Statement of Financial Position) B = Current Liabilities (total from the Statement of Financial Position) C = Current Assets to Current Liabilities Ratio</p>
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.	<p>$[A / (B - C - D) - 1] > 0$, where</p> <p>A = Total Revenue (total from the Statement of Activities) B = Total Expenses (total of all function codes from the Statement of Activities) C = Depreciation (Note: The data for variable "C" comes from the Statement of Cash Flows) D = Pension Expense, OPEB, and NPL, as applicable (Notes to the Financial Statements)</p>

Charter FIRST - Rating Worksheet Calculations Dated June 2023 [~~October 2021~~] for Rating Years 2022-2023+~~[2021-2022]~~

#	Indicator	Calculation Defined
10	<p>Did the charter school average less than a 10 percent variance (90%-110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?</p> <p>[Note: This indicator will not be utilized for the 2021-2022 rating year.]</p>	<p>$[(A-B)/B]+((C-D)/D)+((E-F)/F)/3 = G \ +/- \ 10\% \ \text{variance, where}$</p> <p>A = Actual Revenues for Year 1 (two years prior to current year) B = Budgeted Revenues for Year 1 (two years prior to current year) C = Actual Revenues for Year 2 (one year prior to current year) D = Budgeted Revenues for Year 2 (one year prior to current year) E = Actual Revenues for Year 3 (current year under review) F = Budgeted Revenues for Year 3 (current year under review) G = Average Variance</p> <p>Data source: TSDS PEIMS collections - General fund (420 & 199); object code 58XX, October Snapshot - Fall PEIMS (Budgeted Revenues); and Mid-year PEIMS (Actual Revenues)</p> <p>Note: October Snapshot is the last Friday in October whether this is a day of instruction or not.</p>
11	<p>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 increase 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.)</p>	<p>$(A - B) / C = D, \text{ where}$</p> <p>A = Long Term Liabilities; (total from the Statement of Financial Position) B = Pension Expense, OPEB, and NPL, as applicable (Notes to the Financial Statements) C = Total Assets (total from the Statement of Financial Position) D = Long-term Liabilities to Total Assets Ratio</p>
12	<p>Was the debt service coverage ratio sufficient to meet the required debt service?</p>	<p>$(A - B + C + D + E + F) / (D + E) = G, \text{ where}$</p> <p>A = Total Revenues (total from the Statement of Activities) B = Total Expenses (total of all function codes from the Statement of Activities) C = Depreciation D = Interest E = Principal F = Pension Expense (Notes to the Financial Statements) G = Debt Service Coverage Ratio</p> <p>Note: The data for variables C, D, and E come from the Statement of Cash Flows</p>
13	<p>Did the charter school have a debt-to-capitalization percentage that was reasonable for the charter school to continue operating?</p>	<p>$A / (B + A) \times 100 = C, \text{ where}$</p> <p>A = Long-term Liabilities (total from the Statement of Financial Position) B = Total Net Assets (total from the Statement of Financial Position) C = Debt to Capitalization Percentage</p>
14	<p>Was the charter school's administrative cost ratio equal to or less than the threshold ratio?</p>	<p>$(A / B) < \text{threshold based on CS size, where}$</p> <p>A = Sum of amounts for function codes 21 and 41 B = Sum of amounts for function codes 11, 12, 13, and 31</p> <p>*Includes object codes 61XX-64XX in fund codes 199, and 420, 266, 281, 282, and 283</p>
15	<p>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.)</p>	<p>$(A / B) - 1 > -0.15 \ \text{or} \ C - D > 0, \text{ where}$</p> <p>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</p>

Charter FIRST - Rating Worksheet Calculations Dated June 2023 [~~October 2021~~] for Rating Years 2022-2023+~~[2021-2022]~~

#	Indicator	Calculation Defined
16	Was the charter school's actual average daily attendance (ADA) within 10% of the charter school's annual estimated ADA? [Note: This indicator will not be utilized for the 2021-2022 rating year.]	$(A - B) / B < 10\%$, where A = Actual Average Daily Attendance (ADA) B = Estimated Average Daily Attendance (ADA)
17	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%
18	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, federal funds <u>and free from substantial doubt about the charter school's ability to continue as a going concern?</u> (The AICPA defines material weakness.)	No calculation involved
19	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.)	No calculation involved
20	Did the charter school post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the charter school's fiscal year end?	No calculation involved.
[21]	[Did the charter school serve students that reside within its approved geographic boundaries? Note: This indicator will not be utilized for the 2021-2022 rating year.]	[No calculation involved. Sources: Charter School Tracking System compared to TSDS PEIMS-summer submission]