

## SECTION II: FINANCIAL PERFORMANCE

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### FUNDAMENTAL QUESTION

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Is the charter school fiscally viable and responsible?

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### INDICATORS

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To answer whether the school is fiscally viable, the SCSC assesses a state charter school's performance on both near-term financial health and long-term financial sustainability measures using data derived from each school's independent financial audit. Near-term measures are designed to depict the school's financial position and viability in the upcoming year. Sustainability measures are used to determine a charter school's ability to cover long-term obligations and control costs effectively over time.

To answer whether the school is fiscally responsible, the SCSC assesses a state charter school's performance on both fiscal management and oversight measures using data derived from annual monitoring practices and SCSC and GaDOE enrollment data collections. Fiscal management and oversight measures are used to evaluate a charter school's ability to comply with relevant rules and laws, manage funds responsibly, and provide a more qualitative look at performance irrespective of near-term and long-term calculations.

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### MEETING GOALS

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A state charter school can satisfy annual financial accountability requirements by earning at least 80 points across the near-term and sustainability measures and at least 80 points across the oversight and management measures. In other words, a state charter school must earn a "Meets Standards" designation on both Indicator 1 and Indicator 2 in order to receive an overall "Meets Financial Standards" designation for a given year. Indicators 1 and 2 are calculated separately, and both add up to 100 points independently.

If a school earns below 70 points (a Does Not Meet rating) on both Indicator 1 and Indicator 2, it will be designated as "Does Not Meet" financial standards. Any other combination of points/ratings will result in an "Approaches" financial standard designation.

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## SECTION II: DETERMINATION OF COMPLIANCE

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Is the school meeting financial performance standards as measured by the indicators and measures set forth in this section?

### FINANCIAL INDICATOR SCORING CATEGORIES:

Meets Standards	80-100 points
Approaches Standards	70-79 points
Does Not Meet Standards	0-69 points

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## INDICATOR PERFORMANCE

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### SECTION II, INDICATOR 1: FISCAL VIABILITY

NEAR-TERM MEASURES	
<b>Measure 1a, Current Ratio (Working Capital Ratio): Current assets divided by current liabilities</b> Does the school have the ability to cover short-term financial obligations?	Points Available
<i>Meets Standard:</i> <ul style="list-style-type: none"> <li>Current Ratio is greater than 1.0</li> </ul>	15
<i>Approaches Standard:</i> <ul style="list-style-type: none"> <li>Current Ratio is between 0.9 and 1.0 or equal to 1.0</li> </ul>	10
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>Current Ratio is less than or equal to 0.9</li> </ul>	0
<b>Measure 1b, Unrestricted Days Cash: Unrestricted Cash (using the data provided by the audit firms) divided by (Total Expenses/365)</b> Does the school maintain an appropriate balance of cash on hand?	Points Available
<i>Meets Standard:</i> <ul style="list-style-type: none"> <li>Days Cash is greater than 60 days</li> </ul>	20
<i>Approaches Standard:</i> <ul style="list-style-type: none"> <li>Days Cash is between 15 and 60 days</li> </ul>	10
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>Days Cash is less than 15 Days Cash</li> </ul>	0
<b>Measure 1c, Annual Debt to Income : Total Annual Debt Payments (Debt Service) / Total Revenue</b> Does the school have enough income to cover short-term debt payments?	Points Available
<i>Total Points Available</i>	<b>25</b>
<i>Meets Standard:</i> <ul style="list-style-type: none"> <li>Annual Debt to Income is below 5 percent</li> </ul>	<b>20</b>
<i>Approaches Standard:</i> <ul style="list-style-type: none"> <li>Annual Debt to Income is between 5 and 15 percent</li> </ul>	10
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>Annual Debt to Income is above 15 percent</li> </ul>	0
<i>Does the school acquire the "Building Related Debt"?</i>	

<i>If Yes</i>	5
<i>If No</i>	0
<b>Measure 1d, Default</b> Is the school repaying debts in a timely manner?	Points Available
<i>Meets Standard:</i> <ul style="list-style-type: none"> <li>School is not in default of loan covenant(s) or delinquent with debt service payments nor does the school have any outstanding debt</li> </ul>	10
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>School is in default of loan covenant(s), is delinquent with debt service payments or the school has any outstanding debt</li> </ul>	0
<b>SUSTAINABILITY MEASURES</b>	
<b>Measure 1e, Efficiency Margin: (Change in Net Assets+Change in Pension Related Accts) divided by Total Revenues</b> Does the school manage costs appropriately?	Points Available
<i>Meets Standard:</i> <ul style="list-style-type: none"> <li>Aggregated Three-Year Efficiency Margin is greater than 0.</li> </ul>	15
<i>Approaches Standard:</i> <ul style="list-style-type: none"> <li>Aggregated Three-Year Efficiency Margin is between -.01 and -10 percent</li> </ul>	10
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>Aggregated Three-Year Efficiency Margin is less than -10 percent</li> </ul>	0
<b>Measure 1f, Debt to Asset Ratio: (Total Liabilities-Deferred Pension Liability) divided by Total Assets</b> Does the school maintain an appropriate balance between assets and liabilities over time?	Points Available
<i>Meets Standard:</i> <ul style="list-style-type: none"> <li>Debt to Asset Ratio is less than 95 percent</li> </ul>	<del>20</del> 15
<i>Approaches Standard:</i> <ul style="list-style-type: none"> <li>Debt to Asset Ratio is between 95 and 100 percent</li> </ul>	10
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>Debt to Asset Ratio is greater than 100 percent</li> </ul>	0

**Total Points Available—Indicator 1: 100 points**

## SECTION II, INDICATOR 2: FISCAL MANAGEMENT & OVERSIGHT

<u>Measure 2a, Adherence to GAAP Standards</u> Is the school following Generally Accepted Accounting Principles (GAAP)?	Points Available
<p><i>Meets Standard:</i></p> <ul style="list-style-type: none"> <li>The school complied with all applicable laws, rules, regulations, and provisions of the charter contract relating to financial management and oversight expectations as evidenced by an annual independent audit that includes: <ul style="list-style-type: none"> <li>An unqualified audit opinion;</li> <li>An audit devoid of significant findings and conditions, material weaknesses, or significant internal control weaknesses;</li> <li>An audit that does not include a going concern disclosure in the notes or an explanatory paragraph; and</li> <li>No other adverse statement indicating noncompliance with applicable laws, rules, regulations, and provisions of the charter contract relating to financial management and oversight.</li> </ul> </li> </ul>	20
<p><i>Does Not Meet Standard:</i></p> <ul style="list-style-type: none"> <li>The school failed to comply with at least one applicable law, rule, regulation, or provision of its charter contract relating to financial management and oversight expectations as evidenced by an annual independent audit.</li> </ul>	0
<u>Measure 2b, Adherence to Federal Financial Requirements</u> Is the school following all applicable financial requirements when expending federal funds?	Points Available
<p><i>Meets Standard:</i></p> <ul style="list-style-type: none"> <li>The school complied with all applicable laws, rules, regulations, and provisions of the charter contract relating to proper internal controls, expenditures, inventory, drawdowns, and cost principles when expending federal funds, including but not limited to: <ul style="list-style-type: none"> <li>Proper segregation of duties;</li> <li>Source documentation for expenditures paid with federal funds;</li> <li>Complete and on-time submission of program budgets (Title I, IDEA, and grant budgets); and</li> <li>Maintaining inventory controls and documentation in accordance with federal regulations for items purchased with federal funds.</li> </ul> </li> </ul>	15
<p><i>Approaches Standard:</i></p> <ul style="list-style-type: none"> <li>The school failed to comply with all applicable laws, rules, regulations, and provisions of the charter contract relating to proper internal controls, expenditures, inventory, drawdowns, and cost principles when expending federal funds during its SCSC onsite or desk monitoring visit, but the school adequately remedied its finding(s) and regained compliance.</li> </ul>	10
<p><i>Does Not Meet Standard:</i></p> <ul style="list-style-type: none"> <li>The school failed to comply with all applicable laws, rules, regulations, and provisions of the charter contract relating to proper internal controls, expenditures, inventory, drawdowns, and cost principles when expending federal funds.</li> </ul>	0
<u>Measure 2c, Adherence to the Local Units of Administration Manual</u> Is the school following the Local Units of Administration (LUA) Manual?	Points Available
<p><i>Meets Standard:</i></p> <ul style="list-style-type: none"> <li>The school complied with all material provisions of the LUA manual.</li> </ul>	15

<i>Approaches Standard:</i> <ul style="list-style-type: none"> <li>The school failed to comply with at least one material provision of the LUA manual during its SCSC onsite or desk monitoring visit, but the school adequately remedied its finding(s) and regained compliance.</li> </ul>	10
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>The school failed to comply with one or more material provisions of the LUA manual.</li> </ul>	0
<b><u>Measure 2d, Adherence to the School's Own Financial Policies and Procedures</u></b> Is the school adhering to its own financial policies and procedures?	Points Available
<i>Meets Standard:</i> <ul style="list-style-type: none"> <li>The school adhered to its own financial policies and procedures approved by the school's governing board and/or developed by school staff.</li> </ul>	20
<i>Approaches Standard:</i> <ul style="list-style-type: none"> <li>The school failed to comply with at least one of its own financial policies and/or procedures approved by the school's governing board and/or developed by school staff, but the school adequately remedied its finding(s) and regained compliance.</li> </ul>	10
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>The school failed to comply with at least one of its own financial policies and/or procedures approved by the school's governing board and/or developed by school staff.</li> </ul>	0
<b><u>Measure 2e, Enrollment Variance: [Actual Enrollment during the October FTE Count (fiscal year x) – school enrollment projection (fiscal year X)] / school enrollment projection (fiscal year X)</u></b> Is the school able to project enrollment in a way that enables adequate budgeting?	Points Available
<i>Meets Standard:</i> <ul style="list-style-type: none"> <li>Enrollment Variance equals less than 3 percent</li> </ul>	10
<i>Approaches Standard:</i> <ul style="list-style-type: none"> <li>Enrollment Variance is between 3 and 8 percent</li> </ul>	5
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>Enrollment Variance is greater than 8 percent</li> </ul>	0
<b><u>Measure 2f, Timely Audit Submission</u></b> Does the school have the proper financial documentation to allow for a timely audit review and submission?	Points Available
<i>Meets Standard:</i> <ul style="list-style-type: none"> <li>The school submitted its financial audit on time, on or before November 1st.</li> </ul>	20
<i>Approaches Standard:</i> <ul style="list-style-type: none"> <li>The school submitted its financial audit late, on or before December 1<sup>st</sup>.</li> </ul>	10
<i>Does Not Meet Standard:</i> <ul style="list-style-type: none"> <li>The school submitted its financial audit late, after December 1st.</li> </ul>	0

**Total Points Available—Indicator 2: 100 points**