

Annual Review Indicators in Detail

All the indicators listed in the annual review under the Charter School Accountability Framework are explained in detail in the following pages.

Indicator: Existence of Charter Goals

Description:

These are unique school goals found within the charter agreement. These unique school goals will help to define and gauge fulfillment of each charter school's mission to parents, students, teachers, the SCSB, and the public. These goals and their accompanying measures will distinguish each charter school and help to determine its effectiveness. Goals need to meet the following criteria:

- SMART goals
- Include academic and mission specific goals
- Evidence or research based
- Relevant to school's mission and vision
- Can be measured; data is available
- Appropriate to school's target population
- Overall academic focus

Data collection:

Assurance by the school.

Indicator: Charter School Goal Review

Description:

An assurance that the charter school governing board at least annually reviews its goals and progress.

Data collection:

Assurance by the school.

Indicator: Charter School Goal Achievement and Progress

Description:

An assurance that the charter school is meeting or making progress towards meeting all goals in the charter agreement. Making progress is determined by the school, however, the school is expected to make sufficient progress so that all goals are met at the five-year review.

Data collection:

An assurance by the school.

Indicator: Transfer Rate

Description:

The transfer rate measures the percentage of students who leave the school during the year (excluding transfers out of state, transfers out of country, students who attended less than 10 days, and students in kindergarten).

$$\text{Transfer Rate} = \frac{\text{Number of Transferred Students}}{\text{Total Students}}$$

Data collection:

Compiled by the SCSB using:

- Enrollment and Exit data reported to UTREx

Indicator: Retention Rate

Description:

Percentage of students enrolled at year-end who returned to a school within the LEA by Oct. 1 of the following school year.

$$\text{Retention Rate} = \frac{\text{Students Enrolled at End of Previous Year and Still Enrolled on Oct. 1}}{\text{Students Enrolled at End of Previous Year}}$$

Data collection:

Compiled by the SCSB using:

- Enrollment and Exit data reported to UTREx

Indicator: Enrollment Trends

Description:

A trajectory of October 1 enrollment and ADM (Average Daily Membership) derived from enrollment data reported to UTREx.

Data collection:

Compiled by the SCSB using:

- Enrollment data reported to UTREx

Indicator: Average Daily Membership (ADM)

Description:

A comparison of a school's end of year ADM to that school year's October 1 counts. A significantly lower ADM compared to October 1 enrollment may negatively affect funding and could signal problems for a school to retain enrollment levels.

$$\text{ADM} = \frac{\text{ADM}}{\text{October 1 count}}$$

Data collection:

Compiled by the SCSB using:

- Enrollment data reported to UTREx

Indicator: Unrestricted Days Cash on Hand

Description:

How long, in days, the school could meet their operating expenses without receiving new income. Unrestricted investments can be included if they can be converted into cash in a timely manner. At least one month of operating expenses cash on hand is a standard minimum measure of financial health of any organization. If a school has fewer than 30 days of cash on hand, it will not be able to operate for more than a few weeks without another cash inflow and is at high risk for immediate financial difficulties.

$$\text{Unrestricted Days Cash on Hand} = \frac{\text{Unrestricted Cash} + \text{Cash Equivalents} \times 365}{\text{Total Operating Expenses} - \text{Annual Depreciation}}$$

Data collection:

Compiled by the SCSB using:

- Audited statement of financial position. Note that if cash is restricted due to legislative requirements, donor restrictions, or other reasons, the restriction should be listed in the audit.

Indicator: Debt to Asset

Description:

The debt to asset ratio measures the amount of liabilities a school owes versus the assets they own: in other words, it measures the extent to which the school relies on borrowed funds to finance its operations. Larger than “1” shows assets are being funded with debt and the school will be unable to pay back debts. Low ratio shows bulk of asset funding comes from equity and indicates stronger financial health. (i.e. \$1,500,000 liabilities ÷ \$1,000,000 in assets = 1.5:1 = risky since it is larger than 1:1 ratio. The debt to assets ratio indicates the proportion of a school’s assets that are financed with debt instead of equity and determines the financial risk of the school. If the ratio is greater than 1, it indicates most of the assets of the school are being funded with debt. It also indicates the school could potentially be at risk of not being able to pay back its debts, especially if their cash flows were to suddenly decline or variable-interest rate financed debt were to increase. On the flip side, the lower the ratio, the less amount of assets are being funded with debt. When historically tracking this ratio, if the ratio continues to increase, it means the school is unwilling or unable to pay down their debt, which could possibly lead to default in the future.

$$\text{Debt to Asset} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Data collection:

Compiled by the SCSB using:

- Audited statement of financial position

Indicator: Current Ratio

Description:

The current ratio depicts the relationship between a school’s current assets and current liabilities (within one year). It measures a school’s ability to pay its obligations over the next 12 months. It shows how quickly short-term assets can be converted into cash to pay short-term liabilities. Watch for big decreases in ratio. Make sure current assets are collectible. The higher the ratio, the more liquid the school. A "healthy" school will have a current ratio of at least 1.0.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Data collection:

Compiled by the SCSB using:

- Audited statement of financial position. Note that regardless of what is listed by the auditor as current assets, restricted cash and prepaid expenses are included as current for this metric.

Indicator: Multi-Year Cash Flow

Description:

The cash flow measure indicates a school's change in cash balance from one period to another. A positive cash flow over time generally indicates increasing financial health and sustainability of a charter school.

Data collection:

Compiled by the SCSB using:

- Five years of audited statements of financial position

Indicator: Total Margin

Description:

Total margin measures the deficit or surplus a school yields out of its total revenues; in other words, it measures whether the school is living within its available resources. General preference in any industry is that total margin is positive, but organizations can make strategic choices to operate at a deficit for a year for a large operating expenditure or other planned expense.

$$\text{Total Margin} = \frac{\text{Net Income}}{\text{Total Revenue}}$$

Data collection:

Compiled by the SCSB using:

- Audited financial statements

Indicator: Audit Findings

Description:

Critical to a school's health and stability is its ability to manage its finances well. The Board has a responsibility to protect the public's interest and must evaluate the extent to which the charter school is responsibly managing its finances. Charter schools should have an unqualified, or "clean," financial audit.

This means that the auditor found the financial statements to be accurate and complete, which is necessary for evaluating a school's financial health.

Findings may be considered deficient, significant, or material. Material weaknesses are findings that are considered more severe because there is a reasonable possibility that a material misstatement of the school's financial statements will not be prevented or detected and corrected in a timely matter.

Certain findings are more adverse than others and the Board specifically looks for material weaknesses on internal controls and related party transactions. This means that the charter school does not have systems in place to minimize the risk of financial mismanagement.

In addition, audits may include a "going concern disclosure," where the auditor has concerns about the organization's viability. Multiple material findings or a previous finding that the school failed to address, shows a possible greater concern and can cause a school to fall far below the standard.

Auditors evaluate an organization's financial statements and processes against Generally Accepted Accounting Principles (GAAP). Schools that do not meet this standard will have material or significant findings in their financial audits.

Data collection:

Compiled by the SCSB using:

- Notes to Financial Statements
- Report on Internal Control over Financial Reporting and on Compliance

Indicator: Board Training

Description:

There is great value in attending training sessions as a team and selecting differentiated training opportunities based on a needs assessment of your governing board. Governing boards can seek training from various sources including SCSB staff and state charter associations.

Data collection:

An assurance by the school.

Indicator: Background Checks

Description:

Charter schools must conduct background checks, or ensure background checks have been completed, for all governing board members. The type and frequency of background check is determined by policy and usually found in the governing board by laws. The background checks must be kept on file at the school. [§53G-5-408](#) requires background checks for all school personnel including charter governing board members.

Data collection:

An assurance by the school.

Indicator: Board Membership

Description:

The charter school governing board maintains full membership.

Data collection:

An assurance by the school.

Indicator: Regular Board Meetings

Description:

As defined in the governing board bylaws, a governing board should hold regular meetings to discuss the implementation of the organization's mission and vision. As determined by charter application (if application is part of the charter agreement), charter agreement or governing board bylaws.

Data collection:

An assurance by the school.

Indicator: Noticed Meetings

Description:

As required by [§52-4-202](#), all public bodies, including local charter school boards, must notice all meetings specifically with the requirements listed under [§54-4-202.3](#) including posting the meeting agenda, minutes and recordings of meetings on the Utah Public Notice Website.

Data collection:

An assurance by the school.

Indicator: Meeting Recordings

Description:

In accordance with [§54-4-203](#), recordings of all public meetings must be taken and made available to the public within 3 days of holding the meeting. Recordings must be uploaded to the Utah Public Notice Website.

Data collection:

An assurance by the school.

Indicator: Meeting Minutes

Description:

In accordance with [§54-4-203](#), minutes of all public meetings must be taken and made available to the public within 30 days of holding the meeting. Minutes must be uploaded to the Utah Public Notice Website.

Data collection:

An assurance by the school.

Indicator: Closed Meetings

Description:

Charter school governing boards adhere to the [Open and Public Meetings Act \(§52-4-204\)](#) regarding closed meetings.

Data collection:

An assurance by the school.

Indicator: Administrator's Report

Description:

A governing board that hears a director's report at a regularly scheduled board meeting demonstrates a board that is involved in ensuring the schools mission and vision are accomplished.

Data collection:

An assurance by the school.

Indicator: Administrator's Expectations

Description:

The governing board has set expectations of the director's performance.

Data collection:

An assurance by the school.

Indicator: Annual Administration Evaluation

Description:

The governing board should establish expectations for which it will hold its director accountable and annually evaluate the director for his/her effectiveness in carrying out the mission and vision. The director should be evaluated annually based on pre-established expectations for his/her effectiveness in carrying out the mission and vision of the organization.

Data collection:

An assurance by the school.

Indicator: Board Financial Review

Description:

The governing board receives a monthly financial report according to [§53G-7-309](#). A governing board that receives a monthly financial report demonstrates that it is informed and involved in governing the financial health of the school.

Data collection:

An assurance by the school.

Indicator: Internal Controls

Description:

Review processes, "checks and balances", and methods and procedures established by an organization to ensure they are conducting business in an orderly and efficient manner. Internal controls safeguard assets and resources; deter and detect errors, fraud, and theft; ensure accuracy and completeness of accounting data; produce reliable financial data; and ensure adherence to the organization's plans and policies.

Data collection:

An assurance by the school.

Indicator: Procurement

Description:

Established policies and procedures approved by the school's governing board, which outlines the process of acquiring goods and services to meet the needs of the organization. No findings result, and adherence to the established procurement policy adopted by the organization is displayed. Public charter schools are required to follow the state procurement code, §[63G-6a](#). When a school does not adhere to the procurement policies, there is an increased risk of error and fraud.

Data collection:

An assurance by the school.

Comprehensive Governing Board Review Indicators in Detail

All the indicators listed in the comprehensive five-review under the Charter School Accountability Framework are explained in detail in the following pages.

Indicator: Key Elements

Description:

All key elements listed in the exhibit A or the charter agreement are completely implemented into the school program.

Data collection:

Compiled by the SCSB using:

- Purchasing policies
- purchasing contracts
- School's approved vendor lists
- State contract vendors
- Processes identified on unidentified vendors

Indicator: Charter School Goal Review

Description:

All key elements listed in the exhibit A or the charter agreement are completely implemented into the school program.

Data collection:

Compiled by the SCSB using:

- Purchasing policies
- purchasing contracts
- School's approved vendor lists
- State contract vendors
- Processes identified on unidentified vendors

Indicator: Charter School Goal Achievement and Progress

Description:

All key elements listed in the exhibit A or the charter agreement are completely implemented into the school program.

Data collection:

Compiled by the SCSB using:

- Purchasing policies
- purchasing contracts
- School's approved vendor lists
- State contract vendors
- Processes identified on unidentified vendors

Indicator: Transfer Rate Trend

Description:

The transfer rate trend measures the 5-year average of the percentage of students who leave the school during the year (excluding transfers out of state, transfers out of country, students who attended less than 10 days, and students in kindergarten). The 5-year average transfer rate must be $\leq 12\%$.

Data collection:

Compiled by the SCSB using:

- Enrollment and Exit data reported to UTREx

Indicator: Retention Rate Trend

Description:

The Retention Rate Trend measures the 5-year average of the percentage of students enrolled at year-end who returned to a school within the LEA by Oct. 1 of the following school year. The 5-year average must be $\geq 75\%$.

Data collection:

Enrollment and Exit data reported to UTREx.

Indicator: Enrollment Rate Trend

Description:

A 5-year trajectory of October 1 enrollment and ADM (Average Daily Membership) derived from enrollment data reported to UTREx. 5-year enrollment trend must be stable or increasing.

Data collection:

Enrollment data reported to UTREx

Indicator: Multi-Year Cash Flow

Description:

The cash flow measure indicates a school's change in cash balance from one period to another. Cash flow indicates the trend in the school's cash balance over a period of time. This measure is similar to days cash on hand but indicates long-term stability versus near-term. Since cash flow fluctuations from year to year can have a long-term impact on a school's financial health, this metric assesses both multi-year cumulative cash flow and annual cash flow. A positive cash flow over time generally indicates increasing financial health and sustainability of a charter school.

Data collection:

Compiled by the SCSB using:

- Five years of audited statements of financial position

Indicator: Aggregated Five-Year Total Margin

Description:

Total margin measures the deficit or surplus a school yields out of its total revenues; in other words, it measures whether the school is living within its available resources. General preference in any industry is that total margin is positive, but organizations can make strategic choices to operate at a deficit for a year for a large operating expenditure or other planned expense. This will look at the aggregated five-year margin.

Data collection:

Compiled by the SCSB using:

- 5 years of audited financial statements

Indicator: Repeat Audit Findings

Description:

Charter schools should resolve previous findings from their financial audit. This means that the auditor found that audit findings from the prior report were resolved. Schools should address previously identified audit findings. Not meeting this metric multiple years in a row demonstrates a possible trend of consistently not addressing unresolved audit findings and demonstrates a possible greater area of concern and cause a school to fall far below the standard.

Data collection:

Compiled by the SCSB using:

- Notes to Financial Statements from the two most recent years
- Report on Internal Control over Financial Reporting and on Compliance from the two most recent years

Indicator: Annual Assurances

Description:

A verification of assurances over a five-year period. Schools will need to demonstrate evidence of the assurances.

Data collection:

Compiled by the SCSB using:

- Meeting agendas and minutes
- Observed at governing board meeting(s)
- Public notice website

School's website

Indicator: Governing Board Performance

Description:

Board provides effective governance for school's administration; meeting discussions focus on governance; board members are prepared and adequately vet issues.

Data collection:

Compiled by the SCSB using:

- Meeting agendas and minutes
- Observed at governing board meeting(s)

Indicator: Board Interactions

Description:

Interactions between board members, staff, and the public are appropriate and respectful.

Data collection:

Compiled by the SCSB using:

- Meeting agendas and minutes
- Observed at governing board meeting(s)