



## UTAH STATE CHARTER SCHOOL BOARD

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Date: July 22, 2015

To: Richard Ellis, Chair, Utah State Charter School Finance Authority

From: Howard Headlee, Chair, Utah State Charter School Board

Subject: Letter of Certification for George Washington Academy

### Certifications

- The Utah State Charter School Board certifies the charter is in place for George Washington Academy. **SATISFACTORY**
- The Utah State Charter School Board certifies that George Washington Academy is in good standing. **SATISFACTORY** (See definition, Exhibit A)
- George Washington Academy meets the minimum criteria outlined in State Board of Education Rule R277-481-3. **SATISFACTORY** (See discussion, Exhibit A)
- As of the date of this certification, the Utah State Charter School Board does not have any serious outstanding or unresolved concerns regarding George Washington Academy. **SATISFACTORY** (See definition, Exhibit A)
- The Utah State Charter School Board certifies it is not contemplating the termination of the charter or placing the school on probation status as defined in State Board of Education Rule R277-481-3. **SATISFACTORY**
- The Utah State Charter School Board certifies that George Washington Academy most recent re-enrollment rate is 83.5%. **SATISFACTORY** (See discussion, Exhibit A)
- The Utah State Charter School Board certifies that George Washington Academy meets recommended academic standards. **SATISFACTORY** (See discussion, Exhibit A)
- The Utah State Charter School Board certifies that George Washington Academy has demonstrated reasonable proficiency in forecasting revenues and expenditures since the standard was approved. **UNSATISFACTORY** (See discussion, Exhibit A)

A copy of this letter was sent to the applicant on June 17, 2015 with the advice that they respond to the Utah State Charter School Board with any pertinent explanations for items found “Unsatisfactory.” The governing board’s formal response, signed by the chair, is included with this letter as Exhibit B. The State Charter School Board approved sending a Letter of Certification after review of the additional information provided by George Washington Academy in its letter.

## Exhibit A

### **Definition of Good Standing**

To maintain a charter to operate a school, U.C.A. 53A-1a-510 requires a charter school to meet the terms of its charter agreement, meet generally accepted standards of fiscal management, and make adequate yearly progress under the No Child Left Behind Act. For the purpose of this letter of certification, the Utah State Charter School Board (SCSB) adopted these three requirements as its definition of “good standing”.

### **Definition of Serious Concern**

The SCSB has five minimum standards and nineteen recommended standard in the areas of (1) board performance and stewardship, (2) student attendance and reenrollment, (3) financial performance and sustainability, and (4) student achievement level. Annually, charter schools are monitored for compliance with these standards. A charter school that fails to meet any of the minimum standards or a significant number of the recommended standards may be placed on warning status. If any minimum standard or a significant number of the recommended standards has not been met by an assigned date following designation of warning status the SCSB may place the school on probation for up to one calendar year. For the purpose of this letter of certification, the SCSB identifies “serious concern” as a charter school on warning status or probation.

### **Minimum standards**

Board Rule R277-481-3(B) requires all charter schools to meet five minimum standards:

- 1) charter schools shall have no unresolved material findings, financial condition findings or repeat significant findings in the school's independent financial audit, federal single audit or USOE audits;
- 2) charter schools shall maintain a minimum of 30 days cash on hand or the cash or other reserve amount required in bond covenants, whichever is greater;
- 3) charter schools shall have no violations of federal or state law or regulation, Board rules or Board directives;
- 4) charter schools shall have all teachers properly licensed and endorsed for teaching assignments in CACTUS; and
- 5) charter school governing boards shall ensure all employees and board members have criminal background checks on file.

### **Enrollment History**

As defined in U.C.A. 53A-20b-102, annual charter school enrollment “means the total enrollment of all students...enrolled in a charter school in grades kindergarten through 12, based on October 1 enrollment counts.” As another recommended standard, the SCSB reviews the percentage of within year transfers and percentage re-enrollment from one year to the next. Below is the enrollment data for George Washington Academy.

Table 1: Student enrollment, broken down by grade since SY2007 (2006-2007).

	<b>K</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>Total</b>	<b>MAX</b>
2007	71	48	75	47	48	42	42	23	18					414	500
2008	50	75	50	74	48	50	46	51	20					464	500
2009	52	77	78	52	75	49	51	38	28					500	500
2010	52	52	76	75	50	77	47	47	26					502	500
2011	130	93	82	109	90	73	72	46	26					721	1,025
2012	130	155	120	111	128	97	71	66	43					921	1,025
2013	130	130	156	130	114	130	92	63	40					985	1,025
2014	130	157	130	157	128	98	118	67	39					1,024	1,025
2015	131	130	156	130	147	120	71	104	38					1,027	1,025

Table 2: Enrollment metrics including percent enrolled, average daily membership, percentage of students who leave the school mid-year, and percentage of students reenrolling annually.

<i>School Year</i>	<i>Authorized</i>	<i>Enrollment</i>	<i>% Enrolled</i>	<i>ADM</i>	<i>Transfers</i>	<i>Reenrollment</i>
2007	500	414	82.8%	*	*	*
2008	500	464	92.8%	99.3%	7.9%	76.9%
2009	500	500	100.0%	99.5%	4.7%	82.1%
2010	500	502	100.4%	105.1%	6.3%	75.4%
2011	1,025	721	70.3%	99.4%	10.0%	84.3%
2012	1,025	921	89.9%	97.7%	5.4%	84.8%
2013	1,025	985	96.1%	97.7%	4.2%	79.5%
2014	1,025	1,024	99.9%	98.4%	5.0%	83.5%
2015	1,025	1,027	100.2%	*	*	*

\* Data not available

**Academic Performance:**

To assess academic performance, the SCSB looks at state assessments, college readiness, and student engagement. State assessments consist of student proficiency and growth scores using the points in UCAS. College readiness looks at graduation rates and percent meeting ACT benchmarks. Student engagement includes school re-enrollment rates, within year enrollment rates, and average daily membership (ADM). To reach an overall academic score that can be used to compare charter schools relative to other charter schools, each category is weighted and then combined.

Table 3: Academic score represents the points earned in four areas: (1) student proficiency on UCAS, (2) student growth on UCAS, (3) college readiness (if applicable), and (4) student engagement. The total points possible is 100.

	2012	2013	2014
George Washington Academy	96.0	94.1	98.8
Charter Median	78.6	76.0	84.0
Charter High Score	96.8	94.8	98.8

**Budget:**

The SCSB approved a recommended standard for charter school governing board budgets, starting with FY11, which required the statutory budget to be within 5% of actual revenue and expenditures. Annually, Local Education Agencies must submit a budget including projected revenues and expenditures, as well as submit an Annual Financial Report (AFR) including actual revenues and expenditures. In Table 4, Revenue is calculated by subtracting actual revenue (AR) from projected revenue (PR) divided by actual revenue  $((AR-PR)/AR)$  and Expense is calculated by subtracting actual expenditures (AE) from projected expenditures (PE) divided by actual expenditures  $((AE-PE)/AE)$ . The SCSB obtained the numbers used in the formulas from the school’s statutory budget and AFR. Below is the budget information for George Washington Academy.

Table 4: Percent actual revenue and expense was above or (below) forecasted revenue and expense for the past three fiscal years.

	Revenue	Expense
FY12	5.09%	(8.57)%
FY13	1.57%	(7.37)%
FY14	4.43%	0.04%

Exhibit B

July 17, 2015

Utah State Charter School Board  
Howard Headlee, Chair  
250 East 500 South  
POI Box 144200  
Salt Lake City, UT 84114-4200

Dear Chair Headlee,

Thank you for the Letter of Information sent by your staff on June 18<sup>th</sup> making George Washington Academy (GWA) aware of its ratings in the draft Letter of Certification for the Utah Charter School Finance Authority Credit Enhancement Program. We especially appreciate the opportunity to provide information specific to the certification deemed “unsatisfactory” in the “forecasting revenues and expenditures” category

**GWA’s historical budgeting process & deviations from budget:**

In the early years of GWA, the governing board developed a practice of under-estimating revenue and over-estimating expenses, incorporating worst case scenario projections into the initial budget. While it was a practice that served us well in the initial establishment of the school and helped develop fiscal prudence within the school staff, the school business manager continued this practice years after we had established more accurate forecasting abilities and consistently predictable enrollment.

In 2011 and 2012 the governing board took an increasingly active role in directing the school business manager in budgeting oversight. Although the governing board was more aware of the true projection numbers through that process, the school business manager continued to incorporate some worst-case scenario items into the initial budget, with our knowledge, in the 2012 initial budget. That historic practice of under-estimating enrollment accounts for the 5.09% increase in revenue from projected to actual in 2012. The fact that the governing board expenditures were 8.57% under budget in 2012 can be attributed to two factors. First, GWA spent approximately \$300,000 less than it had budgeted for facility improvements, equipment and property, plus our ability to purchase what we needed at lower than estimated costs. Second, GWA also had an accounting issue in which an employee misplaced a journal entry and allocated expenses to the current year’s budget when they had been intended for the next year.

In 2013, the governing board and school administration were increasingly involved in the budgeting process, which resulted in a more accurate revenue forecast, and GWA come in 7.37% below initial budgeted expense. This deviation is due in large part to a change in professional service providers, namely, the hiring of Red Apple Financial to replace the prior business manager. This change resulted in a \$30K reduction in professional service expenses and an \$8K reduction in staff training costs. In addition, the governing board saved over \$40K in staff salaries and benefits, largely through reducing the use of substitute teachers and paraprofessionals, from anticipated projections based on reduced need created by an increasingly mature and stable faculty. These changes produced a significant cost savings for GWA, which the governing board accounted for in their revised budgets, but was not anticipated at the time of the initial budget creation.

By 2014 the governing board and school administration were working closely with Red Apple Financial to create the initial budget and continue to monitor the school's expenditures monthly via our finance committee, and board meetings. While we under forecasted our revenue by 4.43% this year, out of ongoing caution, we did incorporate that into amended budgets after final revenue and enrollment numbers became available. Please note that we were within 0.04% of initial budgeted expenses for the 2014 school year.

#### **Current Budgeting Process:**

Given our experience in budgeting, teacher retention (and therefore predictable instructional costs), and stability in our enrollment we are confident in our ability to accurately forecast and achieve our budgets. We will continue our efforts to analyze our school's budget trends and actual expenditures from additional data gathered with each year of experience. Although the board and staff actively oversee the budgeting process, we work closely with our third party business manager, Red Apple Financial, in the establishment of our budget and ongoing monitoring of actuals.

Procedurally, GWA's governing board includes a budget review of projected budget vs. actual as part of our monthly board meetings. As part of that monthly review, Red Apple Financial provides us with data on the monthly and year-to-date actuals. We monitor these monthly updates and will continue to make course corrections accordingly, albeit with less anticipated deviation from the initial budgets than we have in the past.

Thank you, again, for the opportunity to provide information on the "unsatisfactory" certification. Please feel free to call myself or our representatives on this bonding: Monty Hardy, Erin Preston, or David Robertson. All have been involved in this analysis and would be willing to speak with you.

Warmly,

Shannon Greer, Board Chair  
George Washington Academy  
Cell 435-632-5882