

State Public Charter School Authority Charter School Financial Performance Framework Technical Guide



Acknowledgment

This workbook was developed in consortium by the Clark County School District Office of Charter Schools and the State Public Charter School Authority

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Introduction: Core Financial Performance Framework Guidance

The Financial Performance Framework is intended as a starting point for charter school sponsors to adopt and to evaluate a charter schools' financial well-being, health and performance as part of ongoing monitoring and the renewal decision making process. Charter schools have the autonomy to manage their finances consistent with state and federal law; however, sponsors must ensure that the schools they sponsor are financially stable. In the process of renewing or not renewing a charter school, sponsors must determine whether the school is not only academically and organizationally sound, but also financially viable.

The Financial Performance Framework provides sponsors a tool to identify schools currently in, or trending towards, financial difficulty and to proactively evaluate and address the problem. The guidance aligns with NACSA's Principles & Standards for Quality Charter School Authorizing (2012), which states that sponsors should, through a Performance Framework, set clear expectations for "financial performance and sustainability." The Financial Performance Framework was created after a review of model sponsor practices, charter school lender guidance, and expertise in the field. While the framework does not specifically mirror any single source, it was created to provide a clear picture of a school's past financial performance, current financial health, and potential financial trajectory.

Framework Structure

The Financial Performance Framework gauges both near-term financial health and longer-term financial sustainability. The framework includes indicators, measures and metrics. Targets and ratings are established by the individual sponsors.

It is designed to work with accrual-based information. Using modified accrual-based information should be avoided and may result in errant ratings. The Government-Wide or School-Wide Financial Statements are accrual based and consist of the Statement of Net Position and the Statement of Activities. The modified accrual statements include the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These latter two statements may include the words Government Funds in their titles.

The Authority may still need to work with a school in the financial area, where law or regulations require, even if the school achieves Meets Standards ratings in this framework.

Ratings and their Significance

The Financial Performance Framework facilitates rating a school's financial health by measuring the eight generally accepted areas of measurement of the financial health of a school as described in this technical guide. The eight measures gauge both near-term financial health and longer-term financial sustainability.

If the results of all eight measures meet standards then the school would receive a Meets Standards rating regarding its Financial Performance and health. If a school does not achieve a Meets Standards rating for all eight measures, it may be subject to further review by the charter school authority, a request for a plan of remediation or other action.

Poor financial performance measure ratings may trigger a Notice of Concern or a Notice of Breach. A Notice of Concern is sent to all charter schools whose financial framework profile results in at least one indicator scoring at "Falls Far Below Standard" or at least three indicators at "Does Not Meet Standard."

Continued or significant evidence of materially weak financial performance observed through ongoing oversight, and/or failure to make substantial progress towards remedying previously-identified concerns may result in further escalation within the intervention ladder, including a Notice of Breach or a Notice of Intent to Terminate.

Indicators

The Financial Performance Framework includes two indicators, or general categories, used to evaluate a schools' financial performance.

1. Near-Term

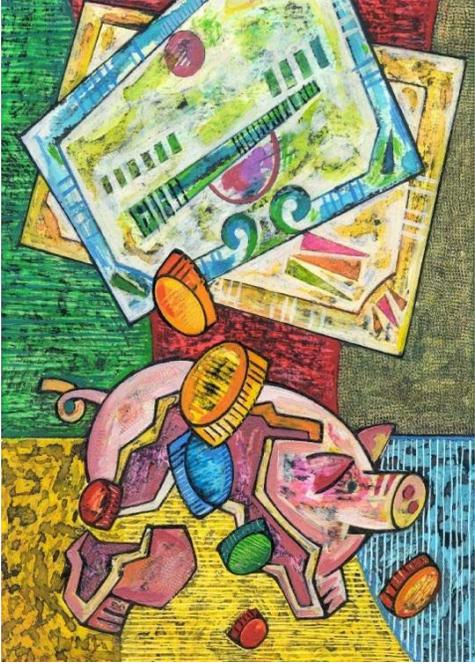
The portion of the framework that tests a school's near-term financial health is designed to predict the school's financial position and viability in the upcoming year. Schools meeting the desired standards demonstrate a low risk of financial distress for the coming year. Schools that fail to meet the standards may currently be experiencing financial difficulties and/or are at risk for financial hardship in the near term. These schools may require additional review and immediate corrective action on the part of the sponsor.

2. Sustainability

The framework also includes longer-term financial sustainability measures and is designed to predict a school's financial position and viability over time. Schools that meet the desired standards demonstrate a low risk of financial distress in the future. Schools that fail to meet the standards may be at risk for financial hardship in the future.

The Authority also requires schools to submit quarterly financial statements and other financial and enrollment related information so the Authority and the state can monitor the financial health and well-being of its charter schools.

SECTION 1
NEAR TERM MEASURES



Near Term Measure 1 - Current Ratio

Purpose - The current ratio depicts the relationship between a school's Current Assets and Current Liabilities. In addition, the Current Ratio is a financial ratio that measures the extent to which a school has enough resources to pay its debts over the coming 12 months. It compares a school's Current Assets to its Current Liabilities.

What is the formula?

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

Data source(s):

- Statement of Net Position

ABC Academy Example

$$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}} = \frac{\$197,115}{\$95,382} = 2.07 \text{ Current Ratio}$$

Current ratio is 1.1 or greater

Meets Standard

What is the metric used to determine school status?

Near Term Measure - Current Ratio

Current Assets / Current Liabilities

Meets Standard:

Current Ratio is 1.1 or greater.

Or

Current Ratio is between 1.0 and 1.1 and one-year trend is positive.

Note: For schools in their first or second year of operation, the Current Ratio must be greater than 1.1.

Does Not Meet Standard:

Current Ratio is between 0.9 and .99.

Or

Current Ratio is between 1.0 and 1.1 and one-year trend is negative.

Falls Far Below Standard:

Current Ratio is less than 0.9.

Near Term Measure 2 - Unrestricted Days Cash-On-Hand Ratio

Purpose - The Unrestricted Days Cash-On-Hand (UDCOH) ratio indicates how many days a school can pay its operating expenses without an inflow of cash. National standards state 60-120 days of cash-on-hand is considered a model practice.

What is the formula?

$$\frac{\text{Annual Expense} - \text{All noncash expenses}}{365 \text{ Days}} = \text{Average Daily Expense}$$

$$\frac{\text{Unrestricted Cash and Equivalents}}{\text{Average Daily Expense}} = \text{Unrestricted Days Cash - On - Hand}$$

Data source(s):

- Statement of Net Position
- Statement of Activities
- Notes to the audited financial statements or supplementary information

ABC Academy Example

Formula used to determine the Average Daily Expense

$$\$1,173,620 - \$10,000 = \frac{\$1,163,620}{365 \text{ Days}} = \$3,188 \text{ Average Daily Expense}$$

Formula used to determine Unrestricted Days of Cash-On-Hand

$$\frac{\$245,528}{\$3,188} = 77 \text{ Days}$$

60 or more days of cash

Meets Standard

What is the metric used to determine school UDCOH status?

Near Term Measure - Unrestricted Days Cash-On-Hand Ratio
Average Daily Expenses : (Total Annual Expenses - Annual Depreciation - Amortization) /365
Unrestricted Days Cash-On-Hand: Unrestricted Cash and Equivalents / Average Daily Expense
<p>Meets Standard:</p> <p><input type="checkbox"/> 60 or more days of cash.</p> <p><input type="checkbox"/> Exceptions for schools in year one or two of their original contract term:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Original Contract, Year 1 schools: 15 days or more <input type="checkbox"/> Original Contract, Year 2 schools: 30 days or more <input type="checkbox"/> Original Contract, Year 3 + schools: 60 days or more <input type="checkbox"/> All schools—including schools in their original contract term—showing operating deficits will be held to the normal 60-day standard.
<p>Or</p> <p><input type="checkbox"/> Between 30 and 60 days of cash <i>and</i> one-year trend is positive—a negative trend may still support a Meets Standard rating with adequate documentation¹ from the school.</p> <p>Does Not Meet Standard:</p> <p><input type="checkbox"/> Days of cash is between 15 and 29 days, except for original contract term first or second year schools.</p> <p>Or</p> <p><input type="checkbox"/> Days of cash is between 30 and 60 days <i>and</i> one-year trend is negative —a negative trend may support a Meets Standard rating if the school provides adequate supporting documentation.</p> <p>Falls Far Below Standard:</p> <p><input type="checkbox"/> Less than 15 days cash, regardless of whether school is in its original contract term.</p>

Near Term Measure 3 - Enrollment Forecast Accuracy

Purpose - Enrollment forecast accuracy tells sponsors whether or not the school is meeting its enrollment projections, thereby generating sufficient revenue to fund ongoing operations.

What is the formula?

$$\frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} = \text{Percent Forecast Accuracy}$$

¹ An example of adequate documentation could be copies of the school’s governing board Minutes from a year or two earlier approving a plan and decision to accumulate cash in order to deploy it in the acquisition of a campus and it being reasonably apparent that the cause of the negative trend was the approved, planned use of the cash.

Data source(s):

- School enrollment reports submitted upon SPCSA/NDE request

Actual Enrollment = Certified Count Day numbers

Projected Enrollment = Charter school board-approved budgeted enrollment

ABC Academy Example

$$\frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} = \frac{225}{210} = \mathbf{107\% \text{ Forecast Accuracy}}$$

Enrollment forecast accuracy equals or exceeds 95% in the most recent year and equals or exceeds 95% each of the last three years. Charter schools with enrollment Forecast Accuracy 10% more or less than projections must check with the authority as they may be required to submit a Request For Amendment of their Charter Contract for changes of this magnitude.

Meets Standard

What is the metric used to determine school status?

Near Term Measure - Enrollment Forecast Accuracy

Actual Enrollment / Projected Enrollment

Meets Standard:

- Enrollment forecast accuracy equals or exceeds 95% in the most recent year *and* equals or exceeds 95% each of the last three years.
- For schools in their original contract term not operating at a deficit enrollment forecast accuracy equals or exceeds:
 - Year 1: 90.0% accuracy;
 - Year 2: 92.5% accuracy;
 - Year 3+: 95% accuracy.
- For schools operating at a deficit, enrollment forecast accuracy equals or exceeds:
 - 95% accuracy in the most recent year and
 - 95% each of the last three years

Does Not Meet Standard:

- Enrollment forecast accuracy is between 85% and 94% in the most recent year.
- Or
- Enrollment forecast accuracy is 95% or greater in the most recent year *but does not* equal or exceed 95% or greater each of the last three years.

Falls Far Below Standard:

- Enrollment forecast accuracy is less than 85% in the most recent year.

Near Term Measure 4 – Debt (or lease) Default

Purpose - The debt (or lease) default indicator addresses whether or not a school is meeting its loan or lease obligations or is delinquent with its debt service payments. Notes from the audited financial statements are used as the source of data. *In most cases this will not be applicable for charter schools that do not have an outstanding loan.*

What is the indicator?

Sponsors may consider a school in default only when the charter school is not making payments on its debt, or when it is out of compliance with other requirements in its debt covenants.

Data source(s):

- Statement of Net Position
- Notes to the audited financial statements.

ABC Academy Example

ABC Academy’s notes to the audited financial statements indicate that the school is not making payments on its debt, or it is out of compliance with other requirements in its debt covenants.

Falls Far Below Standard

What is the metric used to determine school status?

Near Term Measure - Debt Default

Notes to the audited financial statements.

Meets Standard:

School is not in default of loan covenant(s) and is not delinquent with debt service payments.

Or

School does not have an outstanding loan.

Does Not Meet Standard:

Not Applicable.

Falls Far Below Standard:

School is in default of loan covenant(s) or is delinquent with debt service payments.

SECTION 2

SUSTAINABILITY MEASURES



Sustainability Measure 1 – Total Margin and Aggregated Three-Year Total Margin²

Total Margin measures the surplus or deficit a school generates from its total revenues less its expenses. It indicates whether the school is operating within its available resources. The measurement looks at each year—as well as—, where calculable, the school’s aggregated three-year margin performance.

Nevada law and regulation prohibit deficit spending. A negative margin may mean a school is out of compliance with Nevada law, the Financial Performance Framework and the Organizational Performance Framework.

What is the formula?

*Total Three Year Revenue - Total Three Year Expenditures = **Three Year Net Surplus/Deficit***

$$\frac{\text{Total Three Year Net Surplus}}{\text{Total Three Year Revenues}} = \text{Aggregated Three Year Total Margin}$$

Current Year Total Margin

$$\frac{\text{Current Year Net Surplus}}{\text{Current Year Total Revenue}} = \text{Current Year Total Margin}$$

Data source(s):

- Three years of Statements of Activities with the most recent year counting as year 3 and the earliest (and oldest) of the three years counting as year 1.

ABC Academy Example

Revenue Year One = \$700,000, Year Two = \$750,000, Year Three = \$775,000
Expenditures Year One = \$704,000, Year Two = \$746,000, Year Three = \$770,000

Formula used to determine the total Three-Year Net Surplus (Deficit)

Year 1: \$700,000 - \$704,000 = -4,000 (-.57%)

Year 2: \$750,000 - \$746,000 = 4,000 (.53%)

Year 3: \$775,000 - \$770,000 = 5,000 (.65%)

-\$4,000 + \$4,000 + \$5,000 = \$5,000 Aggregated Three Year Net Surplus

² For purposes of this rating, adjusting net surplus for expenses related to an increase in Net Pension Liability is appropriate.

Formula used to determine the total Three Year Revenue

$$\$700,000 + \$750,000 + \$775,000 = \mathbf{\$2,225,000 \text{ Three Year Revenue}}$$

Formula used to determine the Aggregated Total Margin

$$\frac{\$5,000}{\$2,225,000} = .225\% \mathbf{\text{ Aggregated Three Year Total Margin}}$$

Most recent Total Margin is positive and, where calculable, the aggregated three-year Total Margin is positive.

Meets Standard

What is the metric used to determine school status?

Sustainability Measure - Total Margin

Current Year Total Margin: Current Year Net Surplus / Current Year Total Revenue

Aggregated Total Margin: Total Three-Year Net Surplus / Total Three-Year Revenues

Meets Standard:

The most recent year Total Margin is positive. The Aggregated Three-Year Total Margin, when calculable, is also positive.

Does Not Meet Standard:

Aggregated Three-Year Total Margin, when calculable, is negative *or* the most recent year Total Margin is negative.

Falls Far Below Standard:

Aggregated Three-Year Total Margin is negative *and* most recent year Total Margin is negative.

Note: For schools in their first or second year of operation, substitute the “Aggregated Three-year Total Margin” with the “Total Margin.”

Sustainability Measure 2 - Debt to Asset Ratio

Purpose - The Debt to Asset Ratio measures the amount of debt a school owes compared to the assets they own; it measures the extent to which the school relies on borrowed funds to finance operations. A Debt to Asset Ratio greater than 1.0 indicates a school has more debt than it has assets to pay off said debt. It is a generally accepted indicator of potential long-term financial issues, as the organization owes more than it owns, reflecting a risky financial position. A ratio less than 0.9 indicates a financially healthy balance sheet, both in the assets and liabilities, and with the balance in the Net Position, or equity, account.

What is the formula?

$$\frac{(\text{Total Liabilities} - \text{Net Pension Liabilities})}{\text{Total Assets}} = \text{Debt to Asset Ratio}$$

Data source(s):

- Statement of Net Position
- Net Pension Liability balance information
- Confirmation that employer contribution expenses are not backed out from Statement of Activities

ABC Academy Example

$$\frac{\text{Total Liabilities}}{\text{Total Assets}} = \frac{\$12,000}{\$20,000} = \mathbf{0.60 \text{ Debt to Asset Ratio}}$$

Debt to Asset Ratio is less than 0.90

Meets Standard

What is the metric used to determine school status?

Sustainability Measure - Debt to Asset Ratio

Total Liabilities / Total Assets

Meets Standard:

Debt to asset ratio is less than 0.90.

Does Not Meet Standard:

Debt to asset ratio is greater than or equal to 0.90 and less than or equal to 1.0.

Falls Far Below Standard:

Debt to asset ratio is greater than 1.0.

Sustainability Measure 3 – Cash Flow

Purpose - The Cash Flow measure compares changes in a school’s end of year cash balances for cash balance growth as a sign of a school’s financial health and well-being.

The “Total Cash” balances include the unrestricted and the restricted cash balances. The measurement reviews most recent year and, where applicable, prior year cash balances.

What is the formula?

For all most recent years where the information is calculable:

*Year 3 Total Cash - Year 1 Total Cash = **Multi-Year Cash Flow***

*Year 2 Total Cash - Year 1 Total Cash = **One Year Cash Flow***

Data sources:

- Three most recent years of Statement of Net Position (Assets: cash)--with year 3 being the most recent year and year 1 being the earliest or oldest year for which the annual financial report has been presented.

ABC Academy Example

Year 1 (Y1) = \$38,000, Y2 = \$40,000, Y3 = \$42,000 in cash balances.

(Y3-Y1) \$42,000 - \$38,000 = **\$4,000 Cash Flow**

(Y3-Y2) \$42,000 - \$40,000 = **\$2,000 Cash Flow**

Cash flow balances grew every year for the most recent years measurable.

Meets Standard

Sustainability Measure - Cash Flow

Multi-Year Cash Flow = Year 3 (most recent year) Total Cash - Year 1 Total Cash

One Year Cash Flow = Year 3 Total Cash -Year 2 (prior year) Total Cash

Meets Standard:

Y3-Y1 Cash Flow and cash balances (multi-year cash flow), where calculable, are positive. The most recent year Cash Flow is positive. Or,

For schools in their original contract term, year 1 and year 2 schools, all years have a positive cash flow. In year 1, for a school in its original term, the year 0 balance is assumed to be zero.

Does Not Meet Standard:

Multi-year cash flow, where calculable, is negative *or* the most recent year cash flow is negative.

Falls Far Below Standard:

- ❑ Multi-year cash flow, where calculable, is negative *and* the most recent year cash flow is negative.

Notes:

1. A rating within this section may be adjusted for large capital investments resulting in cash balance declines-- only for schools not showing an operating deficit.
2. A school may Meet Standards even with a cash balance decline based upon the supporting documentation provided by the school, such as if the school board had earlier approved a facility acquisition plan which would draw down cash savings and the cash balance decline was a result of the approved spending plan.

Sustainability Measure 4 – Debt or Lease Service Coverage Ratio³

Purpose - The Debt or Lease Service Coverage Ratio indicates a school’s ability to cover its debt or long-term lease obligations. *In most cases this will not be applicable for charter schools that do not have an outstanding facility loan or lease(s).* This ratio measures the degree to which a school can pay facility principal and interest due or lease payments based on the current year’s net income and available cash. Depreciation expense and Amortization are added back to the net income because they are non-cash transactions. This means they are accounting transactions where no cash leaves the organization for that account name. They do not affect a school’s ability to service its debt. The interest expense is added back to the net income to show the before-interest-expense available balance. It is also added to the denominator.

What is the formula?

$$\frac{\text{Net Income} + \text{Depreciation} + \text{Interest Expense}}{\text{Annual Principal} + \text{Interest Payments}} = \text{Debt Service Coverage Ratio}$$

Data source(s):

- Statement of Net Position
- Statement of Activities
- Notes to the audited financial statements or supplementary information

ABC Academy Example

School obtains two year loan of \$175,000 for facility renovations (\$85,753 per year).
Formula used to determine the ratio indicating if the school can afford the loan.

³ For purposes of this rating, adjusting net surplus for expenses related to an increase in Net Pension Liability is appropriate.

$$\frac{\$100,000 + \$2,000 + \$5,439}{\$85,753 + \$5,439} = \frac{\$107,439}{\$91,192} = \mathbf{1.18 \text{ Debt Service Coverage Ratio}}$$

Debt (or long-term Lease) Service Coverage Ratio is equal to or exceeds 1.10.

Meets Standard

What metric is used to determine the school's DSCR or LSCR level and rating?

Sustainability Measure - Debt Service Coverage Ratio

See formula above

Meets Standard:

Debt or long-term Lease Service Coverage Ratio (DSCR or LSCR) is equal to or exceeds 1.10.

Or

School does not have an outstanding loan or long-term lease.

Does Not Meet Standard:

Debt or long-term Lease Service Coverage Ratio is less than 1.10.

Falls Far Below Standard:

Not Applicable

Glossary: Terms Used in the Financial Performance Framework

Accrual (or Full Accrual) Accounting: Method of accounting that records revenues and expenses when they are incurred, regardless of when cash is exchanged. A school acquiring a campus may show their annual mortgage payments under this approach but would not show the full cost of the facility on any one of their annual reports if the school did not pay the full amount in the year in question. *See also Modified Accrual.*

Annual Expenses: The yearly total of payments of cash or incurrence of a liability for the purpose of acquiring assets, or services or settling losses.

Assets: A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events. These economic resources can be tangible or intangible. Assets might be financial in nature (like cash and accounts receivable) or nonfinancial (like buildings and equipment).

Audit: A systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities. The auditor obtains this evidential matter through inspection, observation, inquiries, and confirmations with third parties. Refer to Compliance Audit, Corrective Action Plan, Financial Audit, Performance Audit, and Single Audit.

Balance Sheet: A financial statement that discloses the assets, liabilities, and equities of an entity at a specified date in conformity with generally accepted accounting principles (GAAP). Also, referred to as the Statement of Financial Position or Statement of Net Assets (not to be confused with Statement of Net Position, see below).

Basis of Accounting: The methodology and timing of when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Refer to Accrual Basis, Modified Accrual Basis, and Cash Basis.

Cash Basis: A basis for accounting whereby revenues are recorded only when received and expenses are recorded only when paid, without regard to the period in which they were earned or incurred.

Cash Flow: Cash receipts minus cash disbursements from a given operation or fund for a given period of time.

Changes in Net Position: The difference between the net balance from one accounting period to the next.

Consultant: An independent individual or entity contracting with an agency to perform a personal service or render an opinion or recommendation according to the consultant's methods and without being subject to the control of the agency except as to the result of the work. The agency monitors progress under the contract and authorizes payment.

Current Assets: Resources that are available, or can readily be made available, to meet the cost of operations or to pay current liabilities.

Current Liabilities: Obligations that are payable within one year from current assets or current resources.

Current Ratio: A financial ratio that measures whether or not an organization has enough resources to pay its debts over the next 12 months. It compares a firm's current assets to its current liabilities and is expressed as follows: $\text{current ratio} = \text{current assets} \div \text{current liabilities}$.

Debt: An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts include bonds, accounts payable, and other liabilities. Refer to Bonds Payable, Accounts Payable, Liabilities, Long-Term Obligations, and General Long-Term Obligations.

Debt Service: The cash that is required for a particular time period to cover the repayment of interest and principal on a debt. Debt service is often calculated on a yearly basis.

Debt Service Coverage Ratio: Also known as "debt coverage ratio," is the ratio of cash available for debt servicing to interest, principal, and lease payments.

Debt Service Default: Occurs when the borrower has not made a scheduled payment of interest or principal.

Debt to Asset Ratio: A financial ratio that measures the proportion of an organization's assets that are financed through debt. It compares an organization's total assets to its total liabilities and is measured by dividing the total liabilities by the total assets. If the ratio is less than one, most of the organization's assets are financed through equity. If the ratio is greater than one, most of the organization's assets are financed through debt.

Deficit: Schools are not authorized to have expenses in excess of appropriations and should budget accordingly to always operate with a surplus of revenue over expenses.

Depreciation: The systematic and rational allocation of the cost of an asset over its useful life.

Financial Accounting Standards Board (FASB): FASB is the independent, private-sector, not-for-profit organization that establishes financial accounting and reporting standards for public and

private companies and not-for-profit organizations that follow Generally Accepted Accounting Principles (GAAP).

Financial Audit: An audit made by an independent external auditor for the purpose of issuing an audit opinion on the fair presentation of the financial statements of the school in conformity with Generally Accepted Accounting Principles. Refer to Audit.

Fiscal Period: Any period at the end of which a charter school determines its financial position and the results of its operations. Refer to Accounting Period.

GAAP: Refer to Generally Accepted Accounting Principles.

General Fund: The general fund is used to account for the financial activities of the charter schools not required to be accounted for in another account.

Generally Accepted Accounting Principles (GAAP): These are the uniform minimum standards for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. The primary authoritative body on the application of Generally Accepted Accounting Principles (GAAP) to state and local governments is the Governmental Accounting Standards Board.

Governmental Accounting: The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of a governmental entity.

Governmental Accounting Standards Board: The Governmental Accounting Standards Board is the source of generally accepted accounting principles (GAAP) used by state and local governments and other public entities in the United States, including charter schools in Nevada. GASB establishes accounting and financial reporting standards for U.S. state and local governments that follow GAAP.

Income Statement: A financial statement that shows revenues and expenditures of an entity at a specified date in conformity with Generally Accepted Accounting Principles (GAAP). The full accrual statements are usually referred to as the (Government Wide) Statement of Activities. The modified accrual statements are usually referred to as the (Government Funds) Statement of Revenues, Expenditures, and Changes in Fund Balances.

Indicator: General categories of financial performance.

Interest Expense: The money the school pays out in interest on loans.

Interest Payable: A liability account reflecting the amount of interest owed by the school. In governmental funds, interest is to be recognized as an expenditure in the accounting period in which it becomes due and payable, and the liability is to be recorded as interest payable at that time. In proprietary and trust funds, interest payable is recorded as it accrues, regardless of when payment is actually due.

Interest Payment: The amount of interest that a school pays to a lender on a loan each month.

Interim Financial Statement: A financial statement prepared before the end of the current fiscal period and covering only financial transactions during the period to date.

Long-term Lease Service Coverage Ratio (LSCR): The ratio of cash available for long-term Lease servicing to meet lease payments. See also the “Debt Service Coverage Ratio (DSCR).”

Liabilities: Probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. These are economic obligations. The term does not include encumbrances.

Margin: The difference between revenues and expenses. The margin can refer to the gross margin (operating revenues less operating expenses) or the total margin (see Total Margin).

Measure: General means to evaluate an aspect of an indicator.

Metric: Method of quantifying a measure.

Modified Accrual Accounting: Method of accounting which “combines accrual basis accounting with cash basis accounting. It recognizes revenues when they become available and measurable and, with a few exceptions, records expenditures when liabilities are incurred.” A charter school acquiring a campus would likely show the total lump sum cost of the school in their annual report for the year the campus was acquired, instead of showing an annual mortgage payment and depreciation, under this reporting method.

Net Assets: The difference between assets and liabilities. Refer to Fund Equity.

Net Income: A term used in accounting for proprietary funds to designate the excess of total revenues and operating transfers in divided by total expenses and operating transfers out for an accounting period.

Net Pension Liability: The difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly

investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries.

The Government Accounting Standards Board (GASB) Statement No. 68 requires the reporting of Net Pension Liabilities of all entities participating in the Public Employees' Retirement System of Nevada (PERS). However, per NRS 286.110(4) "The respective participating public employers are not liable for any obligation of the System." Consequently, the SPCSA's review nets the Net Pension Liability from the Liabilities of the school being reviewed. Schools should still have annual PERS contributions related expense obligations included in their expenses.

Net Surplus: The amount of revenue recognized after certain operating expenses have been deducted.

Principal: The amount of the loan excluding any interest.

Statement of Activities: A GASB GAAP Government-Wide full accrual financial statement that reports the net revenue of its individual functions, pursuant to GASB 34. An objective of using the net revenue format is to report the relative financial burden of each of the reporting government's functions on its taxpayers. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Statement of Cash Flows: A GASB GAAP financial statement for proprietary funds that provides relevant information about the cash receipts and cash payments of a government during a period. It categorizes cash activity as resulting from operating, noncapital financing, capital financing, and investing activities.

Statement of Net Position: A GASB GAAP Government-Wide full accrual financial statement, pursuant to GASB 34, that reports the difference between assets and liabilities as net assets, not fund balances or equity. Assets are reported in order of liquidity, or how readily they are expected to be converted to cash and whether restrictions limit the government's ability to use the resources. Liabilities are reported based on their maturity, or when cash is expected to be used to liquidate them. Net assets are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Statement of Revenues, Expenditures and Changes in Fund Balances: A GASB GAAP Government Fund (modified accrual) financial statement. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt

service expenditures, as well as expenditures related to the net pension liability are only recorded when due.

Target: Threshold that signifies success for a specific measure.

Total Assets: The sum of all cash, investments, furniture, fixtures, equipment, receivables, intangibles, and any other items of value owned by a school.

Total Expenditure: The total costs of doing business; that is, the costs that must be incurred in order for a school to generate revenue or provide services.

Total Liabilities: The aggregate of all debts a school is responsible for.

Total Margin: Total revenues less total expenses.

Total Revenue: The total amount of a schools' sources of income (gross receipts and receivables).

Unrestricted Cash: Monetary reserves that are not restricted for a particular use; General funds are considered unrestricted cash, subject to legal restrictions for a public educational entity.