

Nevada Virtual Academy

Charter School Renewal Report and Recommendation

Purpose of the Report

The Renewal Report is a summary of the evidence collected by the State Public Charter School Authority (SPCSA) through its analysis of documentation, review of the school's Renewal Application along with an analysis of academic performance throughout the charter term. Additionally, Authority staff was able to meet with members of the Nevada Virtual Academy Governing Board to discuss the renewal application and evidence gathered to inform the renewal decision.

The decision to renew a charter for a subsequent six-year period is based on a comprehensive review of the school's performance guided by three questions:

1. Is the academic program a success?
2. Is the school fiscally sound?
3. Is the school a viable organization?

This report is structured around three sections: Academic, Fiscal, and Organizational. Each section contains an overview of key findings based on a review of evidence and concludes with the Authority's determination on each of the three guiding questions.

Appendix A – Nevada Virtual Academy Academic Performance

Appendix B – Nevada Virtual Academy Financial Performance

Academic Program

Appendix A presents graphs of the academic performance, continuous enrollment, and Highly Qualified status of teachers for Nevada Virtual Academy as well the academic profile of performance based on the Authority's Academic Indicators. Percentile rankings were determined using the Nevada School Performance Framework attribution tables released in January of 2013.

Elementary/Middle School Observations

Review of these data result in the following observations:

- 2011-2012 Nevada School Performance Framework (NSPF)
 - 2 stars for both the Elementary and Middle School—Two star schools fall between the 5th and 24th percentiles of all Nevada public schools.

- Except for their opening year, the K-8 school has not made Adequate Yearly Progress (AYP).
 - 2007-2008 Adequate
 - 2008-2009 Watch
 - 2009-2010 In Need of Improvement, Year 1
 - 2010-2011 In Need of Improvement, Year 2
 - 2011-2012 In Need of Improvement, Year 3

- 2008-2009 is the only year in English language arts (ELA) that the K-8 school met the State's Annual Measurable Objective (AMO).

- Since 2008-2009, the K-8 school has consistently failed to meet the State's AMO in ELA.

- From 2008-2012, the K-8 school has consistently failed to meet the State's AMO in Math.

- For 2011-2012, the percentage of 4th-6th grade students obtaining their Adequate Growth Percentile (AGP) was 51% in reading and 36.8% in math.
 - Using the NSPF attribute tables, this places the school between the 25th and 50th percentiles in reading and between the 5th and 25th percentiles in math.

- For 2011-2012, the percentage of 7-8th grade students obtaining their AGP was 38.6% in reading and 15.4% in math.
 - The NSPF attribute tables place the school between the 25th and 50th percentiles in reading and between the 5th and 25th percentiles in math.

- For 2011-2012, in grades 4-6, the Median Growth Percentile (MGP) for both reading and math are between the 25th and 50th percentiles.

- For 2011-2012, in grades 7-8, the MGP for reading is between the 25th and 50th percentiles and for math the MGP is below the 5th percentile.
- For 2011-2012, in grades 4-6, the percentage of students identified as FRL, IEP, and/or ELL obtaining their AGP in reading was 42.7%, slightly above the 25th percentile. In math, the percentage was 25.7%, below the 5th percentile.
- For 2011-2012, in grades 7-8, the percentage of students identified as FRL, IEP, and/or ELL obtaining their AGP in reading was 32.4%, slightly below the 75th percentile. In math, the percentage was 11.6%, slightly above the 5th percentile.
- Continuous enrollment is below the state's average continuous enrollment. FY 12 percentage of students continuously enrolled was 57.70% compared to 94.5% at the state level. Nevada Virtual's continuous enrollment is also below a virtual school compilation of continuous enrollment percentage of 78.61% for FY 12.
 - Continuous enrollment for years 2008-2012 averaged 59.07%. This means that only a little over half of the student population enrolled on count day was still enrolled when testing begins in March of each school year.

High School Observations

- 2011-2012 Nevada School Performance Framework
 - 1 star—Schools among the lowest 5% of schools within the NSPF form the basis for a one-star rating.
- Adequate Yearly Progress
 - 2009-2010 Watch
 - 2010-2011 High Achieving-Growth
 - 2011-2012 Watch
- Growth increases from FY10 to FY11 earned the high school an AYP designation of High Achieving Growth. However, drops in proficiency rates in FY12, moved the high school back to an AYP Watch designation.
- Overall performance at the high school level is between the 25th and 50th percentile in both reading and math.
- The exception is the MGP in reading which is below the 5th percentile.
- Graduation rates for 2011 and 2012 are between the 25th and 50th percentile.

- Transfer numbers reported by the state indicate 69% of the original 2011 cohort left before graduation and 72% of the original 2012 cohort left before graduation.
- From 2009-2012, proficiency rates in both reading and math are below the State's AMO.
- The percentage of students above the State's AMO is consistently negative in both reading and math.
- Continuous enrollment is below the state's average continuous enrollment. FY12 percentage of students continuously enrolled was 48.90% compared to 94.5% at the state level. NV Virtual's continuous enrollment is also below a virtual school compilation of continuous enrollment percentage of 86.00% for FY 12.
 - Continuous enrollment for years 2009-2012 averaged 54.43%. This means that only a little over half of the student population enrolled on count day was still enrolled when testing begins in March of each school year.

Additional observations:

- With the exception of FY2011, the percentage of core classes without highly qualified teachers from 2007-2012 is higher than the percentage at the state.
 - FY 2008, 66.70% versus 15.60%
 - FY 2009, 26.30% versus 12.20%
 - FY 2010, 12% versus 7.90%
 - FY 2012, 13.6% versus 4.30%
- However from 2007-2011, the percentage of courses without highly qualified teachers has consistently dropped.
- As a Title I School, percentage of teachers not highly qualified is a concern.

Is the academic program at Nevada Virtual Academy a success?

Citing the persistent academic underperformance in both reading and math; low continuous enrolled percentages; and low graduation rates coupled with a high percentage of students transferring out before graduation, the Authority Staff conclude that Nevada Virtual's academic program has not been a success.

Fiscal

Appendix B presents the financial profile of performance based on the Authority's Financial Indicators.

Observations

Strengths

Nevada Virtual Academy's independent audit report annually shows that their financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate remaining fund information, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America. The auditor's consideration of internal control over financial reporting did not identify any deficiencies in internal control considered to be material weaknesses.

Concern: Near Term Viability and Fiscal Sustainability.

Based on the Financial Indicators, Nevada Virtual Academy is marginally fiscally sound in the near term as indicated by their maintenance of barely sufficient liquid assets to pay liabilities that will mature in the next year and the maintenance of adequate cash to pay over one month of operating expenses. Their fiscal sustainability outlook is guardedly positive as evidenced by their annual position of debt in an amount almost exactly equal to their assets, their annual surplus margin equal to virtually zero, balanced by their positive annual cash flow.

In each of the past four fiscal years the Nevada Virtual Academy Governing Board has approved expenditures that exceed total revenues resulting in a deficit at the conclusion of each fiscal year. The annual "accommodation credit" issued by Nevada Virtual Academy's Educational Management Organization (i.e., K12, Inc.) to erase the annual deficit, resulting in a 3-year cumulative Change in Net Assets of only 63/100 of 1% on funding of over \$53 million is troubling. Absent that "accommodation credit", which the EMO is not required to issue, Nevada Virtual Academy would quickly become insolvent.

Accommodation credits received to date

FY08 - \$360,905

FY09 - \$1,219,634

FY10 - \$730,574

FY11 - \$2,290,042

FY12 - \$3,362,681

Total - \$7,963,836

Concern: Fiscal Accountability

The FY13 Annual Performance Audit (APA) performed by the Authority included a follow-up on the implementation of school based systems to resolve prior (APA) findings. The Authority found Nevada Virtual non-compliant on a matter the Authority deemed to be material (i.e., significant).

Statement from FY13 Annual Performance Audit and NVVA response:

Submit into AOIS a statement signed by the Governing Board Treasurer, Head of School and Finance Manager, describing and confirming the implementation of the procedure to which they committed during the 2011-2012 APA, to review K12 invoices for accuracy and to ensure that duplication charges do not occur. If this cannot be accomplished by April 5, submit into AOIS the date of the next board meeting, at which approval of this action will be accomplished. This item should be submitted into AOIS in the 2012-2013 school year folder under "Annual Performance Audit", as a document titled "APA-FY12 APA Commitment to Review K12 Invoices"

School response in document submitted into AOIS titled "APA - Procedures for Testing Accuracy of K12 Billing - Revised2.docx" was "New procedures have been recently developed and these procedures for testing will be implemented beginning with the 2013-2014 School Year. No testing of K12 billings was done during the 2012-2013 School Year."

Required action: For the 2012-2013 school year, perform the actions defined in the newly developed policy for November 2012, March 2013 and April 2013. Report findings to the State Public Charter School Authority by June 28, 2013.

Is Nevada Virtual Academy financially sound?

As evidenced by deficit spending of almost \$8 million between fiscal years 2008 and 2012 the school is not financially sound. It is the Governing Board's statutory responsibility to maintain fiduciary accountability of their organization and spend within budgeted resources. Absent the in-kind contribution of almost \$8 million by the EMO with which it contracts, Nevada Virtual Academy would cease to be a going concern and would be forced to halt operations and liquidate its assets – displacing thousands of Nevada students.

Organizational Compliance

Observations

Longitudinal Analysis of the Annual Performance Audit for Nevada Virtual Academy 2007-2012:
Identification of Significant and/or Repeat Findings

16, 19, 2, 25, 23, 7, 10, 28, below, are subsections of NAC 386.410, Performance audits: Report of compliance.

16. If pupils with disabilities are enrolled in the charter school, a determination whether the provision of special educational services and programs to those pupils complies with the requirements set forth in chapters 388 and 395 of NRS and NAC 388.150 to 388.450, inclusive.

During the 2008-2009 Nevada Virtual Special Education Compliance monitoring, there were findings made in technical and procedural processes. During the 2009-2010 school year, Nevada Virtual was on a Corrective Action Plan (CAP). They made all necessary corrections with their IEP's and their CAP plan was completed by the end of that school year. Nevada Virtual will have their IEP's monitored by NDE in May 2013, as part of DOE's monitoring rotation cycle for the state. Nevada Virtual has had no complaint reports filed with NDE for the years 2009 – 2013. Nevada Virtual turns in all required reports on time and they are complete and compliant

Nevada Virtual has had one due process hearing with NDE for the years August 2011, 2009. The school prevailed on all 7 issues brought forward by the Petitioner (parents).

19. A determination whether the charter school complies with [NRS 386.590](#) regarding the employment of teachers and other educational personnel.

- Noncompliant for both 2007-2008 and 2009-2010.

As a Title I designated school, all teachers will have to be Highly Qualified or on a plan to meet the federal definition of Highly Qualified.

23. If the charter school provides instruction to pupils enrolled in kindergarten, first grade or second grade, a determination whether the charter school complies with [NRS 392.040](#) regarding the ages for enrollment in those grades.

- Noncompliant for 2009-2010 and 2011-2012.

25. A determination whether the charter school provides written notice to the parents and legal guardians of pupils enrolled in grades 9 to 12, inclusive, whether the charter school is accredited by the Commission on Schools of the Northwest Accreditation Commission.

- Noncompliant for 2008-2009 and 2009-2010.

28. A determination whether the written inventory of equipment, supplies and textbooks that is maintained by the charter school pursuant to [NAC 386.342](#) is current and accurate.

- Noncompliant for 2010-2011 and 2011-2012.

2. A determination whether the membership of the governing body of the charter school complies with [NRS 386.549](#) and [NAC 386.345](#), including, without limitation, whether:

- (a) The governing body consists of the number of teachers required by [NRS 386.549](#);
- (b) A majority of the members of the governing body reside in the county in which the charter school is located; and
- (c) Each member of the governing body has filed an affidavit with the Department indicating that he or she:
 - (1) Has not been convicted of a felony or offense involving moral turpitude; and
 - (2) Has read and understands material concerning the roles and responsibilities of members of governing bodies of charter schools and other material designed to assist the governing bodies of charter schools, if such material is provided to him or her by the Department, as required pursuant to [NRS 386.549](#).

- Noncompliant for 2008-2009, 2010-2011, and 2011-2012.

Authority Staff await Nevada Virtual's response to requests for updated submissions related to compliance reporting for the Governing Body (e.g., affidavits and resumes, and corrected Board Roster) and revisions to the school's bylaws.

7. A determination whether the charter school has complied with generally accepted standards of accounting and fiscal management.

- Noncompliant for 2010-2011 and 2011-2012

10. A determination whether the charter school complies with [NRS 386.573](#) regarding orders for payment of money.

- Noncompliant for 2011-2012.

Is Nevada Connections Academy a viable organization?

Outside of the concerns stated in the Financial section of the review that may be considered under organizational viability and in consideration of the items noted above, the Authority staff conclude that Nevada Virtual is a viable organization.

Recommendation

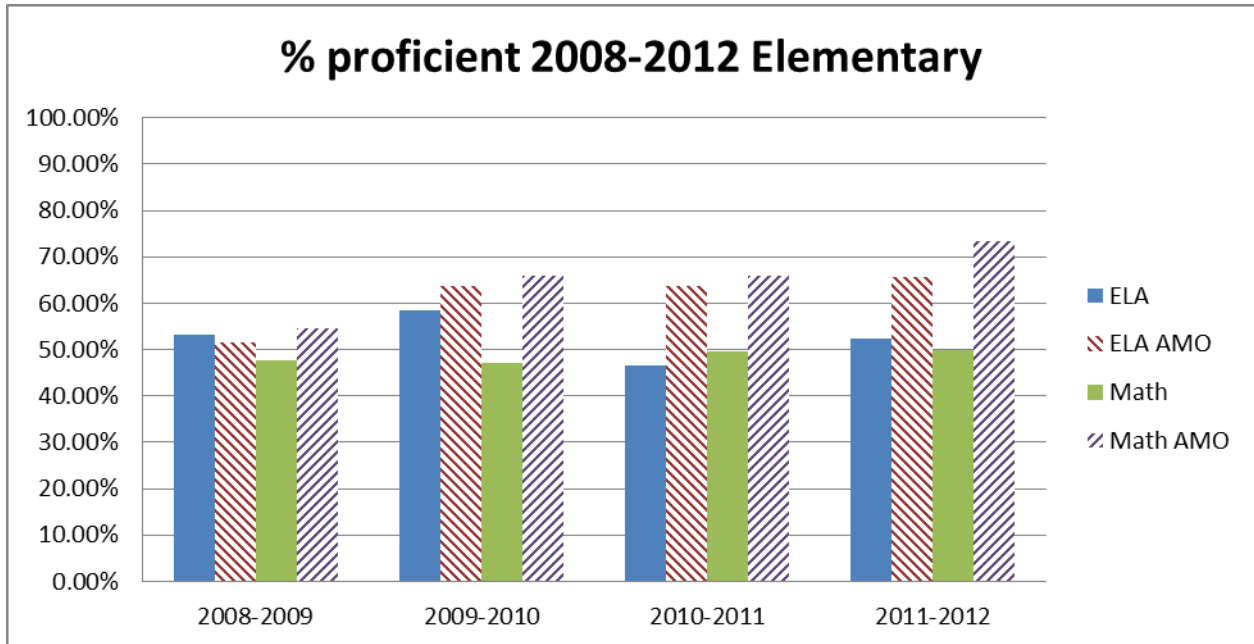
Recommendation

Authority Staff believe there are two options to consider. First, is non-renewal of the school's written charter. The second option is to renew the written charter. Authority Staff recommend that the Authority Board consider renewal of Nevada Virtual Academy's written charter with the following provisions:

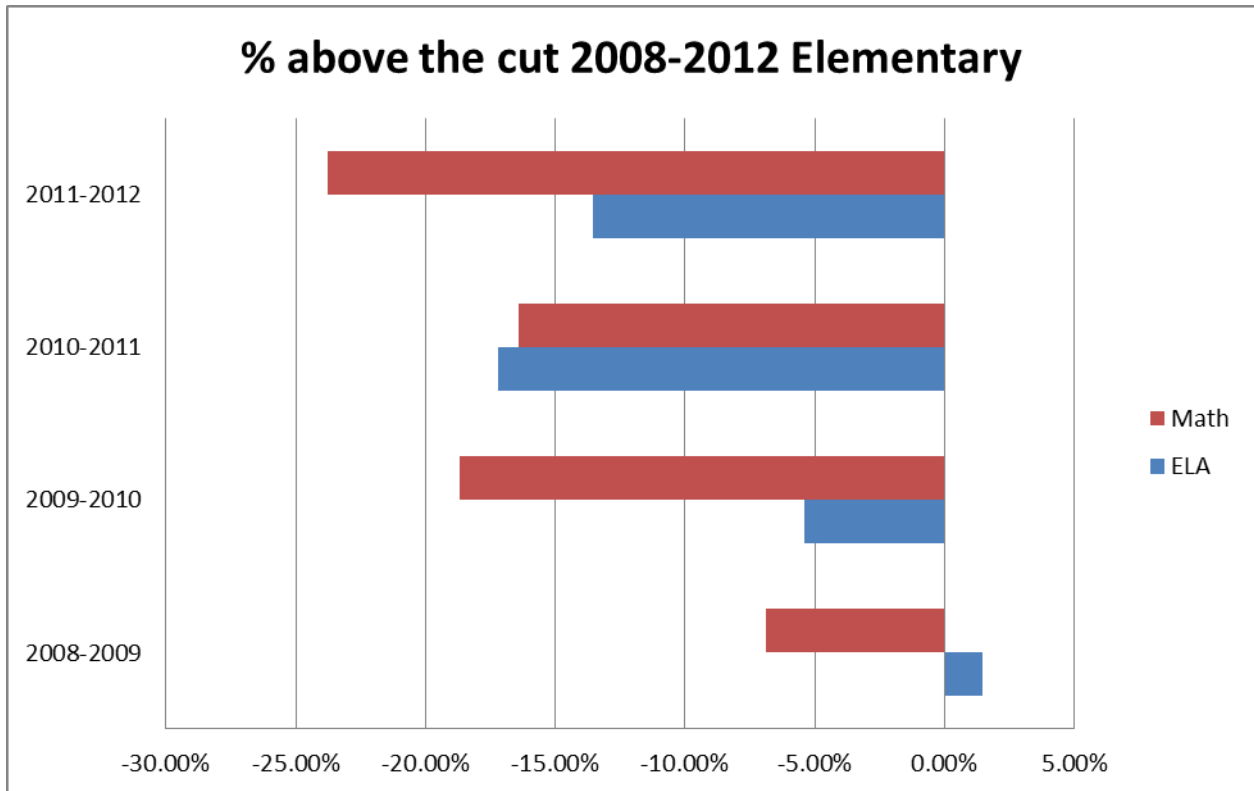
- 1. Make clear that this hearing serves as formal notice to Nevada Virtual Academy that the school's academic and financial performance are below the Authority's expectation;***
- 2. The Charter Contract resulting from renewal of the charter shall to include the following provisions specific to Nevada Virtual Academy;***
 - a. The Governing Body must operate at all times within available revenues with no future credit accommodations from its chosen EMO; and***
 - b. In consideration of the academic performance, a cap shall be placed upon Nevada Virtual's student enrollment that is equal to the lesser of the audited actuals from Count Day 2013 or the pupil count at Count Day 2014. The cap shall be a material term and condition within the Charter Contract.***
- 3. Direct Authority Staff to conduct a high stakes review of Nevada Virtual's performance, against the Authority's expectations, and report findings and recommendations to the Authority Board that may include contract termination or a return to good standing. The review and recommendation(s) shall be presented to the Authority Board in fall, 2015 at which point Nevada Virtual must demonstrate substantial progress towards meeting the Authority's academic performance expectations.***
 - a. Substantial progress will be based on the school's aggregate academic performance based on the Authority's academic indicators that will result in closing the gap between baseline (SY12/13) performance and "Adequate", as described in the performance framework within three years.***
- 4. It is important to note that the presence of the high stakes review does not interfere with the Authority's ability to take action prior to fall, 2015.***

APPENDIX A

Elementary Academic Performance

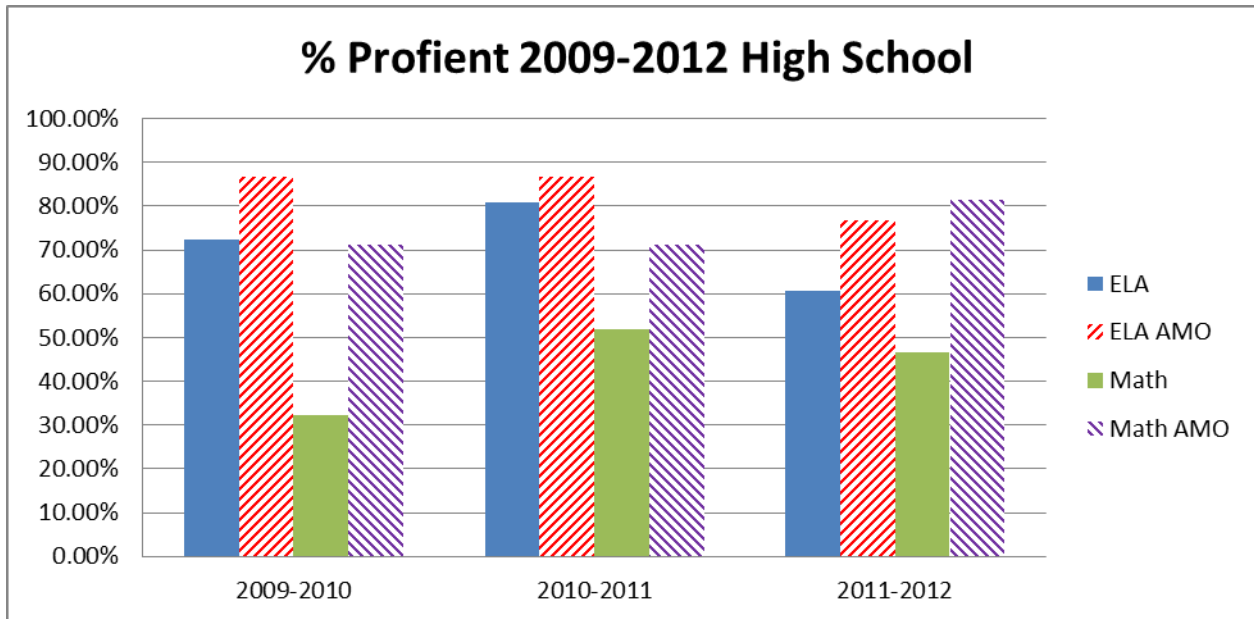


Source: www.nevadareportcard.com

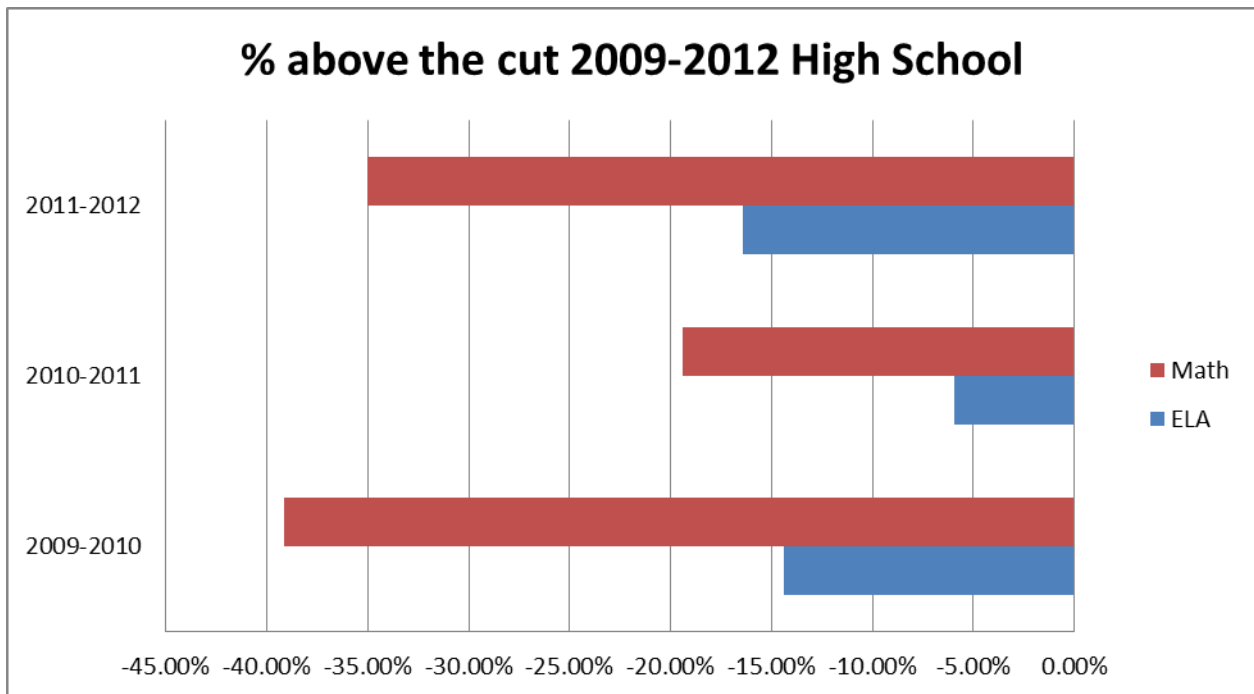


Source: www.nevadareportcard.com

High School Performance

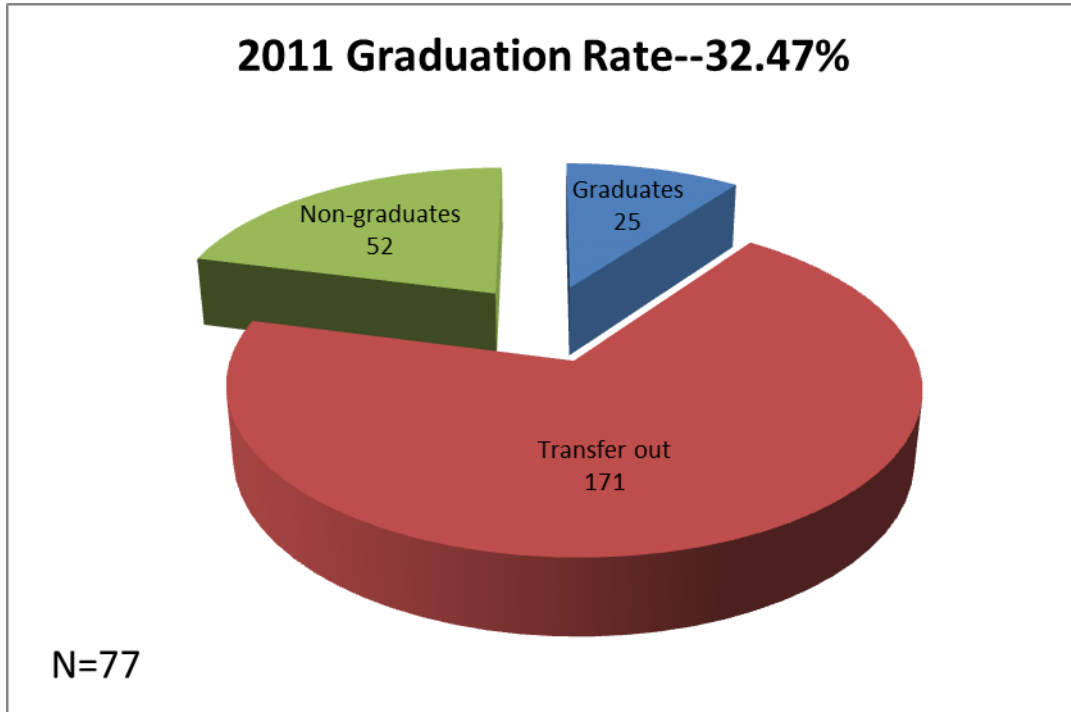


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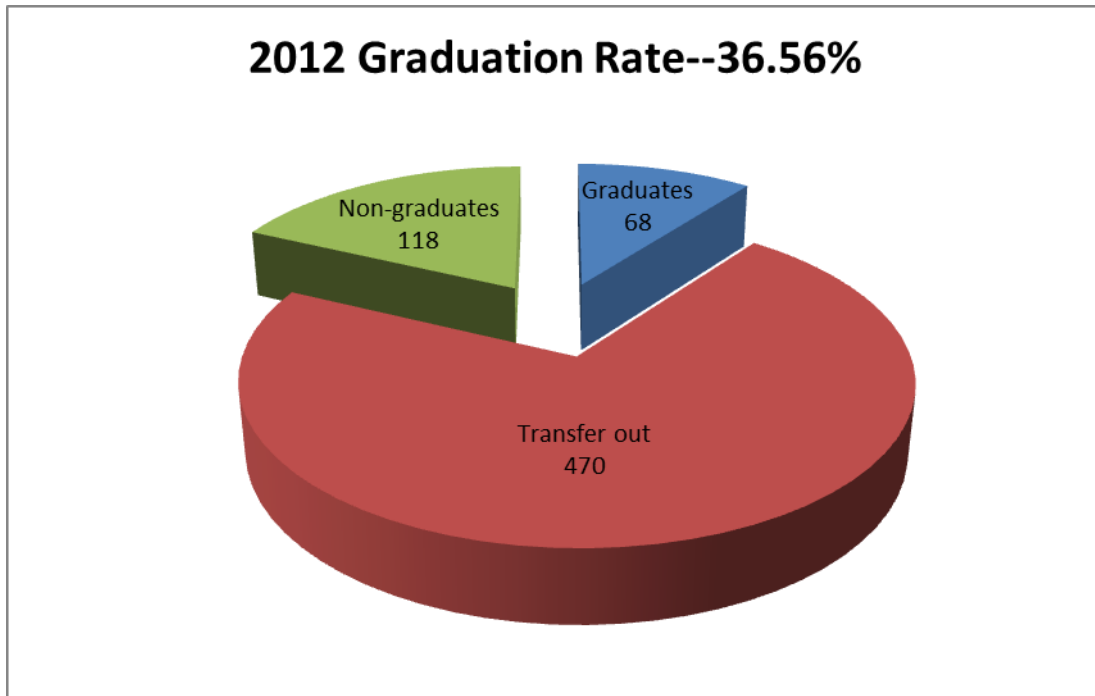


Source: www.nevadareportcard.com

High School 4-Year Adjusted Cohort Graduation Rate

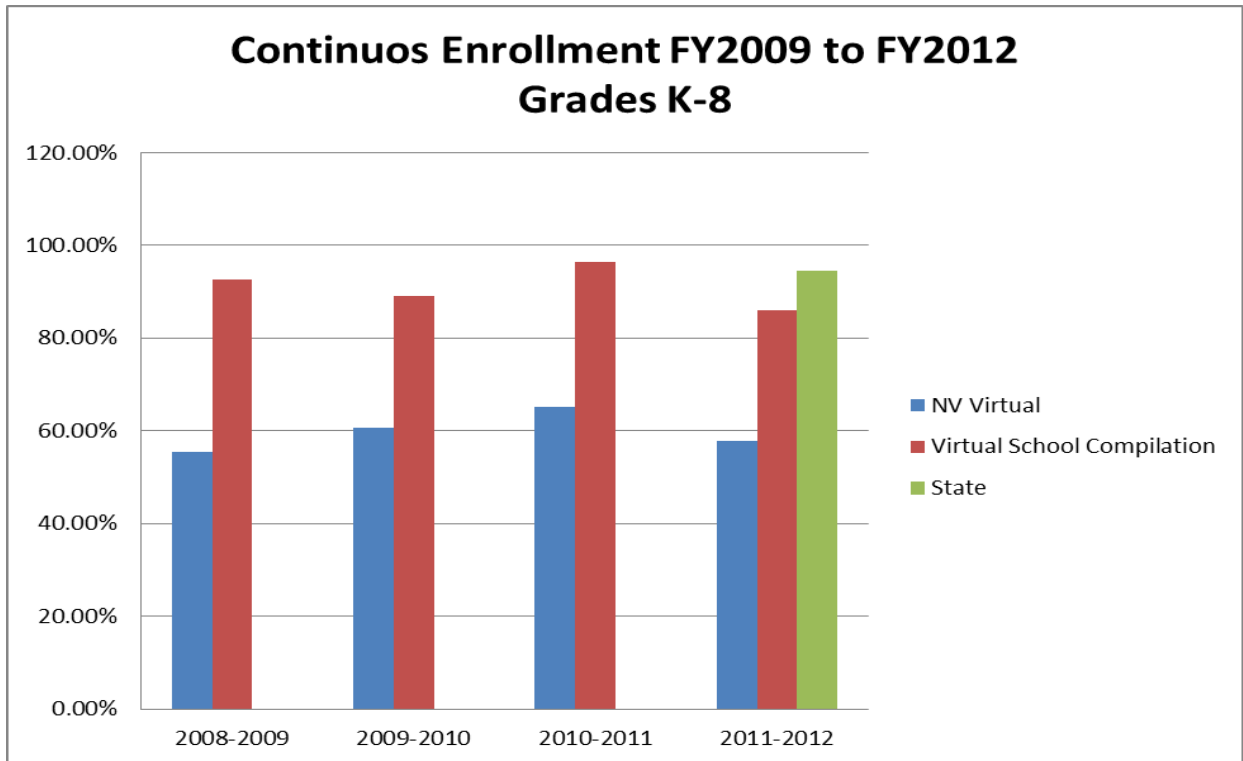


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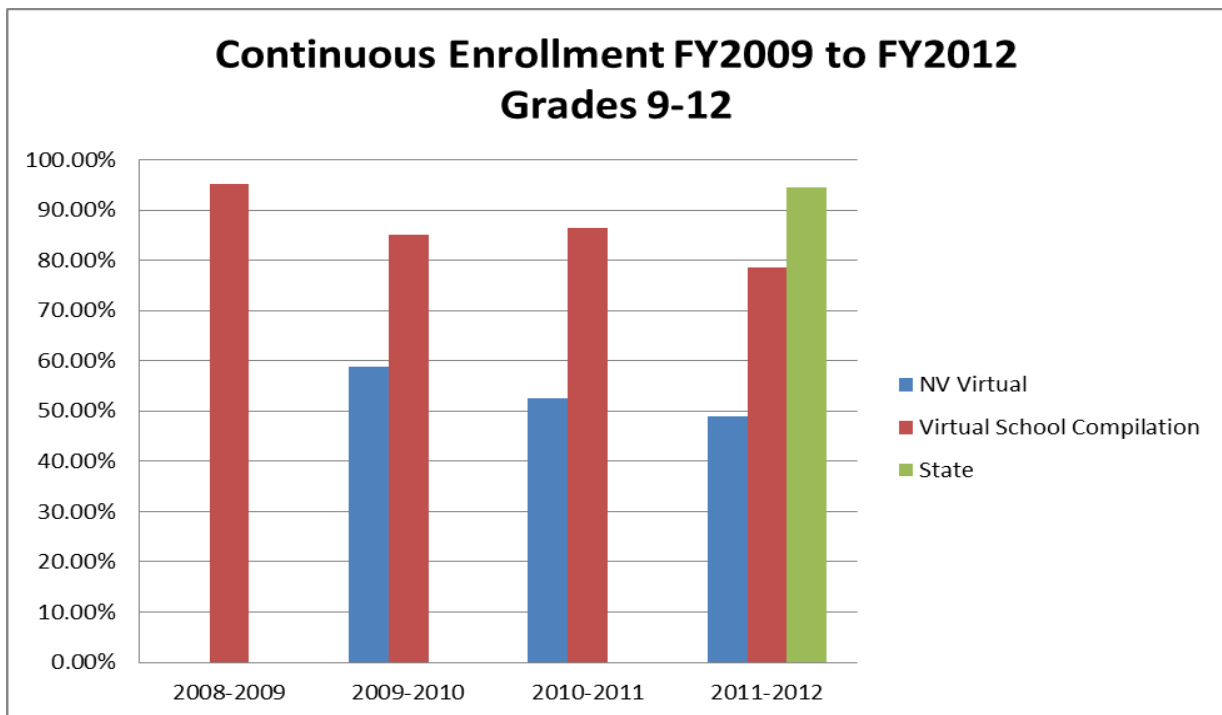


Source: www.nevadareportcard.com

Nevada Virtual Continuous Enrollment



Source: ayp.nv.gov/AYP_Results_County



Source: ayp.nv.gov/AYP_Results_County

2011-2012		Nevada Virtual Academy K-12 school with a student population of 3582																						
GROWTH						COMPARISON		STATUS				GAP				CAREER & COLLEGE READY								
AGP Reading (EL, MS)	AGP Math (EL, MS)	MGP Reading (EL, MS, HS)	MGP Math (EL, MS, HS)	EXPLORE to PLAN Growth Reading (HS)	EXPLORE to PLAN GROWTH Math (HS)	Comparison--Reading (EL, MS, HS)	Comparison--Math (EL, MS, HS)	Reading Proficiency (EL, MS, HS)	Math Proficiency (EL, MS, HS)	EXPLORE Proficiency (MS, HS)	PLAN Proficiency (MS, HS)	GAP Reading AGP (EL, MS)	GAP Math AGP (EL, MS)	GAP Reading Proficiency (HS)	GAP Math Proficiency (HS)	Graduation Rate (HS)	Post Secondary Fall (HS)	Post Secondary 18 months (HS)	Employment (HS)					
404.1	AP	U	U	U	Not Available	AP	U	AP	U	Not Available		AP	C				Not Available							
404.2	AP	U	U	C		AP	AP	AP	U			AD	U											
404.3			C	U		AP	U	U	U											U	U	U		
				Whole School								Overall School Rating				3089								
Meets Standard	EX	Exceptional	≥95		404.1	23.63	U	868	0.281	6.64														
	EC	Exceeds	≥75 and <95		404.2	27.19	AP	848	0.275	7.464	20.16													
	AD	Adequate	≥50 and <75		404.3	13.63	U	1373	0.444	6.058	U													
Doesn't Meet Standard	AP	Approaches	≥25 and <50																					
	U	Unsatisfactory	≥5 and <25																					
	C	Critical	<5																					
Testing Population																								
		Grade Level	Percentage of students continuously enrolled				NSPF Rating																	
404.1 & 404.2		Elementary	57.68%		404.1		2-star																	
State of NV		Elementary	94.55%		404.2		2-star																	
404.3		Secondary	48.93%		404.3		1-star																	
State of NV		Secondary	94.50%																					

**Figure I: # of core subject areas with teachers not HQ
2007-2013**

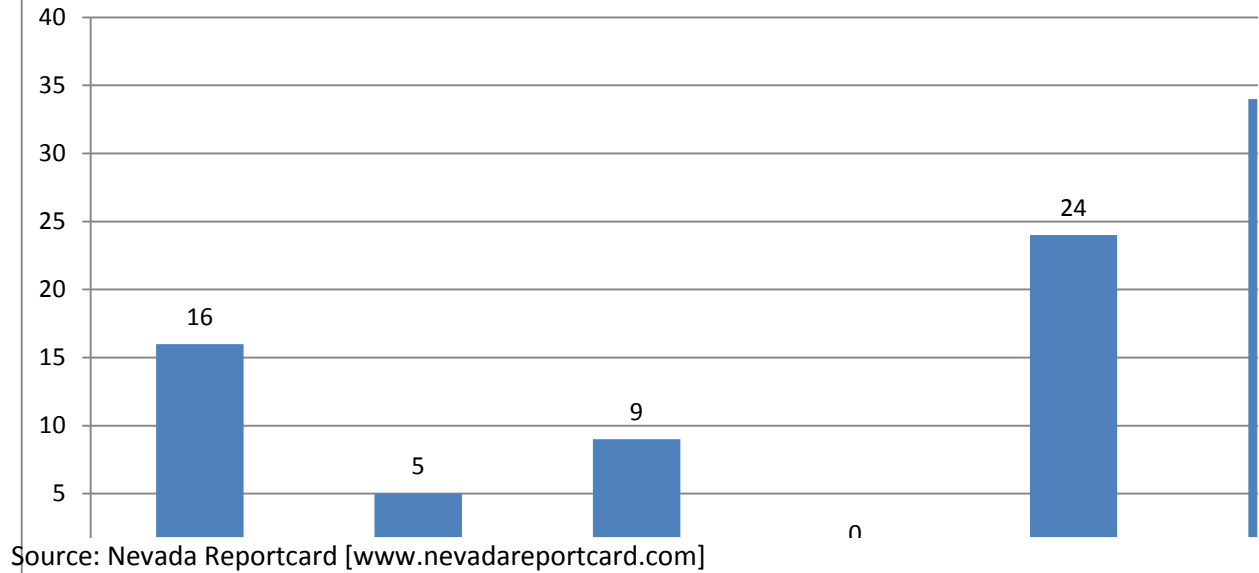
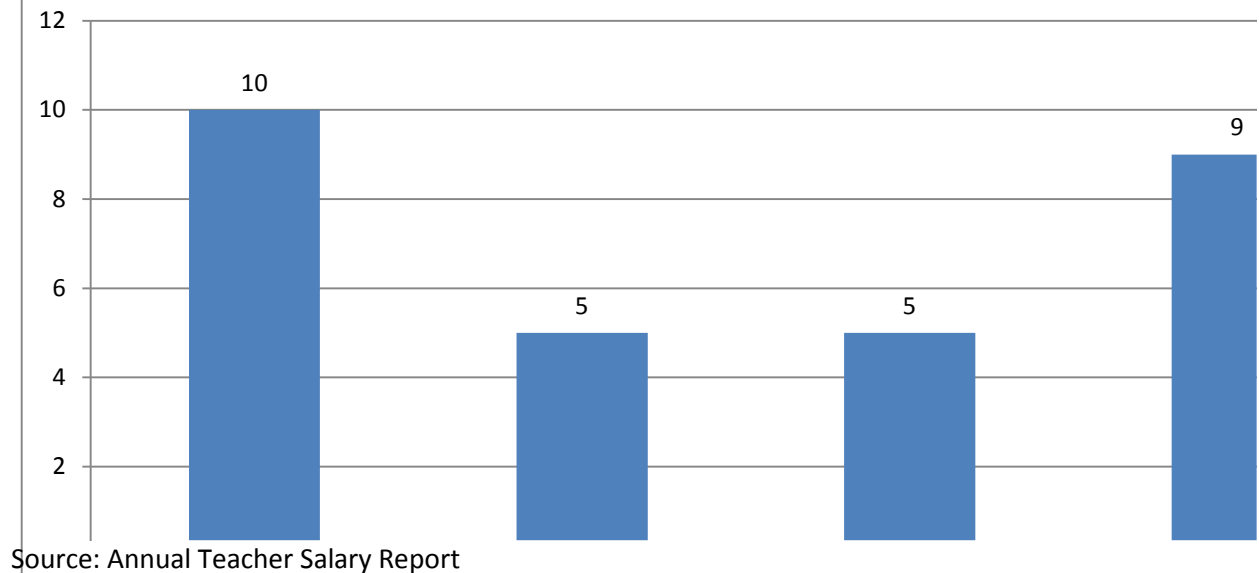
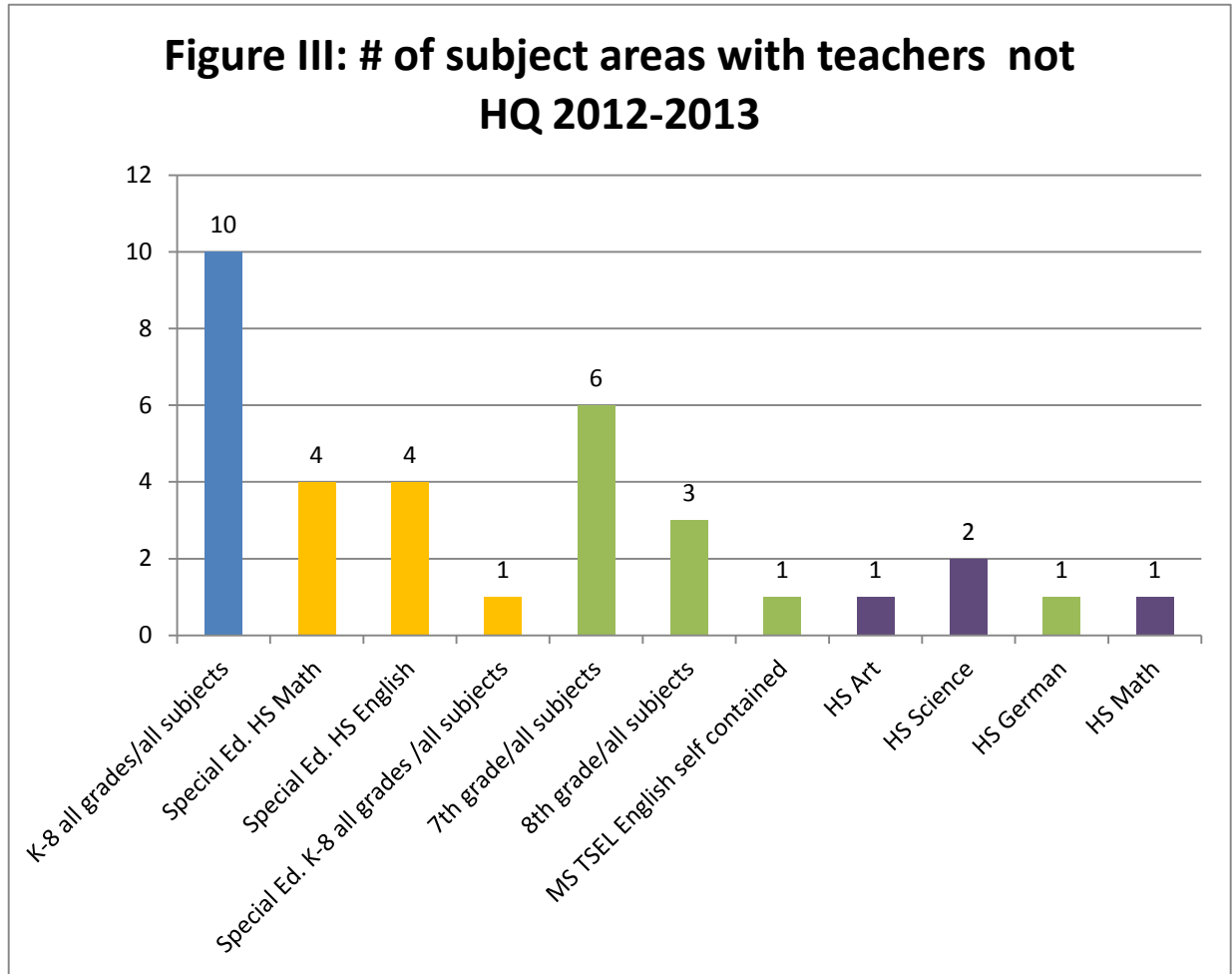


Figure II: # of teachers by grade level not HQ 2012-2013





Source: Annual Teacher Salary Report

APPENDIX B

NEVADA VIRTUAL
FINANCIAL PERFORMANCE FRAMEWORK
FYE 06/30/12

1. NEAR TERM INDICATORS

1A - Current Ratio (Working Capital Ratio): Current Assets divided by Current Liabilities

Meets Standard:

Current Ratio is greater than 1.1

or

Current Ratio is between 1.0 and 1.1 *and* one-year trend is positive (current year ratio is higher than last year's)

1B - Unrestricted Days Cash: Unrestricted Cash divided by (Total Expenses/365)

Meets Standard:

60 Days or more Cash

or

Between 30 and 59 Days Cash *and* one-year trend is positive

2. SUSTAINABILITY INDICATORS

2A - Total Margin: Net Income divided by Total Revenue &

Aggregated Total Margin: Total 3 Year Net Income divided by Total 3 Year Revenue

Meets Standard:

Aggregated Three-Year Total Margin is positive *and* the most recent year Total Margin is positive

or

Aggregated Three-Year Total Margin is greater than -1.5%, the trend is positive for the last two years, *and* the most recent year Total Margin is positive

2B - Debt to Asset Ratio: Total Liabilities divided by Total Assets

Does Not Meet Standard:

Debt to Asset Ratio is between 0.91 and 1.0

2C - Cash Flow

Meets Standard

Three-year cumulative cash flow is positive, cash flow is positive in at least two of three years, *and* cash flow in the most recent year is positive

Nevada Virtual Academy

Nevada Virtual						
	Audited F/S	FY11-FY12	Audited F/S	FY10-FY11	Audited F/S	3-Year
	6/30/2012	Change	6/30/2011	Change	6/30/2010	Cumulative
Cash	2,375,563	99%	1,194,075	988%	109,736	
Current Assets	3,483,125	8%	3,225,722	125%	1,434,638	
Non Current Assets	37,357	-35%	57,905	-24%	75,916	
Total Assets	3,520,482	7%	3,283,627	117%	1,510,554	
Current Liabilities	3,457,464	7%	3,220,609	122%	1,447,536	
Non-Current Liabilities	0	0%	0	0%	0	
Total Liabilities	3,457,464	7%	3,220,609	122%	1,447,536	
Net Assets	63,018	0%	63,018	0%	63,018	
Funding	23,815,866	37%	17,436,856	45%	12,009,718	53,262,441
Expenditures	23,795,319	36%	17,436,856	45%	11,996,722	53,228,898
Change in Net Assets	20,547		0		12,996	33,543
Current Ratio	1.01	1%	1.00	1%	0.99	
Unrestricted Days Cash	36.44	46%	25.00	649%	3.34	
Debt to Asset Ratio	0.98	0%	0.98	2%	0.96	
Surplus Margin	0.1%		0.0%	-100%	0.1%	0.1%
Cash Flow	1,181,488	-9%	1,084,339	897%	(136,008)	2,129,828

FY10, 11 &
12 \$6,383,297 0.119846
 \$53,262,441