

Nevada State Public Charter School Authority

Financial Performance Framework Technical Guide

Adopted July 2024

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Notes on the SPCSA Financial Performance Framework

In 2024, Opportunity 180 worked in partnership with the Nevada State Public Charter Authority (SPCSA) to provide technical assistance to support updates and revisions to the SPCSA Academic, Financial, and Organizational Frameworks to align with national best practices and Nevada’s educational landscape through their 2020 State Entity Charter School Program Grant from the U.S. Department of Education. WestEd was solicited as third-party subject matter experts and supported this revision process.

Overview of the Nevada State Public Charter School Authority

Created in 2011, the Nevada State Public Charter School Authority (SPCSA) is a governmental agency of the State of Nevada and the statewide charter school sponsor. The SPCSA authorizes public charter schools across the state and is responsible for oversight and monitoring of those schools, ensuring positive academic outcomes for students and strong stewardship of public dollars.

The SPCSA Financial Performance Framework

Framework Purpose

The Financial Performance Framework is intended as a starting point for charter school sponsors to adopt and evaluate a charter school’s 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 and 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, as well as financial oversight best practices. The framework includes indicators, measures, and metrics. Targets and ratings are established by the SPCSA.

It is designed to provide financial health assessment information based on accrual-based information. Using modified accrual-based information, while often used in school bookkeeping, 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.

Framework Ratings

The Financial Performance Framework facilitates rating a school's financial health by measuring the 13 generally accepted areas of measurement of the financial health of a school as described in this technical guide. The measures gauge both near-term financial health and longer-term financial sustainability. No single measure should be used to assess the financial health of a school; rather, the metrics are intended to complement one another. Together, they relay the financial situation, trends, and ongoing viability of a school's finances. It is understood that, at times, results may warrant additional context or flexibility given a school's circumstances (e.g., the purchase of a facility that increases a school's debt-to-asset ratio). It is also understood that the timing of funds and policy decisions beyond the control of individual charter schools may impede the development of solid financial status for schools within their first few years of operation. For this reason, some metrics have differentiated measures for new schools.

While the Financial Performance Framework is not weighted – schools either meet, do not meet, or fall far below standard – some standards do matter more than others regarding how lending institutions evaluate a school's financial health: unrestricted days cash on hand, debt-to-asset ratio, and debt service coverage ratio. This is because these three measures cannot be adjusted without negatively impacting the others. For example, a school could increase its days cash on hand with a loan, but the loan would adversely affect its debt-to-asset ratio. Some measures, such as the use of the Nevada Department of Education approved Chart of Accounts, may not seem as vital as a school's days cash on hand. However, it is likely that if a school is not aligning its financial reporting with Nevada's Chart of Accounts, it may be creating an unnecessary risk that the school is not maintaining accurate financial documentation, which could reduce the overall efficiency and fiscal health of the organization.

If the results of at least 10 measures meet the standard, then the school may receive a Meets Standards rating regarding its financial performance and health. If a school does not achieve a Meets Standards rating for all 13 measures, it is not necessarily an indication of financial distress. However, the school may be subject to further review by SPCSA, a request for a plan of remediation, or other action, including a notice in alignment with the intervention ladder.

Poor financial performance measure ratings may trigger a Notice of Concern, a Notice of Breach, or a Notice of Intent to Revoke. **A Notice may be initiated or elevated to any charter school whose financial framework profile results in at least one indicator scoring at "Falls Far Below Standard" or at least four indicators at "Does Not Meet Standard."** Depending on the severity of the poor financial performance, a charter school may be directed to develop a financial improvement plan when a Notice is issued by the Authority. Additionally, the school may be subject to additional, heightened oversight.

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 Revoke.

Intervention Ladder¹

Occasionally, the routine performance framework process will result in adverse findings. Charter schools may fall out of compliance on important legal or contractual requirements. Academic standards may not be met. Financial sustainability may become an issue. When these situations occur, the Authority may respond in a number of ways.

Below is a chart that outlines possible circumstances that could cause a school to enter the intervention ladder:

Notification	Possible Circumstances	Possible Outcomes/Consequences
Notice of Concern	<ul style="list-style-type: none"> Evidence of weak financial, academic or organizational performance through ongoing oversight or at the time of annual review. Repeated or material failure to submit items in a timely and/or complete manner. 	<ul style="list-style-type: none"> Written notification to charter school governing body detailing area(s) of concern, expected actions on the part of the school, and time to remedy as applicable.
Notice of Breach	<ul style="list-style-type: none"> Continued evidence and/or significant evidence of material weak financial, academic, or organizational performance through ongoing oversight or at the time of annual review. Failure to make substantial progress towards remedying previously identified concern. Failure to comply with applicable laws, regulations and/or the terms of the charter contract. 	<ul style="list-style-type: none"> Written notification to charter school governing body detailing area(s) of deficiency. May require corrective action plan, a site visit, and/or site evaluation.
Notice of Intent to Revoke	<ul style="list-style-type: none"> Serious violations of laws, regulations and/or the charter contract through ongoing oversight or at the time of annual review; or Patterns of failure to comply with performance standards. 	<ul style="list-style-type: none"> Written notification to charter school governing body regarding termination and school closure.

¹ Information pulled from SPCSA Charter School Performance Framework:
<https://charterschools.nv.gov/uploadedFiles/CharterSchoolsnvgov/content/Grocers/200304-Charter-School-Performance-Framework-Guidance-FINAL.pdf>

Framework Indicators and Measures

The Financial Performance Framework includes three indicators, or general categories, used to evaluate a school's financial performance.

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 school and sponsor.

Sustainability

The framework also includes longer-term financial sustainability measures 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 of financial hardship in the future.

The Authority also requires all 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.

Financial Management and Oversight

In this most recent iteration of the framework (2024), metrics related to fiscal management and oversight have been moved from the Organizational Performance Framework to the Financial Performance Framework. These metrics are intended to capture policies and processes related to fiscal health management, such as properly documented and timely financial reporting, leadership reviews of financial data, and Board oversight of the school's financial decisions and status.

Near-Term Financial Measures

Measure 1: Current Ratio

Purpose

The Current Ratio compares a school's current assets and current liabilities. 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.

A Current Ratio of greater than 1.0 indicates that a school's current assets exceed its current liabilities, suggesting the school is likely able to pay its short-term obligations. A ratio of 1.1 or greater is preferable for charter schools because it indicates a school is financially well-positioned to meet all short-term obligations and unplanned contingencies potentially affecting funding or cash flow. A ratio of less than 1.0 indicates that a school may not have sufficient current assets to cover its current liabilities and may not be able to meet financial obligations over the next 12 months. A ratio of less than 0.9 may indicate a more serious financial situation.

Formula

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

Metric to Determine School Status

Meets Standard:

- Current Ratio is greater than or equal to (\geq) 1.1.
OR
- Current Ratio is greater than or equal to (\geq) 1.0 and less than ($<$) 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 or equal to 1.1.

Does Not Meet Standard:

- Current Ratio is greater than or equal to (\geq) 0.9 and less than ($<$) 1.0
OR
- Current Ratio is greater than or equal to 1.0 and less than ($<$) 1.1 and one-year trend is negative.

Falls Far Below Standard

- Current ratio is less than ($<$) 0.9.

Data Sources

- Statement of Net Position in the Annual Independent Audit Report.

Example

ABC Academy

ABC Academy's Total Current Assets: \$197,114

ABC Academy's Total Current Liabilities: \$95,382

$$\frac{\$197,114 \text{ (Total Current Assets)}}{\$95,382 \text{ (Total Current Liabilities)}} = 2.07 \text{ (Current Ratio)}$$

Final Rating: **Meets Standard**

Why? – ABC Academy's Current Ratio is greater than or equal to 1.1.

Measure 2: Unrestricted Days Cash

Purpose

The Unrestricted Days Cash ratio indicates how many days a school can pay its operating expenses without an additional inflow of cash. National standards state 60-120 days of cash-on-hand is considered a model practice. Financial institutions weigh a school's days cash-on-hand as it indicates whether a school will have sufficient cash available to meet financial obligations.

Unrestricted Days Cash is one of the most important financial performance measures for a charter school. This standard takes on additional importance in Nevada, where the timing of Pupil-Centered Funding Plan (PCFP) funding can be lagged compared to current enrollment. Maintaining a healthy level of cash on hand can ensure a school can cover ongoing expenses (e.g., payroll, utilities), maintain financial stability (e.g., demonstrate to creditors and potential donors that the school is in a healthy financial status), and respond to unexpected events (e.g., building repairs or an increase in enrollment requiring additional resources).

Formula

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

$$\frac{\text{Unrestricted cash and equivalents}}{\text{Average Daily Expense}} = \text{Unrestricted Days Cash}$$

Metric to Determine School Status

Meets Standard:

- Unrestricted Days of Cash 60 days or more.

Note: Exceptions for schools in year one or two of their original contract term:

- **Year 1 Schools: 15 days or more**
- **Year 2 Schools: 30 days or more**
- **Year 3+ schools: 60 days or more**
- *All schools, including those in their original contract term, showing operating deficits will be held to the normal 60-day standard.*

OR

- Greater than or equal to (\leq) 30 and less than ($<$) 60 Cash on Hand and one-year trend is positive.

A negative trend may still support a Meets Standard rating with adequate supporting documentation² from the school of a school board planned and approved cash reduction.

Does Not Meet Standard:

- Days of Cash is greater than or equal to (\geq) 15 and less than ($<$) 30 days, except for original contract term first or second year schools.

OR

- Days of Cash is greater than or equal to (\geq) 30 and less than ($<$) 60, and one-year trend is negative.

A negative trend may still support a Meets Standard rating with adequate supporting documentation from the school of a school board planned and approved cash reduction.

Falls Far Below Standard

- Days of Cash is less than ($<$) 15 days, regardless of whether a school is in its original contract term.

Data Sources

- Statement of Net Position in the Annual Independent Audit Report
- Statement of Activities in the Annual Independent Audit Report
- Notes to the audited financial statements or supplementary information

² 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 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.

Example

ABC Academy

ABC Academy's Annual Expenses: \$1,173,620

ABC Academy's All Noncash Expense: \$10,000

ABC Academy Unrestricted Cash and Equivalents: \$245,528

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

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

Final Rating: **Meets Standard**

Why? – ABC Academy has 60 or more Unrestricted Days Cash.

Measure 3: Enrollment Variance

Purpose

Enrollment Variance tells sponsors whether the school is meeting its enrollment projections, thereby generating sufficient revenue to fund ongoing operations. How many students a school actually enrolls compared to how many it used to develop the budget can have significant financial implications on a school's operations.

The Enrollment Variance measure is calculated using the actual enrollment of the network compared with the budgeted enrollment of the network.

Formula

$$\frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} = \text{Percent Enrollment Variance}^3$$

³ In traditional finance, variance is calculated as the difference between actual results and budgeted targets. The amount of this difference is divided by the budgeted amount. The approach described above, is used in the Education sector. Actual results divided by Projected targets achieve the purpose of this variance measure.

Metric to Determine School Status

Meets Standard:

- Enrollment Variance is greater than or equal to (\geq) 95 percent in the most recent completed year.
- For schools in their original contract term, not operating with a deficit, Enrollment Variance equals or exceeds:
 - Year 1: 90.0 percent
 - Year 2: 92.5 percent
 - Year 3+: 95 percent
- For schools operating at a deficit, Enrollment Variance equals or exceeds:
 - 95 percent accuracy in the most recent year

Does Not Meet Standard:

- Enrollment Variance is greater than or equal to (\geq) 90 percent but less than ($<$) 95 percent in the most recent year.

Falls Far Below Standard

- Enrollment Variance is less than ($<$) 90 percent in the most recent year.

Data Sources

- School enrollment reports submitted upon SPCSA/NDE request
- Actual Enrollment = Certified Count Day (October 1) enrollment
- Budgeted Enrollment = Final or amended budget approved by school's board and submitted to NDE and SPCSA

Example

ABC Academy

ABC Academy's Projected Enrollment: 210 students

ABC Academy's Actual Enrollment: 225 students

$$\frac{225 \text{ (Actual Enrollment)}}{210 \text{ (Projected Enrollment)}} = 107\% \text{ Enrollment Variance}$$

Final Rating: **Meets Standard**

Why? – Enrollment variance equals or exceeds 95 percent in the most recent year.

Note: Charter schools with actual enrollment less than 90 percent or greater than 110 percent of the enrollment cap in their contract must check with the SPCSA, as they may be required to submit a Request for Amendment of their charter contract. Projected enrollment levels may vary from contracted enrollment levels.

Measure 4: Debt (or Lease) Default

Purpose

The Debt (or Lease) Default indicator addresses whether a school is meeting its loan or lease obligations or is delinquent with its debt service payments, including any PERS debt resulting from unpaid outstanding amounts. Notes from the audited financial statements or other verified information are used as the source of data. Schools that are not meeting debt-related obligations, either through missed payments or underpayments of debt service are at financial risk.

Staff may review defaults occurring during the school year, even if they have been cured prior to the end of the school year. In most cases, this will not apply to charter schools that do not have an outstanding loan or debt payments.

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

Metric to Determine School Status

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.

Data Sources

- Statement of Net Position in the Annual Independent Audit Report
- Notes to the audited financial statements
- PERS Outstanding Balance Reports

Example

ABC Academy

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

Final Rating: **Falls Far Below Standard**

Sustainability Measures

Measure 1: Total Margin and Aggregated Three-Year Total Margin

Purpose

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 and if a school has enough money coming in to cover its costs. The measurement looks at each year and, where calculable, the school’s aggregated three-year margin performance. This measure is important because it buffers the impact of single-year fluctuations. While there is some flexibility over three years, each year a school needs to have more revenue than expenses to meet financial health standards.

Some school-specific contexts may warrant an adjustment to the Total Margin rating and/or additional considerations to the total margin in unique circumstances.

Nevada law and regulation prohibit deficit spending⁴. A negative margin may mean a school is out of compliance with Nevada law, the Financial Performance Framework, and the Organizational Performance Framework.

Formula

Total Three Year Revenue – Total Three Year Expenditures = Three Year Net Surplus/Deficit

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

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

Metric to Determine School Status

Meets Standard:

- The most recent year’s Total Margin is positive. The Aggregated Three-Year Total Margin, when calculable, is also positive, OR
- Aggregated Three-Year Total Margin Ratio is greater than -1.5 percent, the trend has been positive for the last two years, and the most recent year’s Total Margin is positive.

Does Not Meet Standard:

⁴ NAC 387.730, NAC 387.740, and NAC 387.765
Updated August 2024

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

Falls Far Below Standard

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

Notes:

- For schools in their first year of operation, substitute the "Aggregated Three-year Total Margin" with the "Total Margin."

Data Sources

- Three years of Statements of Activities, from the Annual Independent Audit Report, with the most recent year counting as year 3 and the earliest (and oldest) of the three years counting as year 1.

Example

ABC Academy

ABC Academy's Revenue

Year 1: \$700,000

Year 2: \$750,000

Year 3: \$775,000

ABC Academy's Expenditures

Year 1: \$704,000

Year 2: \$746,000

Year 3: \$770,000

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%)

$-\$4,000 + \$4,000 + \$5,000 = \mathbf{\$5,000}$ **Aggregated Three-Year Net Surplus**

Three-Year Revenue:

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

Aggregated Total Margin:

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

Final Rating: **Meets Standard**

The most recent total margin is positive and, where calculable, the aggregated three-year total margin is positive.

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's liabilities exceed its assets. It is a generally accepted indicator of potential long-term financial concern that if the organization owes more than it owns, that this may indicate financial instability and higher financial risk. A Debt-to-Asset ratio less than 0.9 suggests a financially healthy balance sheet, both in the assets and liabilities, and with the balance in the Net Position, or equity, account.

The impact of GASB 87 requires schools to show the present value of their expected future lease payments as both an asset and as a debt. This ratio is particularly relevant for schools that own a building or have other long-term debt such as financing for buses, other vehicles, or other equipment. The calculation includes both current and noncurrent assets and liabilities.

Formula

$$\frac{(Total\ liabilities - Net\ Pension\ Liabilities^5)}{Total\ Assets} = Debt\ to\ Asset\ Ratio$$

Metric to Determine School Status

<p>Meets Standard:</p> <ul style="list-style-type: none"> Debt-to-Asset Ratio is less than (<) 0.90.
<p>Does Not Meet Standard:</p> <ul style="list-style-type: none"> Debt-to-Asset Ratio is greater than or equal to (>=) 0.90 and less than or equal to (<=) 1.0.
<p>Falls Far Below Standard</p> <ul style="list-style-type: none"> Debt-to-Asset Ratio is greater than (>) 1.0.

Data Sources

- Statement of Net Position in the Annual Independent Audit Report.
- Net Pension Liability balance information
- Confirmation that employer contribution expenses are not backed out from Statement of Activities in the Annual Independent Audit Report.

⁵ Currently, PERS has indicated that they do not consider individual entity's proportionate share of the system's Net Pension Liability to be a liability of those entities. Should PERS policy regarding the proportionate share of the system's Net Pension Liability change, this measure will be updated to reflect the change.

Example

ABC Academy

ABC Academy's Total Liabilities: \$12,000

ABC Academy's Total Assets: \$20,000

$$\frac{\$12,000}{\$20,000} = 0.60 \text{ Debt - to - Asset Ratio}$$

Rating: **Meets Standard**

Debt-to-Asset Ratio is less than (<) 0.90

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 the most recent year and, where applicable, the prior year's cash balances.

For schools not showing an operating deficit, a rating within this section may be adjusted for board planned and approved large capital investments resulting in cash balance declines. A school may earn "Meets Standards", even with a cash balance decline, based upon the supporting documentation provided by the school. For example, if a school submits board-approved minutes evidencing a facility acquisition plan which would draw down cash balances, and the cash balance decline was a result of the approved spending plan.

Formula

For all most recent years where the information is calculable:

$$\text{Year 3 Total Cash} - \text{Year 1 Total Cash} = \text{Multiyear Cash Flow}$$

$$\text{Year 2 Total Cash} - \text{Year 1 Total Cash} = \text{One Year Cash Flow}$$

Metric to Determine School Status

Meets Standard:

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

Data Sources

- Three most recent years of Statement of Net Position (Assets: cash) from the Annual Independent Audit Report 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.

Example

ABC Academy

ABC Academy’s Year 1 Total Cash Balance: \$38,000

ABC Academy’s Year 2 Total Cash Balance: \$40,000

ABC Academy’s Year 3 Total Cash Balance: \$42,000

$\$42,000$ (Y3) - $\$38,000$ (Y1) = $\$4,00$ Cash Flow increase

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

Rating: **Meets Standard**

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

Measure 4: Debt or Lease Service Coverage Ratio

Purpose

The Debt or Lease Service Coverage ratio indicates a school’s ability to pay its debt or, with GASB 87, its long-term lease obligations. Depreciation expense and amortization are added back to the net income in the computation because they are non-cash transactions. Adding them back, therefore, shows a more accurate amount of funds available to pay the debt or

lease costs. Interest expense is also added back to the net income to show the cash available for and before the debt service. Non-cash PERS expenses are an allocated non-cash amount and, like depreciation, may be backed out of the expense total. Some school-specific context may warrant adjustments and/or additional considerations to this calculation in unique circumstances.

Formula

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

Metric to Determine School Status

Meets Standard:

- Debt or Lease Service Coverage Ratio (DSCR or LSCR) is greater than or equal to (\geq) 1.10.
- OR
- School does not have an outstanding loan or long-term lease.

Does Not Meet Standard:

- Debt or Lease Service Coverage Ratio is less than ($<$) 1.10.

Falls Far Below Standard

- Not Applicable

Data Sources

- Statement of Net Position in the Annual Independent Audit Report
- Statement of Activities in the Annual Independent Audit Report
- Notes to the audited financial statements or supplementary information

Example

ABC Academy

ABC Academy received a loan of \$175,000 for facility renovations (\$85,753 per year). Ratio indicating whether a school can afford the loan:

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

Rating: **Meets Standard**

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

Financial Management and Oversight

Critical to an organization’s health and stability is its ability to manage its finances well. The SPCSA has a responsibility to protect the public’s interest and must evaluate the extent to which the charter school is managing its finances. Charter schools should have unqualified, or “clean,” financial audits. This means that the auditor found the financial statements to be accurate and complete, which is necessary for evaluating a school’s financial health.

Measure 1: Annual Financial Audit

Purpose

The purpose of this measure is to ensure that independent financial audit results demonstrate that a school meets basic expectations for financial management, controls, and oversight. The Nevada Administrative Code (NAC 387.765) requires charter schools to “[c]omply with generally accepted accounting principles.” This measure assesses compliance with this requirement.

Charter school financial audits should be conducted annually (NAC 387.775) by independent auditors to evaluate a charter school’s financial statements and financial policies and practices. Auditors base their findings against Generally Accepted Accounting Principles (GAAP) and internal control guidelines. Auditors issue certified annual financial statement and render an opinion.

An unqualified opinion means that the school’s financial are accurate and complete, demonstrating strong financial management by the school. A qualified opinion, by contrast, raises concerns and may signal potential financial weakness. The reasons for a qualified auditor’s opinion are typically included in Audit Notes and in a separate management letter directed to the attention of the school’s governing board.

Metric to Determine School Status

<p>Meets Standard:</p> <ul style="list-style-type: none"> • The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to financial management and oversight expectations as evidenced by an annual independent audit, including but not limited to: <ul style="list-style-type: none"> ▪ an unqualified audit opinion; ▪ an audit devoid of significant findings and conditions, material weaknesses, or significant internal control weaknesses; ▪ an audit that does not include an ongoing concern disclosure in the notes or an explanatory paragraph within the audit report; and ▪ the audit report (including separate or supplemental scheduled) identified no repeat findings of significance.
<p>Does Not Meet Standard:</p> <ul style="list-style-type: none"> • The school as failed to materially comply in the manner described above.
<p>Falls Far Below Standard</p> <ul style="list-style-type: none"> • Not Applicable

Data Sources

- Annual Independent Audit Report

Measure 2: Financial Reporting and Compliance

Purpose

This measure evaluates whether a school is meeting its obligations for accurate, complete, and timely financial reporting to external entities. It also assesses the school's compliance with requirements or accepted practices regarding payroll and employee benefits payments, proper in amounts, paid on time and in full, and complying with other actions required by an authorizer, the state, and other external or stakeholder entities. The financial reports included in this measure are used as a basis for the analysis of a school's financial viability and financial management. The purpose of this measure is to determine whether the school is submitting accurate and timely information to the SPCSA.

Reporting requirements such as financial audits and budget reports are often required by state law. Charter schools are public schools that use public funds. The SPCSA is charged with ensuring that schools are responsible stewards of those funds. The SPCSA requires charter

schools to report on their financial positions through annual budgets, periodic (e.g., quarterly) financial reports, financial audits, etc.⁶

Metric to Determine School Status

<p>Meets Standard:</p> <ul style="list-style-type: none"> • The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to financial reporting requirements, including but not limited to: <ul style="list-style-type: none"> ▪ complete and on-time submission of financial reports, including tentative and final budget, and amended budgets (if applicable); ▪ the governing body received the final version of the prior year audit not less than four months after the close of the fiscal year (NAC 387.775) and submitted the final version of the prior year’s audit no later than December 1 to all required entities (NAC 387.775); ▪ quarterly financial reports as required by the authorizer; ▪ making payroll and related IRS and PERS submissions and payments on time; ▪ on-time completion, approval during a public meeting, and submission of the annual independent audit, and corrective action plans, if applicable; ▪ if a school fails to submit its board-approved final audit to the SPCSA by December 1, SPCSA staff will require that the school submit a signed copy of its audit engagement letter by June 1 for the upcoming fiscal year end to better understand how the school is working to avoid such a problem in subsequent years; and ▪ all reporting requirements related to the use of public funds.
<p>Does Not Meet Standard:</p> <ul style="list-style-type: none"> • The school has failed to materially comply in the manner described above.
<p>Falls Far Below Standard</p> <ul style="list-style-type: none"> • Not Applicable

Data Sources

- Annual Independent Audit Report
- Budget, quarterly, and annual financial statements

⁶ Additionally, if the school contracts with a Charter Management Organization or Education Management Organization, the SPCSA may include additional contractual provisions in the charter contract that ensure the school’s financial independence from the external provider.

Measure 3: Financial Oversight

Purpose

Financial oversight encompasses an array of responsibilities that must be carried out by a school's board and leadership to ensure public funds are being used appropriately and effectively. Schools must develop their financial reports and budgets in accordance with the Chart of Accounts prescribed by the Nevada Department of Education. The purpose of financial oversight is to ensure that a charter school's financial resources are managed responsibly and transparently, aligning with state regulations and best practices. Effective financial oversight by a school's board and leadership involves establishing robust financial policies, adhering to budgeting and reporting standards, and conducting regular reviews of financial health.

Metric to Determine School Status

Meets Standard:

- The school and its governing board have established, approved, and monitored annual budget execution and safeguarded the financial health and activities of the school by demonstrating some or all of the following:
 - adopting and maintaining financial-related policies for the school's basis of accounting, segregation of duties, physical security of assets, budget development, and approval process, preparation and review of internal financial reports, purchasing and procurement processes, conflicts of interest disclosure, and to ensuring compliance with any and all reporting requirements;
 - the Board consistently reviews financial reports and statements including a balance sheet, a budget-to-actual income statement, a cash flow statement, and a financial dashboard;
 - the Board approves the school's annual budget by the applicable deadlines, adjusts budgets as necessary, and submits revision as required by law (e.g., enrollment declines);
 - the Board reviews annual independently audited financial statements, reports, and management letters, and findings are being addressed at both the school leadership and Board levels; and
 - the school has appropriate staff with financial expertise and/or contracts with a reputable financial services provider.

Does Not Meet Standard:

- The school has failed to materially comply in the manner described above.

Falls Far Below Standard

- Not Applicable

Data Sources

- Annual Independent Audit Report

- Board minutes

Measure 4: Chart of Accounts

Purpose

The Nevada Administrative Code (NAC 387.765) requires charter schools to “Use the chart of accounts prescribed by the Department” of Education.⁷ This measure evaluates compliance with this requirement.

Metric to Determine School Status

<p>Meets Standard:</p> <ul style="list-style-type: none"> • The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to the use of the Chart of Accounts prescribed by the Nevada Department of Education. • The Governing Board certifies that it is submitting all required reports in the NDE chart of accounts (COA) formats requested by the Department.
<p>Does Not Meet Standard:</p> <ul style="list-style-type: none"> • The school has failed to materially comply in the manner described above.
<p>Falls Far Below Standard</p> <ul style="list-style-type: none"> • Not Applicable

Data Sources

- Self-certification and submittal of Trial Balance and Charter School COA (School)

Measure 5: Grant Subrecipient Compliance

Purpose

The purpose of this measure is to determine whether the school is complying with applicable requirements for receiving grant funds as a part of its overall operations. Compliance is determined by timely and accurate completion of grant-related document submissions, use of funds for allowable purposes, grant applications that meet published requirements, commitment to subrecipient monitoring activities, and established internal controls for the use of grant funds.

⁷ As of 5/2019 the Nevada Department of Education and SPCSA are reviewing potential required revisions to the manner in which the chart of accounts is used in order to meet federal Every Student Succeeds Act (ESSA) reporting requirements. Schools will not be required to comply with any new additional requirements until such time as the Nevada Department of Education notifies schools of its rollout schedule and provides a period of time for the implementation of required changes for the school year in which compliance will be required. Until such time, schools are required to continue to use the COA as currently required in various periodic reports requested by the Nevada Department of Education.

Charter schools are public schools that use public funds, including state and federal grant funds. The SPCSA as the local education agency (LEA) and pass-through entity is responsible for monitoring the activities of the school (subrecipient) as necessary to ensure that the grant funds are used for authorized purposes; in compliance with applicable statutes, regulations, and terms and conditions of the sub-award; and that sub-award performance goals are achieved.

Metric to Determine School Status

<p>Meets Standard:</p> <ul style="list-style-type: none"> • The school materially complies with applicable laws, rules, regulations, and terms and conditions of all applicable subaward agreements; submits timely and accurate applications, reimbursement requests, and required reports; ensures completion of an annual single audit if required; and complies with the risk assessment and subrecipient monitoring process. • The charter school materially complies with SPCSA published deadlines and requirements, applicable laws, regulations, and subaward terms and conditions. • The charter school materially complies with SPCSA Risk-Based Subrecipient Monitoring requirements.
<p>Does Not Meet Standard:</p> <ul style="list-style-type: none"> • The school as failed to materially comply in the manner described above.
<p>Falls Far Below Standard</p> <ul style="list-style-type: none"> • Not Applicable

Data Sources

- Grant applications, reimbursement requests, time and effort reporting
- Fiscal and programmatic instruments, onsite monitoring, desktop monitoring, responses to Corrective Action Plans or Management Decisions

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 facility may show their annual “mortgage” payments under this approach but not the full cost of the facility as an expenditure on a modified accrual financial statement in one of their annual reports. School-wide, classified as accrual, financial statements include: Statement of Net Position, Statement of Activities. 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: Resources owned or controlled by a particular entity because 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 process of gathering sufficient and appropriate evidential material needed to attest to the fairness of management’s assertions set forth in their school’s financial statements and to evaluate whether management has efficiently and effectively carried out its financial statement responsibilities. The auditor obtains this evidential matter through inspection, observation, inquiries, and confirmations of information submitted by the client school or management organization. The information may be used in referring to the following: Compliance Audit, Financial Audit, Performance Audit, Single Audit or an Annual Independent Audit.

Balance Sheet: In a charter school setting, it is a financial statement that discloses the assets, liabilities, and fund balances of a charter school as of the end of its fiscal year (June 30 in Nevada). This document must be completed in conformity with generally accepted accounting principles (GAAP). It may be referred to as the Statement of Financial Position or Statement of Net Assets, but it is not a Statement of Net Position, which is defined 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. Nevada charter schools must submit statements using an Accrual Basis and statements using a Modified Accrual Basis. No Cash Basis statements are required.

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 time period.

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 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 Default: See primary definition language above in the main part of the Technical Guide. Note: Schools which are not acquiring their facilities typically have a facility lease if not other costs. Before GASB 87 they would typically have low Debt Service Coverage Ratios. However, to try and get a better understanding of how they would perform if their lease payments were treated like mortgage style payments, the SPCSA called for lease payments to be viewed similar to mortgage payments. This was accomplished by requiring schools to show a lease service coverage ratio. GASB 87 is now in effect which treats lease payments like mortgage payments by showing the present value sum of contractually expected lease payments to be shown on the books of the school as assets and as liabilities. The SPCSA will continue to rate schools on their Debt Service Coverage Ratio or on their Lease Service Coverage Ratio information.

Debt Service: The cash for the payment agreed to be tendered at a particular time to satisfy an obligation of interest and a repayment of 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. This may be on an over 90 days default of secured or unsecured debt. A default occurs when a borrower stops making the required payment on a debt. Defaults can occur on secured debt, such as a mortgage loan secured by a house, or unsecured debt, such as credit cards or a student loan. Defaults expose borrowers to legal claims and may limit their future access to credit.

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.

Note that schools often lease if they do not have the fiscal resources to acquire a facility. This means their balance sheet may not be as strong as a school acquiring their facility. GASB 87 can have and has had a significant impact on a Statement of Net Position (similar to a Balance Sheet) for schools which are leasing. The impact can be to push schools into a Does Not Meet Standard rating, or worse, in this measure. GASB 87 impacts were first shown with the Fiscal Year Ending 2022 figures. Staff are monitoring the impacts of GASB 87 on schools and may adjust recommendations depending on these impacts.

Deferred Inflows of Resources: An acquisition of net assets by the school that is applicable to a future reporting period.

Deferred Outflows of Resources: A consumption of net assets by the school that is applicable to a future reporting period.

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

Depreciation: A non-cash accounting entry for the purpose of recognizing on the balance sheet (Statement of Net Position) the change in value of assets over time.

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

Enrollment Variance: The SPCSA keeps a focus on enrollment levels as enrollment levels are typically considered a significant indicator of a school’s current projected potential well-being, assuming the schools are maintaining their expenses according to their enrollment and revenue levels. If a school’s actual enrollment falls far below their budgeted enrollment, it is important that the school manages its expenses with additional caution.

Schools may have, for example, contracted for enough teachers to teach to the budget level of students for the coming school year. If the actual enrollment ends up being substantially less than the budgeted enrollment, the school's actual revenue may fall significantly. Without reserve or other funds, such an enrollment decline could make it difficult for the school to meet payroll obligations for their contracted faculty as well as for other personnel costs. This can result in the schools approaching or operating at a deficit, which may trigger SPCSA interventions.

Expenditure: The total amount of money spent by an organization to acquire goods or services, settle debts, or invest in assets. It represents a cash outflow and is often used to acquire something that will provide future economic benefits, such as equipment, buildings, or inventory. On a financial statement it may include both a principal and an interest expense portion or a total principal amount. Expenditures are often associated with the purchase or investment in long-term assets, while expenses relate to the ongoing operational costs of running the organization within an accounting period. Expenditures may be capitalized, meaning they are recorded as assets and depreciated over time. Typically associated with modified accrual accounting methods.

Expense: An expense is the cost incurred by an organization to generate revenue within a specific period. It represents the consumption of assets or incurrence of liabilities that directly relate to the operations of the business, such as salaries, rent, and utilities. Expenses are typically recorded immediately on the income statement, reflecting their use within the period. Expenses typically exclude principal payments. An expense is usually associated with full accrual accounting methods.

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 (GAAP). Refer to Audit.

Financial Statements: Written records that convey the business activities, financial performance, and financial well-being of a charter school. SPCSA financial statements include school-wide statements: Statement of Net Position, Statement of Activities; Fund statements: Balance sheet, Statement of Revenues, Expenditures and Changes in Net Assets; Other: Reconciliations and Budget to Actual; and Cash flow statement. See "Accrual Accounting" and "Modified Accrual Accounting" for other required statements.

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

Fiscal Year: In Nevada, the fiscal year is the period from July 1st to June 30th of the following calendar year.

GAAP: Refer to Generally Accepted Accounting Principles.

GASB Statement No. 34: Basic Financial Statements for State and Local Governments. This GASB statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities. It establishes that the basic financial statements and required supplementary information (RSI). This includes two general statement categories and includes the following statements:

Government-Wide Financial Statements

Statement of Net Assets

Statement of Activities.

These are prepared using “the economic resources measurement focuses and the accrual basis of accounting.”

Fund Financial Statements

Balance Sheet

Statement of Revenues, Expenditures and Changes in Fund Balance

The fund financial statements (including financial data for the general fund and special revenue, capital projects, debt service, and permanent funds) should be prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

Fund financial statements also should report information about a government’s fiduciary funds and component units that are fiduciary in nature.

GASB Statement No. 63: Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

GASB Statement No. 68: Pension Accounting Rules requires governments providing defined benefit pensions to recognize their actual or imputed long-term obligation share for pension benefits as a liability, and to measure the annual costs of pension benefits more comprehensively and comparably.

GASB Statement No. 87 Lease Accounting Rules: Under Statement 87, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources.

GASB Statement No. 96 Subscription-Based Information Technology Arrangements. Similar to GASB 87 this Statement describes required accounting reporting treatment of a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability.

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 encompasses 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.

Hold Harmless: A policy applicable under certain, limited circumstances, that may allow for limited but continued funding based on a prior level of enrollment, even if the current enrollment has declined.

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 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 (operating) margin (revenues less expenses) or the total margin (see Total Margin). The net amount of the difference is typically referred to as a surplus (if positive) or a deficit (if negative).

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. Modified Accrual Accounting financial statements are typically shown as “Governmental Fund Statements.” They may include the following: “Balance sheet”; “Statement of Revenues, Expenditures and Changes in Fund Balances”; “Reconciliation of Fund Balance of Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position” and “Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities.”

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).

Net Surplus: The amount of revenue recognized after certain operating expenses have been deducted. For the purposes of calculating Sustainability Measure #1 Total Margin and Sustainability Measure #4 Debt or Lease Service Coverage Ratio, Change in Net Position from the Statement of Activities will be used as the Net Surplus.

Non-cash transaction. Accounting transactions reflected as bookkeeping entries though no cash leaves the organization for that account name or item for the period in question. Depreciation and amortization are common examples of this. Non-cash PERS expenses are also included.

Principal: The base amount of the loan excluding any interest or fees.

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 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 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 school's 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.

Unrestricted Days Cash: (See definition in the respective section of the Technical Guide above.)
Note: The SPCSA provides additional information measures in this area to includes the Accounts Receivable balance with the Unrestricted Cash and Equivalent balance because schools are paid the day after the month for which they provide educational services, rather than at the start of the month or during the month. The financial audits call for the cash balance on the last day of the month, which would typically be lowest cash balance point for the schools. By having this additional information item, the board and staff can have more context into the financial well-being of the schools regarding cash balance related measures.