Nevada State Public Charter School Authority

Financial Performance Framework Technical Guide

Adopted July 2024

Revised August 2025 for FY2026 and Future Years

Nevada State Public Charter School Authority

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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.

In 2025, SPCSA staff worked in collaboration with schools and provided additional updates to the framework. These updates align with national best practices and reflect the educational finance structures and systems in Nevada.

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 charter contract renewal process, sponsors must determine whether the school is not only academically and organizationally sound, but also financially stable.

The Financial Performance Framework provides sponsors a tool to identify schools currently in or trending towards financial difficulty. The guidance aligns with NACSA's *Principles and Standards for Quality Charter School Authorizing* (2023), which recommends that sponsors use a performance framework to set clear expectations for monitoring short-term financial performance, evaluating long-term financial sustainability, and ensuring sound financial management and oversight. The Financial Performance Framework was created after a review of model sponsor practices, charter school lender guidance, and expertise in the field. The framework was created to provide a clear picture of a school's past financial performance and current financial health.

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 accounting standards established by the Nevada Department of Education (NDE) and the Governmental Accounting Standards Board (GASB) and evaluated in the school's annual financial audit. Information from both the Government Wide financial statements and Governmental Funds financial statements is evaluated in determining the ratings for each school. Additional financial reports, including budgets, are also used in the determination of ratings.

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 evaluates a school's fiscal health using ten generally accepted financial performance measures, as outlined in this technical guide. These measures assess near-term financial condition, long-term sustainability, and ongoing fiscal management. No single metric should be used in isolation; rather, the measures are designed to complement one another and, taken together, provide a comprehensive view of a school's financial status, trends, and viability.

Results should be interpreted with consideration for each school's circumstances. Factors such as the timing of revenue or external policy decisions can affect financial stability, particularly during the first years of operation. **Accordingly, three metrics are reported for informational purposes only during a school's first two years: Unrestricted Days Cash on Hand, Ending Fund Balance, and Enrollment Variance. However, if these metrics indicate material financial risk or severe fiscal distress, SPCSA staff and the Authority Board may still recommend formal action or issue a Notice.**

The Financial Performance Framework is unweighted, and charter holders are rated as either *Meets Standard*, *Does Not Meet Standard*, or *Falls Far Below Standard*. However, some measures carry greater importance in how lenders and other stakeholders assess financial health. In particular, Unrestricted Days Cash on Hand, Debt-to-Asset Ratio, and Debt Service to Total Revenue Ratio are closely interrelated and difficult to improve without affecting one another. For example, a school might increase its days cash on hand through borrowing, but this would negatively affect its Debt-to-Asset Ratio.

Poor ratings on financial performance measures can trigger a Notice of Concern, Notice of Breach, or Notice of Intent to Revoke. **A Notice may be issued when a school is rated as *Falls Far Below Standard* on at least one indicator or *Does Not Meet Standard* on at least three indicators.** Depending on the severity, the school may be required to submit a financial improvement plan and may be subject to 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 Ladder[1]

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 few 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	• 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.	• 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	• 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.	• Written notification to charter school governing body detailing area(s) of deficiency. • May require corrective action plan and/or site evaluation.
Notice of Intent to Revoke	• 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.	• 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 of 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 Nevada Department of Education can monitor the financial health and well-being of its charter schools.

Financial Management and Oversight

In the 2024 update to the Financial Performance Framework, metrics addressing fiscal management and oversight were transferred 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: Unrestricted Current Ratio

Purpose

The Unrestricted Current Ratio compares a school's unrestricted current assets and current liabilities. The Unrestricted Current Ratio is a financial ratio that measures the extent to which a school has enough unrestricted resources to pay its obligations over the coming 12 months.

An Unrestricted Current Ratio of greater than 1.0 indicates that a school's unrestricted 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 likely does not have sufficient unrestricted current assets to cover its current liabilities and thus may not be able to meet all its financial obligations over the next 12 months.

Formula

$$\frac{Total\ Unrestricted\ Current\ Assets}{Total\ Current\ Liabilites} = Unrestricted\ Current\ Ratio$$

Metric to Determine School Status

Meets Standard: • Unrestricted Current Ratio is greater than or equal to (≥) 1.1.
Does Not Meet Standard: • Unrestricted Current Ratio is greater than or equal to (≥) 1.0 and less than (<) 1.1.
Falls Far Below Standard • Unrestricted Current ratio is less than (<) 1.0.

Data Sources

- Balance Sheet Governmental Funds in the Annual Independent Audit
- Statement of Net Position in the Annual Independent Audit

Example

ABC Academy

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

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

$$\frac{\$197{,}114}{\$95{,}382} = 2.07\ Unrestricted\ Current\ Ratio$$

Final Rating: **Meets Standard**

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

Measure 2: Unrestricted Days Cash on Hand

Purpose

Unrestricted Days Cash on Hand (UDCOH) is a short-term liquidity measurement of how many days a school can continue to operate using only its unrestricted cash and cash equivalents without receiving additional revenues. It includes unrestricted cash, short-term investments, and short-term accounts receivables[2] as available 'cash' to cover the subsequent year's budgeted expenditures. National standards widely consider 60-120 days of cash on hand as model practice. This standard takes on additional importance in Nevada, where the timing of revenue receivables can often lag operating expenditures, especially for schools with growing enrollment. Schools with insufficient UDCOH can be forced to take on high-interest, short-term debt to fund operations, leading to higher costs and reduced revenue available for education. Maintaining a healthy level of cash and accounts receivable can ensure a school can cover ongoing expenses, maintain financial stability, and respond to unforeseen expenses.

Note: Schools in their first and second year of operation will receive an information-only rating to track their progress toward meeting the 60-day standard by the third year of operation. However, SPCSA staff and the Authority Board may recommend formal action or a Notice should the results reflect material financial risk or indicate severe fiscal distress.

Formula

$$\frac{Subsequent\ Year\ Budgeted\ Total\ Expenditures}{365\ Days} = Average\ Daily\ Expense$$

$$\frac{Unrestricted\ Cash + Cash\ Equivalents + Accounts\ Receivable}{Average\ Daily\ Expense} = UDCOH$$

Metric to Determine School Status

Meets Standard: • Unrestricted Days Cash on Hand is greater than or equal to (≥) 60 days.
Does Not Meet Standard: • Unrestricted Days Cash on Hand is greater than or equal to (≥) 30 and less than (<) 60 days.
Falls Far Below Standard • Unrestricted Days Cash on Hand is less than (<) 30 days.

[2] Most charter school accounts receivables are made up of grant reimbursements and state revenue, which are typically guaranteed to be received within a very short amount of time. Unlike typical private sector accounts receivable, there is minimal risk of delinquent or defaulted collections.

Data Sources

- Subsequent Year Total Expenditures: Final budget approved by school's board and submitted by June 8.
- Balance Sheet Governmental Funds in the Annual Independent Audit
- Statement of Net Position in the Annual Independent Audit
- Notes to the audited financial statements or supplementary information

Example

ABC Academy

ABC Academy's FY2026 Year Total Expenditures: $1,163,620

ABC Academy's FY2025 Unrestricted Cash, Cash Equivalents, and Accounts Receivable Balance: $245,528

$$\frac{\$1{,}163{,}620}{365\ Days} = \$3{,}188\ Average\ Daily\ Expense$$

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

Final Rating: **Meets Standard**

Why? – ABC Academy has 60 or more Days of Unrestricted Cash on Hand

Measure 3: Ending Fund Balance

Purpose

A charter school's combined Ending Fund Balance is a key indicator of financial health and sustainability and a required budgeting and reporting component of all public schools. This balance identifies financial resources in reserve at the end of the fiscal year, which in turn becomes the Opening Fund Balance and part of the available resources for the subsequent year. This reserve helps charter schools plan for future projects and growth, cover unanticipated expenses, and minimize debt needs.

A healthy Ending Fund Balance shows that the school is managing public funds prudently and operating within its means by planning ahead and avoiding overspending. A low or negative Ending Fund Balance can quickly lead to cash flow crises, service disruptions, or even closure. A strong Ending Fund Balance is evidence the school can weather challenges and meet obligations to students and staff.

The standard used in this framework mirrors requirements in NAC 354.650 that requires a local government to provide a written explanation to the Nevada Department of Education should their Ending Fund Balance be less than 4% of the actual expenditures. This also aligns with NAC 387.730, which prevents a governing body from approving a budget that plans to spend more money from any specific fund than the amount of money available in that fund.

Note: Schools in their first and second year of operation will receive an information-only rating to track their progress toward meeting the 4% standard by the third year of operation. However, SPCSA staff and the Authority Board may recommend formal action or a Notice should the results reflect material financial risk or indicate severe fiscal distress.

Formula

$$\frac{Ending\ Fund\ Balance}{Total\ Fund\ Expenditures} = Ending\ Fund\ Balance\ as\ Percentage\ of\ Total\ Expenditures$$

Metric to Determine School Status

Meets Standard: • The most recent year's Ending Fund Balance as Percentage of Total Expenditures is greater than or equal to (≥) 4%.
Does Not Meet Standard: • The most recent year's Ending Fund Balance as Percentage of Total Expenditures is greater than (>) 0 and less than (<) to 4%.
Falls Far Below Standard • The most recent year's Ending Fund Balance as Percentage of Total Expenditures is less than or equal to (≤) 0.

Data Sources

- Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds in the Annual Independent Audit Report

Example

ABC Academy

ABC Academy's Ending Fund Balance: $400,585
ABC Academy's Total Fund Expenditures: $3,000,651

$$\frac{\$400{,}585}{\$3{,}000{,}651} = 13.3\%\ \textit{Ending Fund Balance as Percentage of Total Fund Expenditures}$$

Final Rating: **Meets Standard**

Why? – Ending Fund Balance as Percentage of Total Fund Expenditures exceeds 4% in the most recent year.

Measure 4: Enrollment Variance

Purpose

Enrollment Variance indicates whether a school is reasonably meeting its enrollment projections, thereby generating sufficient revenue to fund ongoing operations. Because so much state funding is based on enrollment counts, accurately projecting enrollment for budget purposes can have significant financial implications for a school's operations.

The Enrollment Variance measure is calculated using the actual enrollment of the school or network, as determined on Validation Day, compared with the budgeted enrollment of the school or network in the board approved Final Budget. A school's board may amend the budget throughout the year to adjust for enrollment changes (among other things), and such revisions may be an indication of effective budget oversight and management. Nonetheless, the Enrollment Variance calculation is based on the total enrollment in the original Final Budget to actual enrollment because it is this variance that can cause financial stress, the need to adjust planned expenditures, and potentially an inability to deliver on the promised programming to students.

Note: Schools in their first and second year of operation will receive an information-only rating to track their progress toward meeting the 95% standard by the third year of operation. However, SPCSA staff and the Authority Board may recommend formal action or a Notice should the results reflect material financial risk or indicate severe fiscal distress.

Formula

$$\frac{Actual\ Enrollment}{Budgeted\ Enrollment} = Percent\ Enrollment\ Variance$$

Metric to Determine School Status

Meets Standard: • Enrollment Variance is greater than or equal to (≥) 95% in the most recent completed year.
Does Not Meet Standard: • Enrollment Variance is greater than or equal to (≥) 90% but less than (<) 95% in the most recent year.
Falls Far Below Standard • Enrollment Variance is less than (<) 90% in the most recent year.

Data Sources

- Actual Enrollment = Certified Count Day (October 1) enrollment
- Budgeted Enrollment = Final budget approved by school's board and submitted by June 8.

Example

ABC Academy

ABC Academy's Actual Enrollment: 225 students

ABC Academy's Budgeted Enrollment: 210 students

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

Final Rating: **Meets Standard**

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

Note: Charter schools with actual enrollment less than 90% or greater than 110% of the enrollment cap in their contract must check with the SPCSA, as this requires schools and boards to submit a Request for Amendment of their charter contract. Budgeted enrollment levels may vary from contracted enrollment levels.

Measure 5: Missed Obligations

Purpose

The Missed Obligations indicator addresses whether a school has unfulfilled contractual obligations and/or state mandated payment obligations. This includes, but is not limited to, debt service, lease payments, PERS obligations, etc. Notes from the audited financial statements or other verified information are used as sources of data. Schools that have missed obligations, either through missed payments or underpayments, are at financial risk.

Staff may review missed obligations that occurred during the school year, even if they were cured prior to the end of the school year.

Metric to Determine School Status

Meets Standard: • School does not have any missed obligations.
Does Not Meet Standard: • Not Applicable
Falls Far Below Standard • School has missed obligations.

Data Sources

- Notes to the audited financial statements
- PERS Outstanding Balance Reports
- Other verified information

Example

ABC Academy

ABC Academy's notes to their audited financial statements indicate that the school has missed three lease payments.

Final Rating: **Falls Far Below Standard**

Sustainability Measures

Measure 6: Debt-to-Asset Ratio

Purpose

Debt-to-Asset Ratio measures the total debt a school owes compared to the total assets it holds. It measures the extent to which a school relies on borrowed funds to finance operations. If the Debt-to-Asset Ratio exceeds 100%, it indicates that a school's debt surpasses its assets, which can serve as a significant warning of financial distress. 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 of less than 90% suggests a financially stable balance sheet with positive net equity.

GASB 87 requires schools to show the present value of their expected future lease payments as both an intangible asset and as a debt. This measure 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

$$\frac{(Total\ Liabilities - Net\ Pension\ Liabilities^{3} - OPEB^{4})}{Total\ Assets} = Debt - to - Asset\ Ratio$$

Metric to Determine School Status

Meets Standard: • Debt-to-Asset Ratio is less than (<) 90%.
Does Not Meet Standard: • Debt-to-Asset Ratio is greater than or equal to (≥) 90% and less than or equal to (≤) 110%.
Falls Far Below Standard • Debt-to-Asset Ratio is greater than (>) 110%.

[3] 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. Thus, any tally of total liabilities for ratings purposes must subtract any net pension liabilities included in the audit report. Should PERS policy regarding the proportionate share of the system's Net Pension Liability change, this measure will be updated to reflect the change.

[4] Other Post-Employment Benefits as identified in the Annual Independent Audit Report

Data Sources

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

Example

ABC Academy

ABC Academy's Total Liabilities: $12,000
ABC Academy's Net Pension Liability: $8,000
ABC Academy's Total Assets: $20,000
ABC Academy's OPEB: $0

$$\frac{\$12{,}000 - \$8{,}000}{\$20{,}000} = 20\%\ Debt - to - Asset\ Ratio$$

Rating: **Meets Standard**

Debt-to-Asset Ratio is less than (<) 90%.

Measure 7: Debt Service to Total Revenue Ratio

Purpose

Debt Service to Total Revenue (DSTR) Ratio is a simple way to evaluate how much of a school's income goes toward paying debt. It works like the Debt-to-Income ratio used in personal finance, showing what percentage of total revenue is needed to cover debt payments—both principal and interest. While businesses often use more complex debt ratios that include things like depreciation, those aren't useful for charter schools. Since charter schools are non-profit organizations, not including depreciation and other non-cash expenses makes the ratio both more relevant and easier to understand. This helps school leaders and governing boards make clearer financial decisions and track how much money they have available to spend on servicing educational programming. GASB 87 requires schools to show the present value of their expected future lease payments as both an intangible asset and as a debt.

Formula

$$\frac{Total\ Debt\ Service}{Total\ Revenue} = Debt\ Service\ to\ Total\ Revenue\ Ratio$$

Metric to Determine School Status

Meets Standard: • Debt Service to Total Revenue Ratio is less than or equal to (≤) 20%.
Does Not Meet Standard: • Debt Service to Total Revenue Ratio is greater than (>) 20% and less than or equal to (≤) 25%.
Falls Far Below Standard • Debt Service to Total Revenue Ratio is greater than (>) 25%.

Data Sources

- Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds in the Annual Independent Audit Report
- Notes to the audited financial statements or supplementary information

Example

ABC Academy

ABC Academy’s Total Debt Service: $400,000 per year.
ABC Academy’s Total Revenue: $1,200,000

$$\frac{\$400{,}000}{\$1{,}200{,}000} = 33.3\%\ \mathit{Debt\ Service\ to\ Total\ Revenue\ Ratio}$$

Rating: **Falls Far Below Standard**

Debt Service to Total Revenue Ratio is greater than 25%.

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 8: 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 financials are accurate and complete, demonstrating strong financial management by the school. A qualified opinion, by contrast, raises concerns and may signal potential financial weakness.

Metric to Determine School Status

Meets Standard:
• 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 the Annual Independent Audit Report, which should conclude with an unqualified audit opinion. It should **NOT** show any evidence of the following:
  ▪ Significant findings and conditions, material weaknesses, or significant internal control weaknesses.
  ▪ Ongoing concern disclosure in the notes or an explanatory paragraph within the audit report.
  ▪ Repeat findings of significance.

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

Measure 9: 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.[5] Additionally, Nevada Administrative Code (NAC 387.765) requires charter schools to use the chart of accounts prescribed by the Department of Education.[6]

Metric to Determine School Status

Meets Standard:

- The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to financial reporting requirements by completing the following requirements:
  - Complete and on-time submission of financial reports, including tentative and final budgets, and amended budgets (if applicable).
  - The governing board received the final version of the prior year audit not less than four months after the close of the fiscal year (NAC 387.775), approved it during a public meeting, and submitted the final version no later than December 1 to all required entities (NAC 387.775).[7]
  - Quarterly financial reports are submitted on time as required by the SPCSA.

[5] 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.

[6] 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.

[7] If a school fails to submit its board-approved final audit to the SPCSA by December 1, SPCSA staff may 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.

▪ The school and governing board complete all reporting requirements related to the use of public funds. ▪ The school and governing board submit all required reports in the appropriate Chart of Accounts (COA) format as required by the Nevada Department of Education.
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
- Budget, quarterly, and annual financial statements

Measure 10: 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 completing the following requirements: ▪ 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 governing 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 governing 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 governing board reviews annual independently audited financial statements, reports, and management letters, and findings are addressed at both the school leadership and Board levels. ▪ 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

- Governing board agendas and/or minutes.

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 payments of cash or incurrence of a liability for the purpose of acquiring assets, 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 non-financial (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 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 a school 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 school except as to the result of the work. The school monitors progress under the contract and authorizes payment.

Current Assets: Resources that are available or can readily be made available within the same fiscal year 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.

Debt: An obligation resulting from the borrowing of money or from the purchase of goods and services on credit. 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 under Missed Obligations.

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 Default: Occurs when the borrower has not made scheduled payments of interest or principal. Typically, a debt is considered in default if payments of principal and interest are more than 90 days delinquent, though this will vary between lenders. Defaults can occur on secured debt, such as a bond loan secured by a facility, or unsecured debt, such as credit cards or a line of credit. Defaults expose borrowers to legal claims and may limit their future access to credit.

Debt Service Delinquency: Occurs when the borrower has failed to make a payment of principal and interest on or before the due date of that payment. Continued or repeated delinquency may result in a debt default.

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 the SPCSA measures a school's debt to assets as a percentage rather than a ratio for the sake of understandability for an audience that may not be very familiar with finance.

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: An excess of expenditure over revenues.

Depreciation: A non-cash accounting entry for the purpose of recognizing on the 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 organization, 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:

<u>Government-Wide Financial Statements</u>
- 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.

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 Expenditures: 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 Equivalents 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.