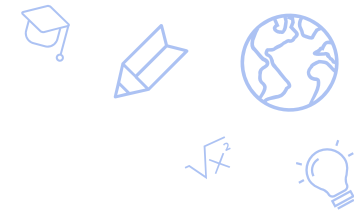




Proposed Financial Performance Framework Revisions

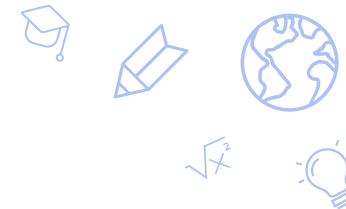
August 22, 2025





Purpose

- NRS [388A.273](#) requires each charter school sponsor to adopt a framework that must be incorporated into the charter contract to include academic, financial, and organizational components.
 - The category of finances must address the financial condition and sustainability of the charter school.
- Additionally, the SPCSA has an academic and organization framework.



Rationale Behind the Changes

- Incorporates ‘fund’ accounting to align with state budgeting and reporting requirements.
- Clearer understanding of financial metrics for all stakeholder groups.
- Aligns the Financial Performance Framework with various NAC:
 - [NAC 354.650](#) 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.
 - [NAC 387.730](#) 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.
 - [NAC 387.735](#) provides the budget authority for augmenting and amending budgets.

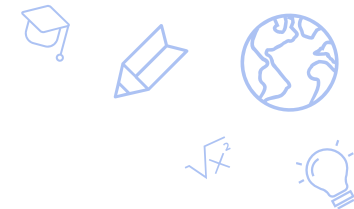
Current Framework

Near Term Measures
Measure 1: Current Ratio
Measure 2: Unrestricted Days Cash
Measure 3: Enrollment Variance
Measure 4: Debt (or Lease) Default
Sustainability Measures
Measure 1: Total Margin and Aggregated 3-Year Total Margin
Measure 2: Debt to Asset Ratio
Measure 3: Cash Flow
Measure 4: Debt or Lease Service Coverage Ratio
Financial Management and Oversight
Measure 1: Annual Financial Audit
Measure 2: Financial Reporting and Compliance
Measure 3: Financial Oversight
Measure 4: Chart of Accounts
Measure 5: Grant Subrecipient Compliance

Revised Framework



Near Term Measures
Measure 1: Unrestricted Current Ratio
Measure 2: Unrestricted Days Cash on Hand
Measure 3: Ending Fund Balance
Measure 4: Enrollment Variance
Measure 5: Missed Obligations
Sustainability Measures
Measure 6: Debt to Asset Ratio
Measure 7: Debt Service to Total Revenue Ratio
Financial Management and Oversight
Measure 8: Annual Financial Audit
Measure 9: Financial Reporting and Compliance
Measure 10: Financial Oversight



Overview

- Removed Measures
 - Total Margin and Aggregated 3-Year Total Margin
 - Cash Flow
 - Chart of Accounts
 - Rolled into Financial Reporting and Compliance
 - Grant Subrecipient Compliance
- New Measures
 - Ending Fund Balance
- Changes the Notice threshold to 3 Does Not Meet Standard ratings from 4 Does Not Meet Standard ratings.



Measure 1: Unrestricted Current Ratio

- Added 'Unrestricted'
- Simplified metric to determine rating by removing analysis of one year trend.
- Increased the DNMS target from .90—1.09 to 1.0—1.09.
- Increased the FFBS target from less than .90 to less than 1.0.
- Added Balance Sheet Governmental Funds to data sources

Formula

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

Metric to Determine School Status

Meets Standard:

- Unrestricted Current Ratio is greater than or equal to (\geq) 1.1.

Does Not Meet Standard:

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

Falls Far Below Standard

- Unrestricted Current ratio is less than ($<$) 1.0.



Measure 2: Unrestricted Days Cash on Hand

- Uses the subsequent fiscal year's final budgeted expenses to calculate Average Daily Expense.
 - For example, for FY25 ratings, the 2026 Final Budget total expenditures would be used.
- Short term accounts receivable and cash equivalents included as 'cash'.
- Schools in Y1 and Y2 will only receive informational ratings that will help them track toward the 60-day standard.
- Metrics for DNMS and FFBS increased.

Formula

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

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

Metric to Determine School Status

Meets Standard:

- Unrestricted Days Cash on Hand is greater than or equal to (\geq) 60 days.

Does Not Meet Standard:

- Unrestricted Days Cash on Hand is greater than or equal to (\geq) 30 and less than ($<$) 60 days.

Falls Far Below Standard

- Unrestricted Days Cash on Hand is less than ($<$) 30 days.

Data Sources

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



Measure 3: Ending Fund Balance

- ALL NEW!
- Measures a school's Ending Fund Balance in relation to its Total Fund Expenditures.
- Schools in Y1 and Y2 will only receive informational ratings that will help them track toward the 4% standard.
- Aligns with [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.
- Aligns with [NAC 387.730](#), which prevents a governing body from approving a budget that plans to spend more money from fund than the amount of money available in that fund.

Formula

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

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 (\geq) 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 (\leq) 0.

Data Sources

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



Measure 4: Enrollment Variance

- Increases the standard to 95% for all schools.
- Removes any amended final budgets as a data source.
- Ultimately, the goal is that schools are adopting conservative budgets in June.
- Schools in Y1 and Y2 will only receive informational ratings that will help them track toward the 95% standard.

Metric to Determine School Status

Meets Standard: <ul style="list-style-type: none">• Enrollment Variance is greater than or equal to (\geq) 95% in the most recent completed year.
Does Not Meet Standard: <ul style="list-style-type: none">• Enrollment Variance is greater than or equal to (\geq) 90% but less than ($<$) 95% in the most recent year.
Falls Far Below Standard <ul style="list-style-type: none">• 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.



Measure 5: Missed Obligations

- Revision of Debt (or Lease) Default
- Widens the scope to capture missed payments to contracted services and state obligations (i.e. PERS).
- Adds Outstanding Balance Reports from PERS and other verified information as a Data Sources.

Metric to Determine School Status

Meets Standard: <ul style="list-style-type: none">• School does not have any missed obligations.
Does Not Meet Standard: <ul style="list-style-type: none">• Not Applicable
Falls Far Below Standard <ul style="list-style-type: none">• School has missed obligations.

Data Sources

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



Measure 6: Debt-to-Asset Ratio

- Reported as a percentage instead of a ratio for better clarity.
- Backs out Other Post-Employment Benefits if offered by the school and identified in the audit.
- Increased the FFBS metric from 100% to 110%.

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 (\geq) 90% and less than or equal to (\leq) 110%.

Falls Far Below Standard

- Debt-to-Asset Ratio is greater than (>) 110%.



Measure 7: Debt Service to Total Revenue Ratio

- Revision of Debt or Lease Service Coverage Ratio
- Debt Service does include annual principal and interest on all debt, including capital leases.
- Analyzes how much of a school's income goes toward paying its debt.

Formula

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

Metric to Determine School Status

Meets Standard:

- Debt Service to Total Revenue Ratio is less than or equal to (\leq) 20%.

Does Not Meet Standard:

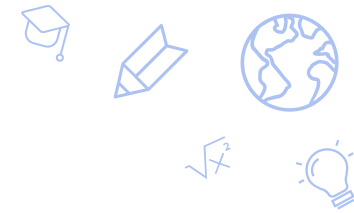
- Debt Service to Total Revenue Ratio is greater than ($>$) 20% and less than or equal to (\leq) 25%.

Falls Far Below Standard

- Debt Service to Total Revenue Ratio is greater than ($>$) 25%.

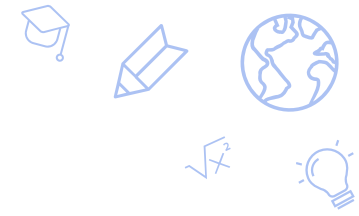
Data Sources

- 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



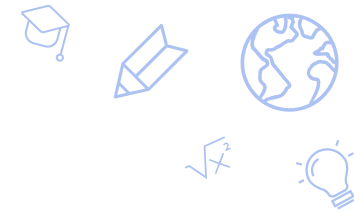
Financial Management and Oversight

- For these measures, the purpose statements and metric descriptions were cleaned up.
- Chart of Accounts compliance rolled into Financial Reporting and Compliance.
- Grant Subrecipient Compliance was removed.



Questions





Proposed Motion

Approve the revisions to the SPCSA Financial Performance Framework as outlined in the documents attached to this agenda item, effective for Fiscal Year 2026 and beyond.

Thank you!

charterschools.nv.gov

