

MINUTES
OF THE MEETING OF THE
BOARD OF DIRECTORS OF SOMERSET ACADEMY OF LAS VEGAS
NOVEMBER 30, 2023

The Board of Directors of Somerset Academy of Las Vegas held a public meeting on November 30, 2023, at 6:00 p.m. at 4491 N. Rainbow Blvd., Las Vegas, NV 89108.

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:03 p.m. by Board Chair Travis Mizer. The following Board members were in attendance: Travis Mizer, LeNora Bredsguard, John Bentham, Will Harty, and Cody Noble.

Board Members Sarah McClellan and Renee Fairless were not in attendance.

Also present were the following principals: Lee Esplin, Jessica Scobell, Mindi Palomeque, Cesar Tiu, David Fossett, and Kate Lackey. Somerset Inc. representative Suzette Ruiz; Heather Grech with Rubin Brown; and Academica representatives Gary McClain, Matt Padron, Ryan Reeves, Trevor Goodsell, and Marla Devitt attended the meeting.

2. PUBLIC COMMENT

There was no public comment.

3. CONSENT AGENDA

- a. APPROVAL OF MINUTES FROM THE OCTOBER 30, 2023 BOARD MEETING**
- b. APPROVAL OF PURCHASE OF EDGENUITY FOR LOSEE CAMPUS**
- c. APPROVAL OF REVISED ENROLLMENT POLICY**

MEMBER BENTHAM MOVED TO APPROVE THE CONSENT AGENDA, AS PRESENTED. MEMBER HARTY SECONDED THE MOTION, AND THE BOARD VOTED UNANIMOUSLY TO APPROVE.

4. ACTION & DISCUSSION ITEMS

- c. REVIEW AND APPROVAL OF THE 2022/2023 SCHOOL YEAR FINANCIAL AUDIT**

Mr. Trevor Goodsell addressed the Board and reviewed the findings from the 2022/2023 financial audit, addressing three key findings. The first pertained to revenue recognition, which would be resolved through the addition of another controller and allowing more time for closing the books and audit preparation. The second issue involved a payroll accrual, which had been corrected for future instances. The third finding related to schedules recorded backward, with debits instead of credits, and this would be addressed by allocating more time for closing the books and audit preparation.

Ms. Heather Grech addressed the Board, presenting a review of the 2022/2023 school year audit. She highlighted that the financial statements covered the overall financial activity for the year, emphasizing the comparability of financials from year to year on the operational side. Under the GASB standards, she explained that the PERS liability was booked, even though the school was not ultimately responsible.

Member Harty noted a couple of material weaknesses and deficiencies and inquired about the audit's qualification status. Ms. Grech confirmed it was an unqualified audit, highlighting significant improvement from the previous audit. She clarified that all findings were year-end adjustments and reassured that day-to-day operations were functioning well with established review processes and checks and balances. Member Harty asked if the financials were being closed monthly, to which Mr. Goodsell replied in the affirmative. Member Mizer asked about the previously required additional audits by the State, and Mr. Goodsell clarified that they were no longer required.

Member Harty asked Ms. Grech about controls. She assured the absence of evidence of fraud or willful manipulations, highlighting that Rubin Brown tested the processes as part of the audit. Ms. Grech also mentioned the upcoming single audit, required for federal funds exceeding \$750,000 expended in a year, with a deadline set for February 15th, assuring it would be completed well before the due date.

MEMBER HARTY MOVED TO ACCEPT THE AUDIT REPORT AS PRESENTED. MEMBER BENTHAM SECONDED THE MOTION, AND THE BOARD VOTED UNANIMOUSLY TO APPROVE.

a. REVIEW AND APPROVAL OF THE FINAL REVISED BUDGET FOR THE 2023/2024 SCHOOL YEAR

Mr. Matt Padron addressed the Board and presented the final revised budget, commencing with an overview of the summary page. The first column, labeled Operating/SPED/NSLP/SGF, represented the normal operating budget, while the second column encompassed various grants and awards approved throughout the year. Mr. Goodsell explained that the addition of SGF was in response to the auditor's request, emphasizing that principals retained control over the funds. The budget detailed SGF revenues and expenditures, with grants also included at the auditors' request.

Mr. Padron highlighted the major changes from the last Board-approved budget. Enrollment adjustments were made based on Q1 actuals, leading to a decrease in revenue due to changes in enrollment and "at-risk" funding. To counterbalance the reduced revenue, earnings from investment in bond accounts were budgeted, from significantly higher interest income. SPED part B funding had increased, and Mr. Goodsell clarified that debt reserve funds from bonds were held in reserve, earning 6-7% interest, offsetting changes in "at-risk" funding. The SPED discretionary unit, initially budgeted at \$3000, was trued up to \$3800.

Mr. Padron detailed truing up salaries based on rosters, including some salaries paid with grant funds, resulting in a budget calculated with a 1.06% surplus. He noted increased utility costs. Member Mizer inquired if the 1% surplus was for the entire year, and Mr. Goodsell affirmed, attributing the closeness to changes in "at-risk" funding. Mr. Goodsell mentioned the changed capitalization rule, benefiting the budget. Member Mizer questioned if the lower surplus percentage would impact the financial framework, and Mr. Goodsell assured that it would not.

Member Harty sought clarification on the calculation of enrollment at 97%, with Mr. Goodsell explaining it was the actual enrollment and noting that Q1 was traditionally the lowest enrollment quarter. Member Harty asked if the higher management fee was included in the budget, and Mr. Goodsell confirmed its inclusion, clarifying that Somerset was not yet paying the higher fee.

MEMBER HARTY MOVED TO APPROVE THE BUDGET AS PRESENTED. MEMBER BENTHAM SECONDED THE MOTION, AND THE BOARD VOTED UNANIMOUSLY TO APPROVE.

b. REVIEW AND APPROVAL OF TEACHER AND STAFF HOLIDAY BONUSES

Mr. Gary McClain addressed the Board and stated that \$125 for each staff member had been budgeted for the holiday bonus. Member Mizer asked if it was the same amount as the previous year. Mr. McClain stated it had been the same for several years. Member Noble asked if it could be increased. Mr. Goodsell stated that an increase would have minimal impact on the budget. Discussion ensued regarding an increase in the amount of the bonus.

MEMBER BREDSGUARD MOVED TO APPROVE \$200 FOR THE HOLIDAY BONUS. MEMBER NOBLE SECONDED THE MOTION, AND THE BOARD VOTED UNANIMOUSLY TO APPROVE.

d. DISCUSSION REGARDING THE ANNUAL SURPLUS SPENDING POLICY

Mr. McClain stated that a reserve study had been conducted to ensure that Somerset had sufficient funds for building upkeep, State Public Charter School Authority (SPCSA) requirements, bond requirements, and curriculum and technology needs. Working with Members Harty and Noble, a surplus spending plan had been developed. He noted that Somerset currently had \$38 million in unrestricted cash on hand, and 120 days cash on hand would be \$31 million. Anything beyond 120 days cash on hand would be funds not required to meet the SPCSA, bond, curriculum, and technology needs.

Member Harty asked about the total cash on hand. Mr. Goodsell explained that the restricted funds were money that had been allocated and could not be used until the bonds reached maturity. Mr. Noble asked about the days cash on hand required for the bond covenants, to which Mr. Goodsell replied that it was 40 days.

Member Harty stated that during his tenure on the Board of Directors, Somerset had always run a surplus. Having a large surplus meant that Somerset was receiving money on behalf of students that was not being spent on behalf of students. He acknowledged that it would not be wise to spend all the funds because of the metrics the system must meet. Another SPCSA requirement was to ensure that expenditures did not exceed revenue. With Somerset on a trajectory for another year with \$5 million added to the surplus, the Board needed to look to approve projects and possibly increase administrator and teacher compensation.

Member Noble thanked Mr. McClain for all the work he put into this study and plan. He stated that Somerset had the funds to meet the requirements and should not continue to add funds to the reserve beyond reasonable reserves. He agreed with Member Harty that the excess funds should be used for projects or to benefit the administrators and staff.

Member Mizer asked if there was a negative to the mindset that Somerset had enough in reserve and should spend the excess. Mr. Ryan Reeves addressed the Board and stated that it was fine to spend the excess funds once requirements and reserves were satisfied. He clarified that building the reserves did not equate to taking money from the students. He noted that it was risky to include employee compensation in one-time surplus spending plans. He suggested being careful and mindful of how the funds were used in one-time projects versus recurring compensation increases. Member Noble stated that Mr. Reeves' points were valid. It was not possible to put the funds in a recurring payment due to the fluctuations in funding. He stated that the system should give the excess to staff when it was available while acknowledging that there would be years when it would not be possible to pass along any excess to staff.

Principal Lee Esplin addressed the Board and suggested that some of the excess funds could be used for “pay for performance” increases. Discussion ensued regarding allocating excess funds for capital improvements, “pay for performance”, and retention bonuses. Member Harty noted that the funds would need to be spent each year by June 30th. Member Noble stated that pay increases would continue to be based on the State funding increases. Mr. Reeves stated that Somerset could guarantee that the percentage of funding increase would be matched in raise percentages for teachers, noting that the funding next year would increase by 5%, which principals could allocate using a “pay for performance” formula. Mr. McClain stated that Academica would bring an assumed surplus to the Board in the third quarter of the fiscal year, along with projects and campus needs.

e. REVIEW AND POSSIBLE APPROVAL OF CLASSROOM ADDITIONS

- **ALIANTE CAMPUS**
- **SKY POINTE CAMPUS**
- **SKYE CANYON CAMPUS**

Mr. McClain stated that the Aliante, Sky Pointe, and Skye Canyon classroom additions were upcoming projects. The Board had previously asked if the projects would be negatively impacted by any delay. The architect provided a construction schedule, which was forwarded to the Board. The Aliante and Skye Canyon projects could start by June 3rd, with a completion date in December 2024. The Sky Pointe project could follow closely behind with a start date of June 17th. The projects would have a combined cost of \$3.9 million, with \$1 million from bond funds that could be utilized for the Aliante and Skye Canyon campuses. Mr. McClain stated that the Board could approve moving forward to the bidding process, with any bids brought back to the Board for final approval. He noted that the current surplus would cover the expected expenses.

MEMBER NOBLE MOVED TO APPROVE MOVING FORWARD WITH THE BIDDING PROCESS ON THE THREE PROJECTS. MEMBER BENTHAM SECONDED THE MOTION, AND THE BOARD VOTED UNANIMOUSLY TO APPROVE.

f. UPDATE ON UPCOMING PROJECTS

Mr. McClain reviewed the upcoming projects, including Sky Pointe roadway improvements, Sky Pointe parking lot expansion, Sky Pointe field lights, Sky Pointe performing arts building, and Lone Mountain gym and middle school expansion. He also outlined reserve projects as contained in the support materials, noting that the Losee turf was the largest of the projects. Member Mizer asked if the turf companies could attend the meeting to explain the warranty information. Mr. McClain replied that he would discuss attendance with the bidders. Discussion ensued regarding turf upkeep and safety.

Member Bentham stated that the Somerset system had a real need for a gym for athletic events. He noted that to pay for the gym, increasing middle school enrollment by adding middle school classrooms to the gym was proposed. The gym, along with the performing arts building on the Sky Pointe campus, would help retain Somerset students through high school. Member Bentham stated that adding a separate middle school building would also allow students to have a different middle school experience. Mr. McClain mentioned that the land use attorney was working on site plans for both Lone Mountain and Sky Pointe to confirm the allowed uses for the sites.

5. ANNOUNCEMENTS AND NOTIFICATIONS

Mr. McClain thanked the finance team at Academica for their hard work over the last 12 months. Principal Esplin acknowledged the time and efforts by Mr. McClain in support of all of the Somerset campuses.

6. MEMBER COMMENT

Member Bredsguard agreed that Mr. McClain worked hard for Somerset and expressed appreciation for her fellow Board members. Members Bentham mentioned that sleep cycle studies showed that high school students starting later would be better and asked if Somerset could look at that option. Discussion ensued regarding benefits and challenges to adjusting start times. Member Mizer wished Principal Palomeque a speedy recovery. He asked if Board members could personally visit each campus to distribute holiday bonuses or cards. Discussion ensued regarding possible options for visiting campuses.

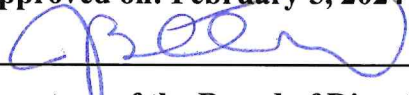
7. PUBLIC COMMENT

There was no public comment.

8. ADJOURN MEETING

THE MEETING ADJOURNED AT 7:38 P.M.

Approved on: February 5, 2024



**Secretary of the Board of Directors
Somerset Academy of Las Vegas**