Somerset Academy of Las Vegas

Basic Financial Statements
As of and for the Year Ended June 30, 2023

Contents

Contents *(Continued)*

RubinBrown

10801 W Charleston Blvd
Suite 300
Las Vegas, NV 89135

T: 702.415.2112
E: info@rubinbrown.com
www.RubinBrown.com

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Somerset Academy of Las Vegas
Las Vegas, Nevada

Report On The Audit Of The Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Somerset Academy of Las Vegas, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Somerset Academy of Las Vegas's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Somerset Academy of Las Vegas, as of June 30, 2023, and the respective changes in financial position and the budgetary comparisons for the General and Special Education Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis For Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of Somerset Academy of Las Vegas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Somerset Academy of Las Vegas's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Somerset Academy of Las Vegas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Somerset Academy of Las Vegas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

GAAP requires that Management's Discussion and Analysis, Pension and Post-Employment Benefits schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Somerset Academy of Las Vegas's basic financial statements. The Schedule of Activities by Location is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Activities by Location is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 30, 2023, on our consideration of Somerset Academy of Las Vegas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Somerset Academy of Las Vegas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Somerset Academy of Las Vegas's internal control over financial reporting and compliance.

RubinBrown LLP

November 30, 2023

This section of the annual financial report for Somerset Academy of Las Vegas (the School) provides an overview of the School's financial activities as of and for the fiscal year ended June 30, 2023. It should be read in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

- Liabilities and deferred inflows of resources of the School were higher than assets and deferred outflows of resources of the current fiscal year by $6,457,313.
- Revenue was $88,550,670, an increase from $83,382,198 in the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's annual report. This report has four components: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) required supplementary information, and 4) supplementary information. The basic financial statements include two types of statements presenting different views of the School:

School-Wide Financial Statements

The School-Wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business, using the accrual basis of accounting.

The Statement of Net Position presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference is reported as net position. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The School-wide statements above report one type of activity: governmental activities. Funding received from state and federal sources primarily support these activities. Services associated with the operation of the School fall into this category, including instruction, support services, unallocated depreciation and amortization, and debt service.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School, like other state and local governments, uses fund accounting to ensure and report compliance with finance related legal requirements.

All funds of the School are governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the school-wide financial statements. Governmental fund financial statements, however, focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. They are reported using the modified accrual basis of accounting. Such information may be used to evaluate a government's requirements for near-term financing.

Because the focus of the governmental funds is narrower than that of the School-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the school-wide financial statements. By doing so, readers may better understand the long-term impact for the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Board of Directors adopts an annual appropriated budget for its general fund and special education fund. A budgetary comparison statement has been provided for the general fund and special education fund to demonstrate compliance with the School's budget.

School-Wide Financial Analysis

The Statement of Net Deficit provides the perspective of the School as a whole. The table below provides a summary of the School's net deficit as of June 30:

	2023	2022
Assets		
Current assets	**$ 44,941,251**	$ 41,709,937
Non-current assets	**129,393,052**	131,224,064
Total Assets	**174,334,303**	172,934,001
Deferred Outflows of Resources	**36,998,028**	33,583,788
Liabilities		
Current liabilities	**11,614,563**	8,655,284
Long-term liabilities	**206,119,384**	169,058,361
Total Liabilities	**217,733,947**	177,713,645
Deferred Inflows of Resources	**55,697**	29,891,621
Net Position (Deficit)		
Net investment in capital assets	**(3,705,988)**	(6,339,764)
Restricted	**7,425,922**	1,575,174
Unrestricted	**(10,177,247)**	3,677,114
Total Net Deficit	**$ (6,457,313)**	$ (1,087,476)

The unrestricted net position of governmental activities represents the accumulated results of life-to-date operations. The results of the current-year operations for the School as a whole are reported in the Statement of Activities, which shows changes in net position. The decrease in net position was due to expenditures in excess of revenues primarily due to pension expense related to PERS totaling $6,494,130 for the year ended June 30, 2023. The deferred outflows and deferred inflows are a result of GASB statements 68 and 75 in relation to pensions and OPEB. Net investments in capital assets totaled a deficit of $3,705,988. This compares the original cost less depreciation and amortization of the School's capital assets to long-term debt used to finance the acquisition of the assets.

The results of this year's operations for the School as a whole are reported in the summarized Statements of Activities (below) which shows the changes in net position for the fiscal years ended June 30:

	2023	2022
Revenue		
Operating grants	**$ 15,732,484**	$ 12,604,666
Student generated funds	**2,518,344**	1,967,623
General revenue:		
State unrestricted	**68,859,742**	68,589,927
Earnings on restricted cash and cash equivalents	**1,230,246**	9,315
Other revenues	**209,854**	210,667
Total Revenues	**88,550,670**	83,382,198
Expenses		
Instruction	**55,651,165**	43,165,591
Support services	**28,720,727**	24,964,204
Interest expense	**6,022,984**	6,056,628
Depreciation and amortization	**3,525,631**	3,809,311
Total Expenses	**93,920,507**	77,995,734
Change in Net Position (Deficit)	**(5,369,837)**	5,386,464
Net Deficit - Beginning of Year	**(1,087,476)**	(6,473,940)
Net Deficit, End of Year	**$ (6,457,313)**	$ (1,087,476)

A reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities appears on page 16.

As reported in the statement of activities, revenues of all governmental activities was $88,550,670 and the cost was $93,920,507. Revenues increased primarily from an increase in federal grants of $2,996,250 and earnings on restricted cash and cash equivalents of $1,220,117. Instruction and support service expenses increased with additional funding from the increase in operating grants and an increase in compensation of faculty to attract and retain talent and an increase in pension expense of $6,626,865.

The School's Funds

As noted earlier, the School uses funds to help it control and manage money for particular purposes. Looking at Funds helps the reader consider whether the School is being held accountable for the resources taxpayers and others provide to it and may give more insight into the School's overall financial health.

As the School completed this year, the Governmental Funds reported a combined fund balance of $47,950,332, an increase of $1,807,977 from the prior year. Total debt service and capital outlay was $11,003,567 offset by $833,234 in asset acquisitions finaced through leases.

Capital Assets

Pursuant to the Nevada Department of Education, the capitalization threshold for assets purchased by the School is established at a value of $5,000. At this time, the School has capital assets net of accumulated depreciation and amortization of $116,930,824 consisting of buildings, building improvements, land, land improvements, right of use leased assets and furniture, equipment and other. Capital assets decreased approximately $2,004,775 primarily due to depreciation and amortization for the year totaling $3,525,631 mitigated by capital outlays of $1,520,856. We present more detailed information about our capital assets in the notes to the financial statements.

Long-Term Obligations

At the end of this year, the School had $206,119,384 in long-term obligations (excluding the amounts due within one year) resulting from the total net OPEB liability, pension liability, bonds payable, lease liabilities and compensated absences. We present more detailed information about our long-term obligations in the notes to the financial statements.

General and Special Education Fund Budget Analysis and Highlights

The Board of Directors of Somerset Academy of Las Vegas adopted an annual budget for the School. Prior to the start of the school year, the School will create an initial budget based on estimated economic funding factors and projected enrollment. As these economic and enrollment factors become known subsequent to the school year beginning, a final revised budget is prepared and approved by the School's Board of Directors. Budgetary comparison statements have been provided for the General and Special Education Funds.

Actual revenues were above the final budget by $11,313,014 for the General Fund and $1,446,006 for the Special Education Fund. This is primarily due to additional ESSER funds available by the grantor. In addition, student activity revenue of $2,518,344 and investment income totaling $1,230,246 earned on the money market mutual fund accounts were not included in the budget.

Actual General Fund expenditures were above the final budget by $14,588,379. This is primarily due to additional Federal grant funding received that was available for the programs and expenditures related to the student activities, covered by the revenues of such activities, totaling $2,194,542 that were not included in the budget.

Economic Factors and Next Year's Budget

The Administration and Board of Education consider many factors and make assumptions based on the best available information when setting the School's operating budget. Since such a significant portion of the School's revenue is dependent on State funding and the health of the State's School Fund, the actual revenue received depends on the State's ability to collect revenues to fund its committed appropriation to the school districts. It doesn't appear that the revenue system in place can keep pace with spending pressures school districts statewide face from increases in retirement contributions, employee health insurance, general pay raises, and energy costs. The Board and Administration take all this into account when setting the budget and trying to maintain a sufficient fund balance which will allow us to address this ever changing situation.

Another important factor affecting the School's budget is our student count. State funding revenue is determined by multiplying the blended student count by the State allowance per pupil. Based on preliminary counts for the 2023-2024 fiscal year, we are estimating enrollment to increase approximately 2.50% compared to the prior year.

As a result, it is critical that the School maintains an adequate fund balance in order to be able to react to these ever changing conditions and to provide for the fair and equitable treatment of both our students and employees.

Requests for Information

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information can be obtained from the Chief Financial Officer of Academica Nevada, LLC, 6630 Surrey St. Las Vegas, NV 89119.

Basic Financial Statements

Somerset Academy of Las Vegas
School-Wide Financial Statements
Statement of Net Deficit
June 30, 2023

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash	$ 35,043,251
Restricted cash and cash equivalents	7,425,923
Accounts receivable, net	2,232,221
Other assets	239,856
Total Current Assets	44,941,251
Non-Current Assets	
Restricted cash and cash equivalents	12,462,228
Capital assets not being depreciated	24,660,052
Right to use leased assets being amortized, net of accumulated amortization	1,315,342
Capital assets being depreciated, net of accumulated depreciation	90,955,430
Total Non-Current Assets	129,393,052
Total Assets	174,334,303
Deferred Outflows of Resources - Related to Pension	36,998,028
Liabilities, Deferred Inflows of Resources and Net Deficit	
Current Liabilities	
Accounts payable and accrued expenses	7,637,045
Compensated absences	627,563
Current portion of bonds payable	2,755,000
Current portion of lease liabilities	594,955
Total Current Liabilities	11,614,563
Non-Current Liabilities	
Bonds payable and bond premium, net of current portion	128,983,455
Lease liabilities, net of current portion	765,630
Other post-employment benefit liability	304,584
Net pension liability	76,065,715
Total Non-Current Liabilities	206,119,384
Total Liabilities	217,733,947
Deferred Inflows of Resources	
Deferred inflows of resources - related to Pension	54,339
Deferred inflows of resources - related to OPEB	1,358
Total Deferred Inflows of Resources	55,697
Net Position (Deficit)	
Net investment in capital assets	(3,705,988)
Restricted for debt service	6,563,865
Restricted for national school lunch	862,057
Unrestricted	(10,177,247)
Total Net Deficit	$ (6,457,313)

See accompanying notes to financial statements.

Somerset Academy of Las Vegas
School-Wide Financial Statements
Statement of Activities
June 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Operating Grants	Charges for Services	Total
Functions/Programs Governmental Activities				
Instruction (includes $5,311,977 related to OPEB and net pension liability)	$ 55,651,165	$ 15,732,484	$ —	$ (39,918,681)
Support services (includes $1,262,408 related to OPEB and net pension liability)	28,720,727	—	2,518,344	(26,202,383)
Depreciation and amortization	3,525,631	—	—	(3,525,631)
Interest expense	6,022,984	—	—	(6,022,984)
Total Governmental Activities	$ 93,920,507	$ 15,732,484	$ 2,518,344	(75,669,679)
General Revenues				
State unrestricted revenues				68,859,742
Earnings on cash and cash equivalents				1,230,246
Other revenues				209,854
Total General Revenues				70,299,842
Change in Net Deficit				(5,369,837)
Net Deficit- Beginning of Year				(1,087,476)
Net Deficit - End of Year				$ (6,457,313)

See accompanying notes to financial statements.

Somerset Academy of Las Vegas
Governmental Funds
Balance Sheet
June 30, 2023

Assets

	General	Special Education	Total Governmental Funds
Assets			
Cash	$ 35,043,251	$ —	$ 35,043,251
Restricted cash and cash equivalents	19,888,150	—	19,888,150
Accounts receivable, net	2,032,981	199,240	2,232,221
Other assets	239,856	—	239,856
Due from other funds	—	132,464	132,464
Total Assets	$ 57,204,238	$ 331,704	$ 57,535,942

Liabilities, Deferred Inflows of Resources and Fund Balances

	General	Special Education	Total Governmental Funds
Liabilities			
Accounts payable and accrued expenses	$ 7,308,038	$ 329,008	$ 7,637,045
Due to other funds	132,464	—	132,464
Total Liabilities	7,440,502	329,008	7,769,509
Deferred Inflows of Resources			
Unavailable revenue - grants	1,813,404	2,696	1,816,100
Fund Balances			
Nonspendable-prepaid items	104,977	—	104,977
Restricted for capital investments	12,462,228	—	12,462,228
Restricted for debt service	6,563,865	—	6,563,865
Restricted for national school lunch	862,057	—	862,057
Unassigned	27,957,205	—	27,957,205
Total Fund Balances	47,950,332	—	47,950,332
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 57,204,238	$ 331,704	$ 57,535,942

See accompanying notes to financial statements.

Somerset Academy of Las Vegas
Reconciliation of Fund Balance of Governmental Funds to Net Position of Governmental Activities on the Statement of Net Deficit
June 30, 2023

Total Fund Balances - Total Governmental Funds	$ 47,950,332
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The net capital assets consist of:	
Capital assets, at cost	130,970,697
Accumulated depreciation	(15,355,215)
The net effect of right to use leased assets and lease liabilities	(45,241)
Certain revenues in the governmental funds are unearned because they are not collected within the prescribed time period after year end. Therefore, they are not reported in the governmental funds.	1,816,100
Certain expenditures in the governmental funds are not due and payable because they are not paid out within the prescribed time period after year end. Therefore, they are not reported in the governmental funds.	(627,563)
Deferred outflows and deferred inflows of resources related to pensions and OPEB are applicable to future periods and therefore are not reported in the governmental funds.	
Deferred outflows of pension plan changes	36,998,028
Deferred inflows of pension plan and OPEB changes	(55,697)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These consist of:	
Bonds payable and bond premiums	(131,738,455)
Net pension liability	(76,065,715)
Net other post-employment benefit liability	(304,584)
Net Deficit of Governmental Activities	$ (6,457,313)

See accompanying notes to financial statements.

Somerset Academy of Las Vegas
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2023

	General	Special Education	Total Governmental Funds
Revenues			
State sources	$ 70,246,653	$ 3,096,131	$ 73,342,784
Federal sources	10,612,801	1,542,920	12,155,721
Other sources	3,958,445	—	3,958,445
Total Revenues	84,817,899	4,639,051	89,456,950
Expenditures			
Instruction:			
Salaries	31,790,168	2,657,263	34,447,431
Supplies	4,215,547	66,311	4,281,858
Benefits	9,111,881	747,956	9,859,837
Purchased services	—	1,256,863	1,256,863
Other	174,331	—	174,331
Total Instruction	45,291,927	4,728,393	50,020,320
Support Services:			
Operations	6,820,676	—	6,820,676
Salaries	7,357,521	—	7,357,521
Purchased services	7,286,175	—	7,286,175
Benefits	2,172,543	—	2,172,543
Student activities	2,194,542	—	2,194,542
Other	1,118,269	—	1,118,269
Supplies	508,594	—	508,594
Total Support Services	27,458,320	—	27,458,320
Capital Outlay	1,520,856	—	1,520,856
Debt Service:			
Principal	3,369,069	—	3,369,069
Interest	6,113,642	—	6,113,642
Total Debt Service	9,482,711	—	9,482,711
Total Expenditures	83,753,814	4,728,393	88,482,207
Excess (Deficiency) of Revenues Over Expenditures	1,064,085	(89,342)	974,743
Other Financing Sources (Uses)			
Leases	833,234	—	833,234
Transfer in	—	89,342	89,342
Transfer out	(89,342)	—	(89,342)
Total Other Financing Sources	743,892	89,342	833,234
Changes in Fund Balances	1,807,976.67	—	1,807,977
Fund Balances - Beginning of Year	46,142,356	—	46,142,356
Fund Balances - End of Year	$ 47,950,332	$ —	$ 47,950,332

See accompanying notes to financial statements.

Somerset Academy of Las Vegas
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities
June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	$ 1,807,977
Amount reported for governmental activities in the statement of activities are different because:	
Certain revenues in the governmental funds are unearned because they are not collected within the prescribed time period after year end. Therefore, they are not reported in the governmental funds.	(906,280)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense:	
Capital outlay	1,520,856
Depreciation and amortization expense	(3,525,631)
Net effect of capital assets activity	(2,004,775)
Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Deficit. Repayment of bonds and capital leases is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Deficit. Also, governmental funds report the effect of premiums when debt is issued, whereas the amounts are amortized in the Statement of Activities.	
Issuance of right to use lease liabilities	(833,234)
Amortization of bond premiums	90,658
Principal payments on bonds and leases	3,369,069
Net effect of debt activity	2,626,493
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Government Funds.	
Change in compensated absences	(318,868)
Change in other post employment benefit liability	(80,255)
Change in net pension liability	(6,494,129)
Change in Net Deficit of Governmental Activities	$ (5,369,838)

See accompanying notes to financial statements.

Somerset Academy of Las Vegas
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenue				
State	$ 69,859,170	$ 69,859,170	$ 70,246,653	$ 387,483
Federal	3,453,615	3,453,615	10,612,801	7,159,186
Other	191,380	192,100	3,958,445	3,766,345
Total Revenues	73,504,165	73,504,885	84,817,899	11,313,014
Expenditures				
Instruction	35,977,446	36,082,376	45,291,927	9,209,551
Support services	23,558,299	23,572,182	27,458,320	3,886,138
Capital outlay	899,777	899,777	1,520,856	621,079
Debt service	8,611,100	8,611,100	9,482,711	871,611
Total Expenditures	69,046,622	69,165,435	83,753,814	14,588,379
Excess (Deficiency) of Revenues over Expenditures	4,457,543	4,339,450	1,064,085	(3,275,365)
Other Financing Sources (Uses)				
Leases	—	—	833,234	833,234
Net transfers in and out	(3,367,740)	(3,473,202)	(89,342)	3,383,860
Change in Fund Balance	$ 1,089,803	$ 866,248	$ 1,807,977	$ 941,729

See accompanying notes to financial statements.

Somerset Academy of Las Vegas
Special Education Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenue				
State	$ 3,193,045	$ 3,193,045	$ 3,096,131	$ (96,914)
Federal	—	—	1,542,920	1,542,920
Total Revenues	3,193,045	3,193,045	4,639,051	1,446,006
Expenditures				
Instruction	6,560,785	6,666,247	4,728,393	(1,937,854)
Total Expenditures	6,560,785	6,666,247	4,728,393	(1,937,854)
Excess (Deficiency) of Revenues over Expenditures	(3,367,740)	(3,473,202)	(89,342)	3,383,860
Other Financing Sources (Uses)				
Net transfers in and out	3,367,740	3,473,202	89,342	(3,383,860)
Change in Fund Balance	$ —	$ —	$ —	$ —

See accompanying notes to financial statements.

1. Description of Business and Summary of Significant Accounting Policies

Description of Activity

Somerset Academy of Las Vegas (the "School") is a charter school established in 2011 under Nevada Revised Statue 386.527 (subsequently replaced by NRS 338A.270). The School's major operation is to offer an educational environment where cultivating effective leaders, good character, and a desire to render service. Learning is maximized through individual instruction, interdisciplinary projects and access to a full spectrum of technological resources for kindergarten through twelfth grade in Southern Nevada. For the fiscal year ended June 30, 2023, the School operated seven campuses.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. GASB is the accepted standard-setting body for established governmental accounting and financial reporting principles.

Reporting Entity

The School defines its reporting entity to include all component units for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and is able to impose its will on the potential component unit, or the relationship has the potential for creating specific financial benefits to, or impose specific financial burdens on, the School. Management has determined there are no material component units of the School and the School is not included in any other governmental reporting entity, as defined under current accounting standards.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. It is reasonably possible actual results could differ materially from those estimates and that a change in estimate may occur in the near term.

Basis of Presentation

The School-wide financial statements report information on all of the nonfiduciary activities of the School. The effect of interfund activity has been removed from these statements. All the School's school-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (a) charges to recipients who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

The financial activities of the School are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The following is a description of the Governmental Funds of the School:

- General Fund – used as the general operating fund of the School. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund for the School.

- Special Revenue Funds – used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School operates one special revenue fund, the Special Education Fund, and it is considered a major fund. The main sources of revenue are from State and Federal grants for special education instruction.

Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting used to reflect actual results. The funds of the School are subject to state budgetary accounting controls and all budgets are adopted annually, prior to the beginning of the fiscal year. Periodic budget revisions to funds occur during the fiscal year as needed.

The budgetary data reflected in the financial statements is established by the School using the procedures outlined below:

Prior to March, various management personnel review the operating budget for the fiscal year commencing the following July 1 and submit them to the Board of Directors. This information is used to develop an initial budget and authorizing resolution for the General and Special Education Funds. This includes the proposed expenditures and the means of financing them.

In April, the initial budget resolution is subjected to a public hearing before the Board and is adopted after this hearing and before April 15, as required by state law. The budget is amended and approved when needed with a Final Revised version due to the School's Authorizing Body in June prior to the commencment of the fiscal year beginning July 1.

Various administrators are authorized to transfer budgeted amounts within functions of any fund; however, any revisions that alter the total expenditures of any fund, which is the legal level of budgetary control, must be approved by the Board of Directors. The final budget reflects all revisions approved by the Board of Directors during the year. Unexpended appropriations lapse at year-end. The budget is integrated with the accounting system of the School and is used as a management control device during the year. If anticipated resources actually available during a budget period exceed those estimated, the School may amend the budget by an augmentation of the appropriations of a fund, if approved by a majority vote of the Board of Directors by resolution at a regularly scheduled meeting. The augmentation becomes effective upon delivery to the Department of Education of the State of Nevada and must be submitted prior to the close of the fiscal year.

The budget to actual statements presented represent the original and final budget for the full fiscal year ended June 30, 2023. Expenditures exceeded the budget in the General Fund by $14,588,379.

Measurement Focus and Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences are only recorded when due.

School-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash

Cash principally consists of demand deposits with financial institutions.

Restricted Cash and Cash Equivalents

The School has restricted cash and cash equivalents related to amounts held by the Trustee which may be used to pay project costs and service the Revenue Bonds Series 2015AB, 2018AB, 2019AB and 2021AB. In addition, amounts are restricted for the National School Lunch Program.

Receivables

At times, the School has amounts receivable from various sources. As of June 30, 2023, the School had accounts receivable of $2,232,221.

The School makes judgements about its ability to collect outstanding accounts receivable. If necessary, the School establishes an allowance if collection becomes doubtful, based primarily on the aging of the specific receivable. The School has recorded an allowance of $0 against outstanding accounts receivable as of June 30, 2023.

Capital Assets

Capital assets are stated at cost less accumulated depreciation and amortization. Donated capital assets are stated at their acquisition value as of the donation date. Depreciation and amortization is provided principally on the straight-line method over the estimated useful lives of the assets, which are generally 20 to 40 years for buildings and improvements and 3 to 15 years for furniture, equipment and other. It is the policy of the School to capitalize all capital assets costing more than $5,000 with an estimated useful life of three or more years. This policy is also in line with the Nevada Department of Education mandated threshold for capitalization. Improvements are capitalized and depreciated over the remaining useful lives of related capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of depreciable assets, cost and accumulated depreciation and amortization are removed from the accounts and any gain or loss is recorded upon disposal.

Management reviews the recoverability of its capital assets in accordance with the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. GASB Statement No. 42 requires recognition of impairment of long-lived assets in the event the asset's service utility has declined significantly and unexpectedly. Accordingly, management evaluates assets' utility annually or when an event occurs that may impair recoverability of the asset. No impairments were identified as of June 30, 2023.

Leasing Arrangements

For arrangements where the School is a lessee, a lease liability and a right to use (RTU) intangible asset are recognized at the commencement of the lease term. RTU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. RTU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The School uses the rate implicit in the lease to calculate the present value of lease payments when available or the incremental borrowing rate available to the School if the rate is not implicit in the lease. The School includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the School will exercise the option. The School has not recognized RTU assets and lease liabilities for leases with terms for 12 months or less.

Pension Plan

For purpose of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees Retirement System of Nevada (PERS) and additions to/ deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. On an annual basis, the PERS unfunded liability is reevaluated and the changes are reflected in the School's annual financial statements.

Other Post-Employment Benefits

The School offers the health plan to retirees and implemented provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The School's total OPEB liability was measured as of June 30, 2023 and was determined by actuarial valuations.

Deferred Outflows/Inflows of Resources

Deferred Outflows - In addition to assets, the Statement of Net Deficit will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School reflects deferred outflows of resources in the Statement of Net Deficit for items related to pensions under the accrual basis of accounting.

Deferred Inflows - In addition to liabilities, the Statement of Net Deficit/Government Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reflects deferred inflows of resources which are unavailable revenue in the Governmental Fund Balance Sheet for revenues not received within 60 days of year end that carries under the modified accrual basis of accounting. In addition, the School recognizes deferred inflows of resources related to pensions and other post-employment benefits in the Statement of Net Deficit under the accrual basis of accounting.

Interfund Transactions

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements. Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds".

Revenue Sources

State funding **–** The School receives funding from the State of Nevada as administered by the Nevada Department of Education based on the number of students enrolled in its schools. The State provides unrestricted funding for normal school operations. The School receives additional weighted categorical funding based on the prior year number of students qualifying as English Language Learners and At-Risk.

Federal grants – The School has received federal grants, which are paid through the Nevada Department of Education and the Nevada Department of Agriculture. Funds are generally received on a reimbursement basis and, accordingly, revenues related to these federal grants are recognized when qualifying expenditures have been incurred and when all other grant requirements have been met.

All unrestricted contributions received are recognized as revenue when earned. Contributions received with eligibility requirements are recognized when all eligibility requirements have been met. Contributions that have purpose restrictions are restricted and held for that purpose.

Revenues from auxiliary services are recognized as services are provided. Other revenues are recognized as earned.

Income Taxes

The School is exempt from taxation as a governmental entity pursuant to Internal Revenue Code Section 115. The School qualifies for public charity status by meeting the requirements of Internal Revenue Code Sections 509(1) and 170(b)(1)(A)(ii).

Accrued Salaries and Benefits

Salaries and benefits of teachers are paid over a twelve-month period but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid as of year end, are reported as a liability.

Long-term Obligations

In the School-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activity Statement of Net Deficit. Bonds payable are reported net of applicable premium or discount. Premiums and discounts on bonds issued are amortized over the life of the related bonds on a straight-line basis, which approximates the effective interest rate method. Bond issuance costs are expensed in the year incurred.

In the governmental fund financial statements, governmental fund types recognize the face amount of debt as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

Lease liabilities represent the School's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the School.

Compensated Absences

The School allows licensed instructional staff ("Teachers") eleven days of paid time off ("PTO") per year. Teachers who return the following school year will be able to rollover all unused PTO up to a total of 30 days. In addition, Teachers who use five days or less of PTO during the previous year may cash out up to eleven days at 80% of the teacher's daily rate of pay. No more than eleven days may be cashed out per year. An accrual is recorded in the School-wide financial statements. However, in the governmental fund financial statements, a liability is only recorded in the amount that has matured and is due at the end of the fiscal year.

Net Position (Deficit), Fund Balance and Flow Assumptions

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is "net position" on the school-wide, and "fund balance" on governmental fund statements. Net position/Fund balance is classified in the following three categories:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, leased liabilities and other debt that are attributed to the acquisition, construction, improvements or right to use the assets.

Restricted Net Position - Restricted net position results when constraints placed on an asset's use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position (Deficit) - Unrestricted net position (deficit) consists of net position/fund balance that does not meet the definition of the two preceding categories.

In the fund financial statements, governmental funds report fund balance in five different classifications:

Nonspendable - Assets legally or contractually required to be maintained or are not in spendable form. Such constraint is binding until the legal requirement is repealed or the amounts become spendable.

Restricted - Assets with externally imposed constraints, such as those mandated by creditors, grantors, and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws or regulations.

Committed - Assets with a purpose formally imposed by ordinance of the Board, binding unless modified or rescinded by the Board through a similar action.

Assigned - Assets constrained by the expressed written intent of the Board or designee for special purposes. Encumbrances shall be considered as assigned unless they specifically meet the requirements to be restricted or committed.

Unassigned - All amounts not included in the other fund balance classifications. The general fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted net position, and fund balance are available, the School's policy is to first apply restricted resources. When an expenditure is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School's policy to spend funds in this order: committed, assigned, and unassigned.

2. Cash and Restricted Cash and Cash Equivalents

Cash Deposits and Money Market Mutual Funds

At June 30, 2023, the School's carrying amount of deposits was $8,901,245. The Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules provide $250,000 of insurance per entity per qualifying financial institution. The School's cash balances may, at times, exceed FDIC limits. The Schools has never experienced any losses related to these balances. At June 30, 2023, the School's uncollateralized bank balances exceeded this limit by $1,763,192.

The School also participates in the State of Nevada's Collateralization of Public Funds Program (Program). Under the Program, the depository is required to maintain as collateral, acceptable securities having a fair market value that is at least 102 percent of the amount of the uninsured balances of the public money held by the depository. As of June 30, 2023, the School had bank deposits of $6,888,052 insured and collateralized under the Program.

At June 30, 2023, the School had $46,366,791 in money market mutual funds. These funds have remaining maturities at the time of purchase of three months or less. Therefore, the money market mutual funds are considered cash equivalents and recorded at amortized cost.

Investment policy

The School has not adopted a formal investment policy that limits its investment choices or limits its exposure to certain risks as set forth below.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of investments. As of June 30, 2023, the School's money market mutual funds were rated AAAm by Standard & Poor's.

Interest rate risk

Interest rate risk is the risk of the possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. As noted above, the School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Restricted cash and cash equivalents

As more fully described in Note 4, the School obtained financing from the State of Nevada Department of Business and Industry and the Arizona Industrial Development Authority (Authorities). Part of the proceeds were used to fund the debt service accounts and cost of issuance. Pursuant to the terms of the loan agreements with the Authorities, certain amounts are held by the Trustee for project costs and debt service to provide a measure of security to bondholders. The Trustee holds various accounts as set forth in the indenture of trust and loan agreements. Amounts held by the Trustee are not available to the School for spending until certain criteria are met. The balance restricted and held by the Trustee at June 30, 2023 was $19,026,092.

In addition, certain amounts are restricted for use in the National School Lunch Program. These monies are restricted to use by the underlying terms and conditions of the grant agreement for use in the program. The balance restricted for the National School Lunch Program at June 30, 2023 was $862,057.

3. Capital Assets

Capital assets consist of the following as of June 30, 2023:

	July 1, 2022	Additions	Disposals	Transfers	June 30, 2023
Governmental Activities					
Capital assets, not depreciated:					
Construction in process	$ 183,732	$ 494,560	$ —	$ (579,451)	$ 98,841
Land and improvements	24,561,211	—	—	—	24,561,211
Total capital assets not depreciated	24,744,943	494,560	—	(579,451)	24,660,052
Right to use leased assets, being amortized:					
Furniture, equipment and other	2,254,269	833,234	—	—	3,087,503
Total right to use assets being amortized	2,254,269	833,234	—	—	3,087,503
Less accumulated amortization for:					
Furniture, equipment and other	959,464	812,697	—	—	1,772,161
Total accumulated amortization	959,464	812,697	—	—	1,772,161
Total right to use assets being amortized, net	1,294,805	20,537	—	—	1,315,342
Capital assets being depreciated:					
Buildings and improvements	104,277,762	161,180	—	579,451	105,018,393
Furniture, equipment and other	1,949,822	31,882	(689,452)	—	1,292,252
Total capital assets being depreciated	106,227,584	193,062	(689,452)	579,451	106,310,645
Less accumulated depreciation:					
Buildings and improvements	11,395,175	2,696,253	—	—	14,091,428
Furniture, equipment and other	1,936,558	16,681	(689,452)	—	1,263,787
Total accumulated depreciation	13,331,733	2,712,934	(689,452)	—	15,355,215
Total capital assets being depreciated, net	92,895,851	(2,519,872)	—	579,451	90,955,430
Net Capital Assets	$ 118,935,599	$ (2,004,775)	$ —	$ —	$ 116,930,824

Depreciation and amortization for the year ended June 30, 2023 was $3,525,631. The School determined it was impractical to allocate depreciation to the various functions as the assets serve multiple functions.

4. Long-Term Obligations

Long-term obligations consist of the following as of June 30, 2023:

	Balance July 1, 2022	Additions	Payments/ Retirements	Balance June 30, 2023	Due Within One Year
Revenue Bonds, Series 2015AB	$ 38,590,000	$ —	$ 895,000	$ 37,695,000	$ 930,000
Revenue Bonds, Series 2018AB	46,660,000	—	865,000	45,795,000	905,000
Revenue Bonds, Series 2019AB	12,895,000	—	235,000	12,660,000	245,000
Revenue Bonds, Series 2021AB	33,475,000	—	370,000	33,105,000	675,000
Bond premium	2,574,112	—	90,658	2,483,454	—
	134,194,112	—	2,455,658	131,738,454	2,755,000
Lease Liabilities	1,531,421	833,234	1,004,069	1,360,586	594,955
Compensated absences	308,695	318,868	—	627,563	627,563
Other post-employment benefits	225,687	78,897	—	304,584	—
Net pension liability	36,320,063	39,745,652	—	76,065,715	—
	$ 172,579,978	$ 40,976,651	$ 3,459,727	$ 210,096,902	$ 3,977,518

Bonds

In April 2015, the School obtained financing of $43,080,000 through the issuance of Director of the State of Nevada Department of Business and Industry Charter School Lease Revenue Bonds Series 2015A and 2015B bonds (the “Bonds”). These Bonds were sold at a premium of $148,416 and have interest rates of 4.0% to 5.125%, which are collateralized with pledged gross revenues. The proceeds of the Bonds were used to: (i) purchase the land and building of the Sky Pointe campus, along with financing the last phase of construction; (ii) purchase the land and building of the North Las Vegas I campus; and (iii) pay the cost of issuing the 2015A and 2015B bonds. As of June 30, 2023, the School was compliant with all covenants of the Bonds. Bond series 2015AB fully matures on December 15, 2045.

In April 2018, the School obtained financing of $49,035,000 through the issuance of Director of the State of Nevada Department of Business and Industry Charter School Lease Revenue Bonds Series 2018A and 2018B bonds (the “Bonds”). These Bonds were sold at a premium of $205,933 and have interest rates of 4.5% to 5.0%, which are collateralized with pledged gross revenues. The proceeds of the Bonds were used to: (i) purchase the land and building of the Losee campus; (ii) purchase the land and building of the Stephanie campus; and (iii) pay the cost of issuing the 2018A and 2018B bonds. As of June 30, 2023, the School was compliant with all covenants of the Bonds. Bond series 2018AB fully matures on December 15, 2048.

In April 2019, the School obtained financing of $13,335,000 through the issuance of Arizona Industrial Development Authority Education Revenue Bonds Series 2019A and 2019B bonds (the "Bonds"). These Bonds were sold at a premium of $529,230 and have interest rates of 3.75% to 5.0%, which are collateralized with pledged gross revenues. The proceeds of the Bonds were used to: (i) purchase the land and building of the Lone Mountain campus; and (ii) pay $562,850, the cost of issuing the 2019A and 2019B bonds. As of June 30, 2023, the School was compliant with all covenants of the Bonds. Bond series 2019AB fully matures on December 15, 2049.

In May 2021, the School obtained financing of $33,475,000 through the issuance of Arizona Industrial Development Authority Education Revenue Bonds Series 2021A and 2021B bonds (the "Bonds"). These Bonds were sold at a premium of $1,876,950 and have interest rates of 3.0% to 4.0%, which are collateralized with pledged gross revenues. The proceeds of the Bonds were used to: (i) purchase the land and building of the Aliante campus; (ii) purchase the land and building of the Skye Canyon campus; and (iii) pay $887,451, the cost of issuing the 2021A and 2021B bonds. As of June 30, 2023, the School was compliant with all covenants of the Bonds. Bond series 2021AB fully matures on December 15, 2051.

As of June 30, 2023, minimum future payments under the bonds are as follows:

Year	Principal	Interest	Total
2024	$ 2,755,000	$ 5,946,894	$ 8,701,894
2025	2,870,000	5,837,231	8,707,231
2026	2,975,000	5,723,181	8,698,181
2027	3,095,000	5,599,444	8,694,444
2028	3,230,000	5,465,119	8,695,119
2029 - 2033	18,400,000	25,037,837	43,437,837
2034 - 2038	23,180,000	20,177,669	43,357,669
2039 - 2043	29,430,000	13,858,337	43,288,337
2044 - 2048	31,630,000	6,093,831	37,723,831
2049 - 2052	11,690,000	732,725	12,422,725
	$ 129,255,000	$ 94,472,268	$ 223,727,268

Leases

The School also entered into several financing lease agreements for the use of school campuses, furniture, equipment, textbooks, and curriculum.

Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses other observable rates, such as the School's borrowing rate or other similar contracts. The lease term included is the noncancellable period of the lease, including options to extend, if reasonably certain of being exercised. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the School is reasonably certain to exercise. The School monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The School leases curriculum, technology, equipment and furniture & fixtures under several lease agreements with monthly payments totaling $60,825 and various maturity dates through October 2026.

During the fiscal year, the School recorded $75,813 in interest expense for the right to use leased assets. During 2023, the School paid $1,079,883 in lease payments.

The following represents future minimum lease payments required under the lease agreements as of June 30:

Year	Principal	Interest	Total
2024	$ 594,955	$ 47,795	$ 642,750
2025	465,875	24,448	490,323
2026	253,659	8,839	262,498
2027	46,095	335	46,431
	$ 1,360,585	$ 81,417	$ 1,442,002

5. Interfund Balances

The following is a schedule of transfers as included in the basic financial statements of the School.

	Transfers In	Transfers Out
General Fund	$ —	$ 89,342
Special Education	89,342	—
	$ 89,342	$ 89,342

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Amounts due to the Special Education Fund from the General Fund of $132,464 as of June 30, 2023 are the result of a time lag created when the General Fund collects grant funds and transfers those funds to the Special Education Fund.

6. Unrestricted Net Position (Deficit)

The unrestricted net position on the statement of net deficit consists of two parts, normal school operations and OPEB and pension related. The normal school operations resulted in an excess of expenses over revenue of $876,931, while the pension related expenses totaled $6,574,385. The unrestricted net position (deficit) reconciles as follows:

	Normal School Operations	OPEB and Pension Related	Total
Beginning balance	$ 36,530,697	$ (32,853,583)	$ 3,677,114
Change in unrestricted net deficit	(7,279,976)	(6,574,385)	(13,854,361)
Ending balance	$ 29,250,721	$ (39,427,968)	$ (10,177,247)

7. Pension Plan

Employers participating in the Public Employees' Retirement System of Nevada (PERS) and/or (the System) cost sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The PERS Schedule of Employer Allocations and Schedule of Pension Amounts by Employer provide employers with the required information for financial reporting.

The underlying financial information used to prepare the pension allocation schedules is based on PERS' financial statements. PERS' financial statements are prepared in accordance with GAAP that apply to governmental accounting for fiduciary funds.

Contributions for employer pay dates that fall within PERS' fiscal year ended June 30, 2022, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations.

The total pension liability is calculated by the PERS' actuary. The plan's fiduciary net position is reported in PERS' financial statements and the net pension liability is disclosed in PERS' notes to the financial statements.

The PERS of Nevada's financial statements required the use of estimates and assumptions. The actual results may differ from these amounts.

Plan Description

PERS administers a cost-sharing, multi-employer defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

PERS publishes its own stand-alone comprehensive annual financial report which is available on the PERS website www.nvpers.org. Detailed information regarding the PERS fiduciary net position is available in that report.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any thirty-six consecutive months with special provisions for members entering the System on or after January 1, 2010 and July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. Regular members entering the system on or after July 1, 2015, have a 2.25% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - 286.579.

Vesting

Members are eligible for retirement at age 65 with 5 years of service, at age 60 with 10 years of service or at any age with 30 years of service for members enrolled prior to January 1, 2010. Members enrolled on or after January 1, 2010, are eligible for retirement at age 65 with 5 years of service, at age 62 with 10 years of service, and at any age with 30 years of service. Members who entered the System on or after July 1, 2015, are eligible for retirement at age 65 with 5 years of service, at age 62 with 10 years of service, at age 55 with 30 years of service or any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefits allowance is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Regular members become fully vested as to benefits upon completion of five years of service.

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member's account. If EPC was elected, the member cannot convert to the Employee/Employer Contribution plan and cannot withdraw these contributions.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuarial funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and results in a relatively level long-term contribution requirement as a percentage of salary.

The rate for the employer-pay contribution plan was 29.75% for each of the years ended June 30, 2023, 2022, and 2021. The rate for the employee/employer contribution plan was 15.50% for each of the years ended June 30, 2023, 2022, and 2021. For the year ended June 30, 2023, total covered payroll was $32,836,986. Employer contributions to the pension plan were $7,719,878 for the year ended June 30, 2023, of which $2,610,701 represents the employee portion paid by the Employer und the ERC Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the School reported a liability of $76,065,715 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating schools, actuarially determined. June 30, 2022, the School's proportion was 0.42130 percent which was an increase of .02302 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School recognized pension expense of $6,494,130. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employers' contributions and proportionate share of contributions	$ 8,729,676	$ —
Differences between expected and actual experience	9,849,254	54,339
Change in actuarial assumptions	9,771,171	—
Net difference between projected and actual earnings on pension plan investments	928,049	—
Contributions subsequent to the measurement date	7,719,878	—
	$ 36,998,028	$ 54,339

Average expected remaining service lives: 5.70 years.

The $7,719,878 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2024	$ 24,061,115
2025	2,750,210
2026	1,443,374
2027	610,930
2028	358,182
	$ 29,223,811

Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Board adopted policy target asset allocation as of June 30, 2022:

Assets Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
U.S. Stocks	42%	5.50%
International stocks	18%	5.50%
U.S. Bonds	28%	0.75%
Private markets	12%	6.65%
Total	100.00%	

*As of June 30, 2022, PERS long-term inflation assumption was 2.5%

Pension Liability Discount Rate Sensitivity

The following presents the School's net pension liability of the PERS, calculated using the discount rate of 7.25%, as well as what the School's PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current discount rate:

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
School's proportionate share of the net pension liability	$ 116,785,074	$ 76,065,715	$ 42,465,324

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website www.nvpers.org.

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50%
Payroll growth	3.50%
Investment rate of return	7.25%
Productivity pay increase	0.50%
Projected salary increase	Regular 4.20% to 9.10%, depending on service rates including inflation and productivity increases
Consumer price index	2.50%
Other assumptions	Same as those used in the June 30, 2022 funding of actuarial valuation

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of the experience study for the period July 1, 2016, through June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except the projected contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

8. Other Post-Employment Benefits

Plan Description

Somerset Academy of Las Vegas participates in the Academica Health Plan (the Program), a multiple-employer defined benefit health care plan and an agency plan. The School permits qualifying retirees to continue their health coverage until age 65. The School does not pay any portion of the retiree's premiums. The premiums for all coverage are entirely at the retiree's expense.

Premiums are developed using blended active and retiree claims experience so premiums charged retirees may not be sufficient to cover expected premiums charged resulting in an implicit subsidy liability. The Program provides medical benefits including prescription drugs and dental coverage for retirees and their dependents.

Employees must meet the following requirements to be eligible for retirement coverage: 1) The employee must have qualified for and started his or her retirement benefits from Nevada PERS, 2) was eligible for benefits while employed by the School; and 3) completed at least 10 years of service in one or more Academica schools and at least 5 consecutive years with Somerset Academy of Las Vegas. Retirees in the Program contribute monthly premiums.

The retirees' monthly premiums are based on the coverage tier deductible they select (retiree, retiree and spouse, retiree and children or family coverage) as follows:

Coverage Level	$2,500 HDHP	$2,500 PPO	$500 PPO
Employee Only	552	640	727
Employee & Spouse	1,104	1,281	1,453
Employee & Child(ren)	1,049	1,217	1,381
Family	1,766	2,049	2,325

A stand-alone financial report is not available regarding the OPEB benefits provided.

Employees Covered by Benefit Terms: As of June 30, 2023, the following employees were covered by the benefit terms.

Inactive employees currently receiving benefits	—
Inactive employees entitled to but not yet receiving benefits	—
Active employees	765
	765

Total OPEB Liability. The School's total OPEB liability of $304,584 was measured for the year ending June 30, 2023 and was determined by actuarial valuations as of June 30, 2022.

Actuarial Assumptions and Methods. The total OPEB liability as of June 30, 2023 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Municipal Bond Index	S&P General Obligation Municipal Bond 20 Year High Grade Index
Discount Rate	4.13% as of June 30, 2023
General Inflation Rate	2.5% per year
Projected salary increase	3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.
Healthcare Trend	Medical plan premiums and claims costs by age are assumed to increase once each year. Increases over the prior year's levels were derived using the Getzen model.

Discount Rate. The School contributes to the plan on a pay-as-you-go basis. As of June 30, 2023, the entity has not set aside assets in trust to pay future benefits and has not established a plan or equivalent arrangement that contains an irrevocable transfer of assets dedicated to providing benefits to retirees. The discount rate for the entity's plan is based on the S&P General Obligation Municipal Bond 20 Year High Grade Index.

For the June 30, 2023 measurement date, mortality rates were based on Pub-2010 Employee and Health Annuitant mortality tables projected generationally using scale MP-2021.

Changes in the total OPEB Liability:

Balance at June 30, 2022	$ 225,687
Change in benefit terms	80,354
Change in actuarial assumptions	(1,457)
Balance at June 30, 2023	$ 304,584

For the year ended June 30, 2023, the School recognized OPEB expense of $80,255.

At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Change in actuarial assumptions	$ —	$ 1,358

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	**Amount**
2024	$ 99
2025	99
2026	99
2027	99
2028	99
Thereafter	863
	$ 1,358

Sensitivity Results

The following presents the total OPEB liability of Somerset Academy of Las Vegas, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13%) or 1-percentage-point higher (5.13%) than the current rate:

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1 % Increase in Discount Rate (5.13%)
Net OPEB liability	$ 347,913	$ 304,584	$ 266,209

The following presents the total OPEB liability of Somerset Academy of Las Vegas, as well as what the School's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease in Healthcare Cost Trend (4.70%)	Healthcare Cost Trend (5.70%)	1 % Increase in Healthcare Cost Trend (6.70%)
Net OPEB liability	$ 245,704	$ 304,584	$ 378,980

The healthcare cost trend rate as of June 30, 2023 of 5.7%, gradually decreases to an ultimate rate of 3.9% for 2076 and beyond.

Payables to the OPEB Plan

As of June 30, 2023, the entity had no payables outstanding to the OPEB plan.

9. Related Parties and Education Management Organization

Management Agreement

The School entered into an agreement with Academica Nevada, LLC (the Management Company), a professional charter school management company to provide management and administrative services to the School. Services include, but are not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of books and records, bookkeeping, budgeting and financial reporting. Under the terms of the management agreement, the School agrees to pay a fee of $450 per full time equivalent (FTE) student per year. The most recent agreement was extended through June 30, 2024.

Management fees incurred under this agreement for the year ended June 30, 2023, were $4,277,554 and amounts included in accounts payable totaled $343,726 as of June 30, 2023.

The Chief Operating Officer of the management company is the owner of Intellatek, a technology support service provider. Services provided to the School by Intellatek during the year ended June 30, 2023 were $494,290.

10. Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past year. In addition, there were no reductions in insurance coverage from those in the prior year.

11. Contingencies

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that the required refund, if any, will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

12. Compliance with Nevada Revised Statutes and Nevada Administrative Code

The School conformed to all significant statutory constraints on the financial administration during the fiscal year.

13. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

In July 2023, the Board of Directors approved the purchase of land adjacent to the Lone Mountain campus for $659,715.

Required Supplementary Information

Somerset Academy of Las Vegas
Schedule of the School's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years (Amounts Were Determined as of June 30 of Each Fiscal Year)

Year Ended June 30,*	School's Proportion of Net Pension Liability (%)	School's Proportionate Share of Net Pension Liability	School's Covered Payroll	School's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of Total Pension Liability
2014	0.111230%	$ 11,592,755	$ 8,437,295	137.40%	76.30%
2015	0.164280%	18,825,748	12,574,634	149.71%	75.10%
2016	0.023216%	31,242,233	16,749,551	186.53%	75.23%
2017	0.270480%	35,973,353	13,605,645	264.40%	74.42%
2018	0.301290%	41,089,770	19,455,020	211.20%	75.21%
2019	0.367740%	50,145,328	24,319,705	206.19%	76.50%
2020	0.397555%	55,372,780	28,298,332	195.68%	77.04%
2021	0.398280%	36,320,063	28,102,334	129.24%	86.51%
2022	0.421300%	76,065,715	30,733,497	247.50%	75.10%

Ultimately, 10 fiscal years will be displayed (which will be built prospectively starting from 2014).

*Measurement date

See accompanying notes to required supplementary information.

Somerset Academy of Las Vegas
Schedule of the School's Contributions
Last 10 Fiscal Years (Amounts Were Determined as of June 30 of Each Fiscal Year)

Year Ended June 30,	Statutorily Required Contributions	Contributions in Relation to Statutorily Required Contributions	Contribution Deficiency (Excess)	School's Covered Payroll	Contribution as a Percentage of Covered Payroll
2015	$ 1,785,475	$ 2,029,033	$ (243,558)	$ 12,574,634	16.14%
2016	3,034,141	2,950,734	83,407	16,749,551	17.62%
2017	3,871,757	3,871,757	—	13,605,645	28.46%
2018	2,795,108	2,795,108	—	19,455,020	14.37%
2019	3,540,135	3,540,135	—	24,319,705	14.56%
2020	4,143,021	4,143,021	—	28,298,332	14.64%
2021	4,168,624	4,168,624	—	28,102,334	14.83%
2022	4,650,495	4,650,495	—	30,733,497	15.13%
2023	5,109,176	5,109,176	—	32,836,986	15.56%

Note: GASB Statement No.82 was implemented in fiscal year 2018, and as a result, contributions no longer include payments made by the School to satisfy contribution requirements that are identified by the plan terms as member contributions. In addition, GASB Statement No. 82 clarified covered payroll which was implemented in fiscal year 2018; prior years are not reflective of this change.

Ultimately, 10 fiscal years will be displayed (which will be built prospectively starting from 2015)

See accompanying notes to required supplementary information.

Changes of Benefit Terms

There have been no material changes in benefit terms since the last valuation.

Changes of Assumptions

There have been no changes in the actuarial assumptions since the last valuation.

Method and Assumptions Used In Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are determined on an annual basis by PERS. The following actuarial methods and assumptions were used to determine actuarial contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage
Amortization period:	30 years through June 30, 2011 and thereafter a period equal to the truncated average remaining amortization period of all prior UAAL layers until average is less than 20 years, and thereafter a period of 20 years would be used
Asset valuation method:	5 year smoothed market
Inflation rate:	2.50%
Salary increases:	1.20-6.10% per year for regular employees and 1.60-11.50% for police/fire plus 0.50% productivity pay increases
Investment rate of return:	7.25%, including inflation

Covered Payroll

Covered payroll includes salaries and wages for school employees that are provided with a pension through PERS.

Somerset Academy of Las Vegas
Schedule of Selected Other Post-employment Benefit Healthcare Plan Information
June 30, 2023

Schedule of Changes in Total OPEB Liability

	2023	2022
Service cost	$ 68,329	$ —
Interest cost	12,025	—
Change in benefit terms	—	225,687
Effect of change in assumptions	(1,457)	—
Net change in total OPEB liability	78,897	225,687
Total OPEB liability - beginning of year	225,687	—
Total OPEB liability - end of year	$ 304,584	$ 225,687
Covered payroll	$ 30,350,000	$ 30,309,090
Total OPEB liability as a percentage of covered payroll	1.00%	0.74%

Notes:

The above schedule is intended to show information for 10 years. 2022 was the first year the Program was offered to retirees. Additional years will be displayed as they become available.

Schedule of Employer Contributions

The Schedule of Employer Contributions is not presented as the plan is unfunded and there is no required contribution.

Supplementary Information

Somerset Academy of Las Vegas
Schedule of Activities by Location
For the Year Ended June 30, 2023

	North Las Vegas	Losee	Lone Mnt.	Sky Pointe	Stephanie	Aliante	Skye Canyon	Executive Office	Total
Revenues									
DSA Revenue	$ 5,535,463	$ 17,883,803	$ 7,068,361	$ 15,719,296	$ 7,068,361	$ 8,516,097	$ 7,068,361	$ —	$ 68,859,742
Other Revenue	1,481,285	4,011,384	1,749,393	3,812,457	1,762,620	2,010,469	1,772,588	3,090,733	19,690,928
Total Revenues	7,016,748	21,895,187	8,817,754	19,531,753	8,830,981	10,526,566	8,840,949	3,090,733	88,550,670
Expenses									
Salaries and benefits	4,429,021	14,394,319	5,702,365	12,567,348	5,702,365	6,864,983	5,702,365	288,400	55,651,165
Operations	2,206,286	7,170,429	2,840,593	6,260,336	2,840,593	3,419,743	2,840,593	1,142,155	28,720,727
Depreciation and amortization	282,050	916,664	363,140	800,318	363,140	437,178	363,140	—	3,525,631
Interest expense	481,839	1,565,976	620,367	1,367,217	620,367	746,850	620,367	—	6,022,984
Total Expense	7,399,196	24,047,388	9,526,465	20,995,219	9,526,465	11,468,754	9,526,465	1,430,555	93,920,507
Excess (Deficiency) of Revenues Over Expenses	$ (382,448)	$ (2,152,200)	$ (708,711)	$ (1,463,466)	$ (695,484)	$ (942,189)	$ (685,516)	$ 1,660,178	$ (5,369,837)

RubinBrown
10801 W Charleston Blvd
Suite 300
Las Vegas, NV 89135
T: 702.415.2112
E: info@rubinbrown.com
www.RubinBrown.com
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Directors
Somerset Academy of Las Vegas
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Somerset Academy of Las Vegas as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Somerset Academy of Las Vegas's basic financial statements and have issued our report thereon dated November 30, 2023.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Somerset Academy of Las Vegas's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Somerset Academy of Las Vegas's internal control. Accordingly, we do not express an opinion on the effectiveness of Somerset Academy of Las Vegas's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings as Responses, we identified certain deficiencies in internal control, that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-003 and 2023-004 to be significant deficiencies.

Report On Compliance And Other Matters

As part of obtaining reasonable assurance about whether Somerset Academy of Las Vegas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Response To Findings

Government Auditing Standards requires the auditor to perform limited procedures on Somerset Academy of Las Vegas's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Somerset Academy of Las Vegas's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Somerset Academy of Las Vegas's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Somerset Academy of Las Vegas's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

November 30, 2023

2023 -001 Revenue Recognition and Accounts Receivable Aging - Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Processes and procedures should include a review and reconciliation of year-end accounts.

Condition: During the course of the audit, the engagement team identified an error in revenues that were accrued in the prior year in accounts receivable and when the funds were collected in the current year, revenues were recorded rather than applying the payment against the receivable. The old outstanding receivables on the aging were not researched as to the status of the receivable.

Cause: The review process did not include researching old reconciling items.

Effect: Prior to adjustment, accounts receivable and revenues were overstated by $1,375,824.

Auditors' Recommendation: We recommend the School enhance internal controls to ensure appropriate revenue recognition in accordance with established policies and U.S. GAAP and to ensure the review process of accounts receivable includes investigating outstanding receivables in excess of sixty days, or the average collection period for a particular grant.

View of Responsible Officials and Timing: The error was missed due to the later than expected start of year end reconciliation review process caused by delayed 2022 single audits and financial audits. Management is doing a review of current staffing with the goal of increasing staff to ensure a timely and efficient year-end process.

2023 -002 Reconciliation of Accounts - Material Weakness

Criteria: The School should have a process in place to provide consistent support of the timely preparation of account reconciliations to include evidence of the overall review and approval.

Condition: During the course of the audit, the engagement team identified instances of accrued payroll being understated for the last pay period of the fiscal year, prepaid expenses were overstated, and bond amortization being recorded backwards.

Cause: The School does not have an appropriate process in place to provide consistent support of the review and approval of accrued payroll and comparison of schedules to the adjusted trial balance to verify adjustments were properly posted.

Effect: Prior to adjustment, accrued payroll was understated $347,578, other assets was overstated $162,055, payroll expense was understated $509,633, and bond premium and interest expense were overstated $181,316.

Auditors' Recommendation: We recommend that the School develop a consistent process to reconcile and review accrued payroll and compare the trial balance to supporting schedules during the month end and year end closing processes for accuracy.

View of Responsible Officials and Timing: The under accrual of payroll was caused by teachers and other employees having different contract terms. After a thorough review of contracts, management agrees with the finding, and will ensure to include all employees in future accruals in accordance with contract terms. The error in bond amortization was missed due to the later than expected start of year end reconciliation review process caused by delayed 2022 single audits and financial audits. Management is doing a review of current staffing with the goal of increasing staff to ensure a timely and efficient year-end process.

2023 -003 Understatement of Bond Accrued Interest - Significant Deficiency

Criteria: The School should have a process in place to review bond accrual calculations to ensure that appropriate adjustments are made.

Condition: During the course of the audit, the engagement team identified that bond accrued interest was not calculated from the last payment of interest on June 15th through the end of the fiscal year.

Cause: The School does not have an appropriate process in place to review bond accrual calculations and ensure that they are calculated for the full period from the last payment of the year through the end of the fiscal year.

Effect: Interest payable and interest expense are understated by $250,024 for the year ended June 30, 2023.

Auditors' Recommendation: We recommend that the School develop a consistent process to review the calculation of bond accrued interest for fiscal year reporting.

View of Responsible Officials and Timing: The error was missed due to the later than expected start of year end reconciliation review process caused by delayed 2022 single audits and financial audits. Management is doing a review of current staffing with the goal of increasing staff to ensure a timely and efficient year-end process.

2023 -004 Review of Capital Assets for the Removal of Fully Depreciated Items No Longer In Use - Significant Deficiency

Criteria: The School should have a process in place to periodically review the fixed asset listing for assets that are no longer in use or were disposed of and for recording the disposal in the accounting software.

Condition: During the course of the audit, the engagement team identified multiple instances fully depreciated capital assets no longer in use or held by the School were not recorded as disposals.

Cause: The School does not have an appropriate process in place to review the fixed asset listing to ensure that capital assets no longer in use or owned by the School are recorded as disposals and timely removed from the fixed asset listing.

Effect: Prior to adjustment gross capital assets and gross accumulated depreciation and amortization were overstated by $689,452.

Auditors' Recommendation: We recommend that the School develop a consistent process to review the fixed asset listing and ensure that capital assets no longer in use or owned by the School are removed and that the corresponding entries to record the disposal are posted to the accounting records.

View of Responsible Officials and Timing: The error was missed due to the later than expected start of year end reconciliation review process caused by delayed 2022 single audits and financial audits. Management is doing a review of current staffing with the goal of increasing staff to ensure a timely and efficient year-end process. Management will review the fixed assets ledger during the next fiscal year to ensure any items that have been disposed of have been removed from the general ledger.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2023

Financial Statement Findings

2022 -001 Reconciliation of Accounts – Significant Deficiency

Condition: During the course of the audit, the engagement team identified multiple instances where accurate account reconciliations were not adequately performed, to include a review of outstanding reconciling items on cash reconciliations, accounts receivable aging schedules, prepaid expense schedules and account payable aging schedules and a review of the calculation of payroll accruals.

Status: During 2023, the School properly reconciled cash and accounts payable aging schedules. However, there were findings related to the calculation of accrued payroll, prepaid expenses and accounts receivable which are included in findings 2023-001 and 2023-002.

2022 -002 Understatement of Bond Accrued Interest - Significant Deficiency

Condition: During the course of the audit, the engagement team identified that bond accrued interest was not calculated from the last payment of interest on June 15th through the end of the year.

Status: A similar finding was noted in 2023 and is included in finding 2023-003.

2022 -003 Accounting For Lease Residual Values - Significant Deficiency

Condition: During the course of the audit, the engagement team identified multiple instances where the lease liability and associated capital assets for several leases associated with the purchases of curriculum, technology and equipment did not accurately include a provision for residual values.

Status: There were no leases entered into during 2023 that contained residual values and no similar findings were noted in the current year.

2022 -004 Review of Capital Assets for the Removal of Fully Depreciated Items No Longer In Use - Significant Deficiency

Condition: During the course of the audit, the engagement team identified multiple instances fully depreciated capital assets no longer in use or held by the School were not recorded as disposals.

Status: A similar fining was noted in 2023 and is included in finding 2023-004.