Governor Brian Sandoval
Chairman

Members
Treasurer Dan Schwartz
Controller Ron Knecht
Teresa J. Courrier
Steven Martin

State of Nevada
STATE BOARD OF FINANCE

PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE
Tuesday, March 13, 2018
1:00 P.M.

Locations:
Via videoconference at the following locations:

Old Assembly Chambers
Capitol Building, Second Floor
101 N. Carson Street
Carson City, NV 89701

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 5100
Las Vegas, NV 89101

Agenda Items:

1. Public Comment
   Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 10 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment, No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

2. **For discussion and possible action:** Approval of the Board of Finance minutes from the meeting held on January 23, 2018.

   Presenter: Tara Hagan, Chief Deputy Treasurer

3. **For discussion and possible action:** Discussion and possible action on a resolution designated by the short title "2018 Highway Improvement Revenue Bond Resolution"; authorizing the sale and issuance of the State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018 in the maximum aggregate principal amount of $140,000,000; providing the form, terms and conditions of the bonds; providing for the continued imposition and collection of certain fuel taxes deposited in the state highway fund; pledging the proceeds of excise taxes and any appropriate federal highway aid payable to the state to the payment of the bonds; ratifying action previously taken and pertaining thereto; and providing other related matters.

   Presenter: Lori Chatwood, Deputy Treasurer - Debt

4. **For discussion and possible action:** Discussion and possible action on the Nevada Housing Division's request to approve the Findings of Fact pertaining to the issuance of up to $5,000,000 of Multi-Unit Housing Revenue Bonds (Desert Properties Apartments), for the purpose of acquisition and remodel of a 56-unit affordable housing rental project in Tonopah, Nevada. The project owner/developer will be Desert Properties Associates, LLC an entity comprised of the Nevada Rural Housing Authority and the Richman Group. The Richman Group will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

   Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

5. **For discussion and possible action:** Discussion and possible action on the request by the Director of the State of Nevada Department of Business and Industry (the "Director") to approve the Findings of Fact pertaining to the issuance of charter school lease revenue bonds in an amount not to exceed $62,000,000 for the purpose of assisting in the financing the acquisition of charter school facilities and the related land and improvements to be initially owned on behalf of the Director by ZB, National Association dba Zions Bank and leased to and operated by Somerset Academy of Las Vegas for its educational purposes to be comprised of (i) an approximately 54,821 square-foot school building located on an approximately 4.61 acre site located at 50 N. Stephanie Street in Henderson and (ii) an approximately 160,105 square-foot school building located on an approximately 16.91 acre site located at 4650 Losee Road in North Las Vegas, each located in Clark County, Nevada. Approval of the Board of Finance is required pursuant to NRS 388A.650.

   Presenter: C.J. Manthe, Director, Department of Business and Industry

6. Receive a report on bond expenditures as of December 31, 2017.

   Presenter: Kim Shafer, Deputy Treasurer –Investments

7. **For possible action –** Discussion and possible action on Carson City Treasurer's request for approval of Government Portfolio Advisers, L.L.C. as an approved investment advisor pursuant to NRS 355.171, subsection 3.

   Presenter: Tara Hagan, Chief Deputy Treasurer

8. **For discussion and possible action:** Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ended December 31, 2017 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

   Presenter: Tara Hagan, Chief Deputy Treasurer

9. Board Members' comments, including discussion of future agenda items and status of past, present and future projects or other matters within the Board's jurisdiction.

10. Public Comment
    Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 10 minutes the time for an individual to speak and reserves the right to impose other reasonable restrictions on place or manner for such comment, No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

ADJOURNMENT

Notes:
Items may be taken out of order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time.

Prior to the commencement and conclusion of a quasi judicial proceeding that may affect the due process rights of an individual, the Board may refuse to consider public comment. See NRS 233B.126.

The State Board of Finance is pleased to make reasonable accommodations for persons with physical disabilities. Please call (775) 684-7109 if assistance is needed.

Tara Hagan, Secretary to the Board may be contacted at (775) 684-5600 to obtain copies of supporting materials, which are available to the public at 101 N. Carson St., Carson City, NV 89701.

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- **Capitol Building, 1st & 2nd Floors, Carson City, Nevada**
- **Legislative Building, Carson City, Nevada**
- **Nevada State Library, Carson City, Nevada**
- **Blasdel Building, Carson City, Nevada**
- **Grant Sawyer Building, Las Vegas, Nevada**
- **City Halls in Reno, Elko and Henderson, Nevada**

Also online at: http://www.nevadatreasurer.gov/Finances/Board/BOF_Home/ and https://notice.nv.gov/

STATE BOARD OF FINANCE
January 23, 2018 – 1:00 PM
Summary Minutes

Location:
Via videoconference at the following locations:

Old Assembly Chambers Capitol Building, Second Floor 101 N. Carson Street Carson City, NV 89701	Governor's Office Conference Room 555 E Washington Avenue, Suite 5100 Las Vegas, NV 89101

Governor Sandoval called the meeting to order at 1:00 P.M.

Board members present:
Governor Brian Sandoval – Carson City
Treasurer Dan Schwartz – Las Vegas
Controller Ron Knecht – Carson City
Teresa Courrier – Carson City
Steve Martin – Las Vegas

Others present:
Tara Hagan – Chief Deputy Treasurer
Dennis Belcourt – Deputy Attorney General
David Paull – Nevada HAND
CJ Manthe – Department of Business and Industry
Michael Holliday – Nevada Housing Division
Stephen Aichroth – Nevada Housing Division
Fred Eoff – Public Financial Management

Agenda Item 1 – Public Comment.

No public comment in Carson City or Las Vegas.

Agenda Item 2 – For possible action – Approval of the Board of Finance minutes from the meeting held on December 4, 2017.

Controller Knecht moved to approve the minutes. Teresa Courrier seconded the motion. Motion passed unanimously.

<u>Agenda Item 3</u> – For discussion and possible action: Discussion and possible action on the Nevada Housing Division's request to approve the Findings of Fact pertaining to the issuance of up to $23,000,000 of Multi-Unit Housing Revenue Bonds (North 5th Avenue Apartments), for the purpose of construction of a 176-unit affordable housing rental project in Las Vegas, Nevada. The project owner/developer will be a limited liability company, which will consist of an entity owned by Nevada HAND, Inc. National Equity Fund will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4). (Date of prior action: November 14, 2017, agenda item 6.)

Steve Aichroth presented to the Board that the Nevada Housing Division (Housing Division) is requesting the Board approve the Findings of Fact pertaining to the issuance of up to $23,000,000 of Multi-Unit Housing Revenue Bonds for the North 5th Avenue Apartments. He reminded the Board that they had previously approved up to $20,000,000 of revenue bonds in October 2017, however, the developer has been made aware that the funds from the National Equity Fund (NEF) will not be able to be accessed during construction; therefore, the Housing Division is seeking an additional $3,000,000 in bonding capacity for a total of $23,000,000. Mr. Aichroth explained that there has been no change in characteristics of the Project which was previously approved by the Board and that the necessity for an increase in the maximum loan amount is attributable an increase in overall budget of the project of approximately $1,400,000 and deferral of a $3,496,000 funding sources until after project completion. The second of the two factors above is the primary driver of the necessity to increase loan sizing. This funding source is a grant from National Equity Fund (NEF) who is the administrator of funds provided to it under terms of a community 'redlining' settlement agreement between Nationwide Mutual Insurance Company and the U.S. Justice Department. NEF has concluded that the terms of the grant will require the funds to be released only upon completion of the project. It was previously thought the funds would be available during the construction period.

Teresa Courrier asked that after the certificate of occupancy is issued will there be any hurdles with the funding or is it simply the need for the certificate of occupancy by NEF. Mr. Eoff stated it will be just be the certificate and no other hurdles.

Mr. Aichroth explained that the bonds will be used to provide for the new construction of a 176-unit senior apartment complex in North Las Vegas. The rental housing will serve low and fixed income seniors at or below 60% of area median income with 152 affordable units. The Housing Division will be the conduit issuer of this project and there will not be any liability for the repayment of the bonds for the State of Nevada, nor the Housing Division. The bonds will be paid for by the developer through project revenues and the project will be structured in two phases; the construction phase and the permanent phase and the debt will be placed directly with Citi Bank and will not be publicly offered. Fred Eoff stated that he agreed with Mr. Aichroth and explained that believe that this will not have any impact on the economics of the project.

Treasurer Schwartz inquired on the ownership structure and asked for clarification. Mr. Eoff explained that Nevada HAND will be the general partner to the borrowing entity which is a limited partnership. National Equity Fund will be their equity limited partner and will be contributing approximately $10 million dollars of equity to the project. The owner of the project will be North Fifth Street Limited Partnership.

Controller Knecht moved to Agenda Item 3. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 4 – Board Members' comments, including discussion of future agenda items and status of past, present and future projects or other matters within the Board's jurisdiction.

Controller Knecht mentioned two articles "How to invest in an overpriced world" and an article by Jason Wide. He explained that he thought they were good articles to read on how to invest and what we can expect over the next ten years.

Agenda Item 5 – Public Comment

There were no public comments in Carson City or Las Vegas.

Governor Sandoval adjourned the meeting at 1:12pm.

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https://blogs.wsj.com/moneybeat/2018/01/19/can-we-be-brutally-honest-about-investment-returns/

THE INTELLIGENT INVESTOR

Can We Be Brutally Honest About Investment Returns?

Pension funds have fantastical expectations of the market

PHOTO: CHRISTOPHE VORLET

By Jason Zweig
Jan 19, 2018 9:47 am ET

With U.S. stocks at all-time highs, it's more important than ever that investors be brutally realistic about future returns.

Some of the most purportedly sophisticated investors in the world, the managers of giant pension funds for state and local government employees, might not have absorbed that lesson yet. You can learn a lot from these folks — if you listen to them and then do the opposite.

A new study by finance professors Aleksandar Andonov of Erasmus University Rotterdam and Joshua Rauh of Stanford University looks at expected returns among more than 230 public pension plans with more than $2.8 trillion in combined assets.

For their portfolios, generally consisting of cash, U.S. and international bonds and stocks, real estate, hedge funds and private-equity or buyout funds, these pension plans report that they will earn an average of 7.6% annually over the long term. (That's 4.8% after their estimates of inflation.) These funds often define "long term" as between 10 and 30 years.

Based on how they divvy up their money, how much are these pension funds assuming specific assets will earn?

They expect cash to return an average of 3.2% annually over the long run; bonds, 4.9%; such "real assets" as commodities and real estate, 7.7%; hedge funds, 6.9%; publicly traded stocks, 8.7%; private-equity funds, 10.3%.

Let's put all that in perspective.

Take cash first. Three-month U.S. Treasury bills yield 1.4%. The highest-returning institutional money-market funds yield 1.5%, according to Crane Data.

How could cash earn more than twice that rate of return over the long run?

To be fair, Treasury bills over the past half-century have returned an average of 4.8% annually, according to the Federal Reserve. But short-term interest rates would have to rise sharply for cash to earn close to that.

Next, consider bonds. The simplest reliable indicator of how much you will earn from a portfolio of bonds in the future is their yield to maturity in the present. With 10-year Treasurys yielding 2.6% and investment-grade corporate bonds averaging under 3.7%, it would take a near-miracle today to get anything close to 4% out of a high-quality fixed-income portfolio.

Yet the pension plans are expecting their bonds to earn 4.9%.

That isn't impossible, either, if they throw safety to the winds and buy boatloads of high-yield "junk" bonds and other risky debt. The whole point of a pension fund, however, is not to take excessive risks.

How realistic is the expectation that stocks will return an average of 8.7% annually into the distant future?

That's below the U.S. average of 10.2% annually over the past 90 years. But stocks were far cheaper over most of that period than they are today, so their returns were naturally higher.

The blogger "Jesse Livermore," who writes thoughtfully about financial markets at PhilosophicalEconomics.com, pointed out in a recent post that stocks aren't likely to earn more than an average of 5.9% annually over the long run from today's lofty prices.

MORE IN THE INTELLIGENT INVESTOR

- How to Lose 93% of Your Money... And Be Happy About It
- Four Things Sure to Happen in Markets During 2018
- Less Phone, More Nature: 34 Resolutions For a Better 2018
- Energy Investors: Behold the Miracle of the Tax Law
- Dreaming You Can Get the Returns of Stocks Without the Risk? Dream On
- Index Funds Rule the World, But Should They Rule You?

Stocks could do better than that if the cost of living shoots up, investors become willing to pay much more for shares, earnings grow at an unprecedented pace or companies buy back vastly more of their own stock.

Among those, the least implausible scenario is higher inflation. So the pension funds could hit their 8.7% stock return that way — but such a surge in the cost of living would crimp their bond returns. What they would gain on their stocks they would lose on their bonds.

Finally, consider how the pension plans estimate the future returns on private-equity funds.

Put some alcohol into anyone in the buyout business and you will get an earful about how competitive and overvalued that market is — and how difficult it will be for future returns to match those of the past.

But the new study of estimated returns finds that the older a pension fund's holdings of private equity are, the more likely its officials are to extrapolate those returns — as if the good times of the early 2000s, when deals abounded and buyouts were cheaper, were still rolling.

What's more, says Prof. Rauh of Stanford, the less experience a pension plan has with private equity, the more likely it is to make an aggressive estimate of future returns from buyout funds.

In other words, those with the least expertise in private equity think they can earn the most from it.

Why do expectations among pension plans run so high? Because they have to, the chief investment officer of a large public pension plan tells me. State laws guarantee generous retirement benefits for millions of current and former government employees. To appear as if they can meet those obligations, the pension plans have no choice but to set their expected returns higher than reality is likely to deliver.

That's the exact opposite of what the rest of us should do. Sooner or later, investors who build their expectations on hope rather than on arithmetic end up sorry.

Write to Jason Zweig at intelligentinvestor@wsj.com, and follow him on Twitter at @jasonzweigwsj.

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INVESTMENT RETURNS PENSION FUNDS PRIVATE EQUITY TREASURYS

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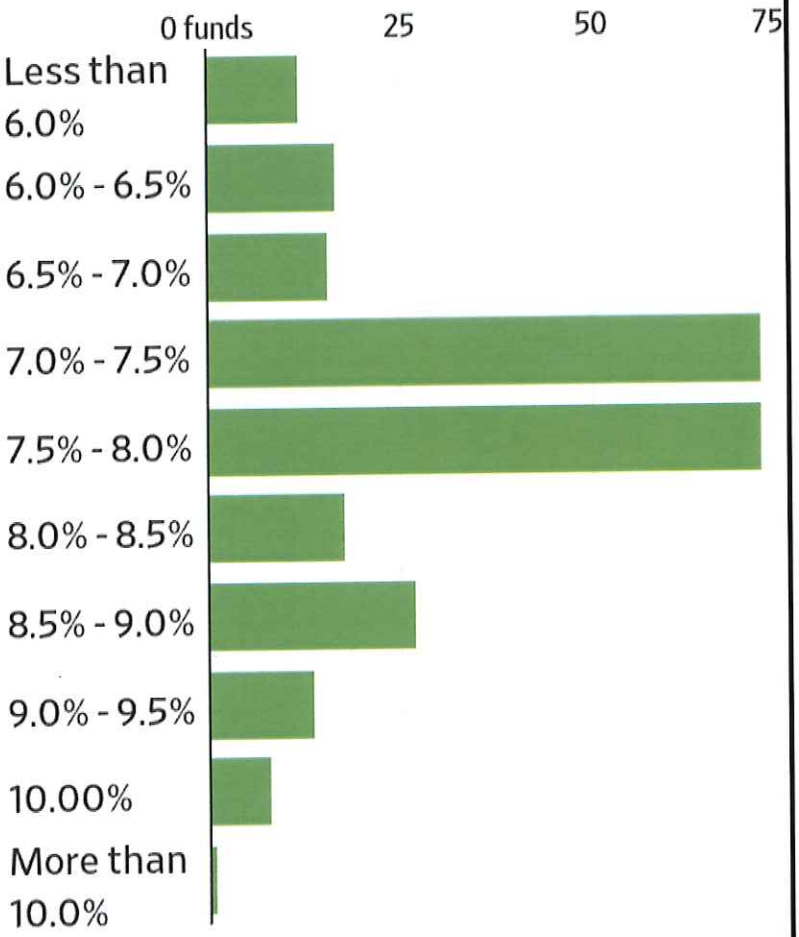
Great Expectations

More than a quarter of large public pension plans expect to earn at least 8% annually on their investments.

Number of funds by expected rate of return



Note: Expected long-term rates of compound annual return

Source: Disclosures, based on "building-block method," from 257 pension portfolios collected by Aleksandar Andonov, Erasmus University, and Joshua Rauh, Stanford University

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DJIA ▼ 26210.81 -0.01% S&P 500 ▲ 2839.13 0.22% Nasdaq ▲ 7460.29 0.71% U.S. 10 Yr ▲ 9/32 Yield 2.616% Crude Oil ▲ 64.77 1.89%

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https://www.wsj.com/articles/how-to-invest-in-an-overpriced-world-1516666457

COMMENTARY

How to Invest in an Overpriced World

Two strategies that work: broad diversification and rebalancing. Also, try to minimize your costs.

By Burton G. Malkiel
Jan. 22, 2018 7:14 p.m. ET

What should an investor do when all asset classes appear overpriced? The 10-year U.S. Treasury bond currently yields about 2.6%, much lower than the 5% historical average and only slightly higher than the Federal Reserve's 2% inflation target. Yields of lower-quality bonds are unusually meager compared with those of traditionally safe Treasurys.

For equities, the cycle-adjusted price/earnings ratio, or CAPE—the valuation metric that does the best job in predicting future 10-year rates of return—is about 34. That's one of the highest valuations ever, exceeded only by the readings in 1929 and early 2000, prior to crashes. Today's CAPE suggests that the 10-year equity rate of return will be barely positive.

Investors have reason to worry, but they need to be aware of two basic facts. First, no valuation metric can dependably forecast the future. CAPEs were unusually high in the mid-1990s, and Alan Greenspan gave his famous "irrational exuberance" speech in late 1996. An investor who bought equities then and held on would have enjoyed a generous 8.5% annual return despite the punishing bear market of the early 2000s. CAPEs were close to 30 at the start of 2017, prompting many market gurus to say stocks were overvalued. The S&P 500 index returned 19% in 2017.

A corollary is that no one can consistently time the market. Proper market-timing involves making two decisions—when to get out and when to get back in. Timing both correctly is virtually impossible. As Jack Bogle, founder of the Vanguard Group, has written, "After nearly 50 years in this business, I do not know of anybody who has [timed the market] successfully and consistently. I don't even know of anybody who knows anybody who has done it successfully and consistently." Investors who try to outsmart the market more often get it wrong than right.

PHOTO: ISTOCK/GETTY IMAGES

What, then, can an investor do to control risk? The two strategies that work are broad diversification and rebalancing.

Broad diversification is rightly known as "the only free lunch" offered by financial markets. By holding a wide variety of asset classes, investors have historically enjoyed smoother gains during bull markets and gentler losses during bear markets. In a diversified portfolio, declines in stocks are often partially offset by stability in fixed-income markets. Real estate equities, available through real estate investment trusts, or REITs, have also tended to stabilize portfolio returns.

Most investors fail to realize the benefits of broad international diversification. The world is currently enjoying a synchronized expansion, but economic conditions and stock performance are not perfectly correlated across nations. Internationally diversified portfolios tend to see less volatile returns over time and better risk-adjusted performance.

Most stock investors suffer from a "home country" bias. They concentrate their holdings in domestic equities. While U.S. companies do business all over the world, many leading companies are based abroad. The U.S. accounts for well under half of the world's economic activity. Much of the world—particularly emerging markets, with their younger populations—is growing faster than the American economy.

Another reason to consider greater international diversification is that foreign stocks are more attractively valued. The CAPE ratio for emerging-market stocks is less than half the equivalent valuation in the U.S. The emerging-market CAPE is still below its historical averages, despite 2017's superior market performance. All investors should hold at least 10% of their stocks in emerging-market equities, and allocations up to 25% would not be imprudent today.

A final technique to control risk is rebalancing. It's a good idea to examine your portfolio periodically to ensure your asset allocation has not strayed far from your desired levels. If the strong U.S. stock-market performance over the past year lifted the proportion of domestic stocks in your portfolio to levels that are riskier than desired, it would be appropriate to reduce your equity share. Often capital-gains taxes can be avoided by directing new cash investments (including dividends and interest payments) into asset classes whose portfolio shares have declined.

In general, staying the course in a broadly diversified portfolio is the best strategy when all asset classes appear overpriced. If rebalancing is required to constrain portfolio risk, consider REITs and preferred stock. Good-quality preferred stocks yield about 5%, and many have yields that float with interest rates, so that they offer some protection if rates rise in the future. Mid-single-digit returns may seem unattractive relative to recent asset returns, but with valuations at current levels, low-single-digit returns could end up looking good.

Perhaps the best advice for investors is to examine your costs. If you are paying an investment adviser 1% and your mutual funds have a 1% annual expense ratio, then fees will eat up a large part of that low-single-digit return. The one thing I'm certain of is that minimizing costs is a winning strategy. The less I pay to the purveyor of an investment service, the more there will be for me. Thus I continue to recommend passive index funds and exchange-traded funds, now available at virtually zero expense ratios, as the best investment vehicles for all investors.

Mr. Malkiel is author of "A Random Walk Down Wall Street" and chief investment officer of Wealthfront.

Appeared in the January 23, 2018, print edition.

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Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Lori Chatwood, Deputy Treasurer of Debt Management

SUBJECT: March 13, 2018 Agenda Item #3-2018 Highway Revenue Bond Resolution

DATE: February 20, 2018

Agenda Item #3

For possible action – Discussion and possible action on a resolution designated by the short title"2018 Highway Improvement Revenue Bond Resolution"; authorizing the sale and issuance of the State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018 in the maximum aggregate principal amount of $140,000,000; providing the form, terms and conditions of the bonds; providing for the continued imposition and collection of certain fuel taxes deposited in the state highway fund; pledging the proceeds of excise taxes and any appropriate federal highway aid payable to the state to the payment of the bonds; ratifying action previously taken and pertaining thereto; and providing other related matters.

BACKGROUND:

NRS 408.273 states the State Board of Finance (the "Board") shall, when so requested by the Board of Transportation, issue special obligation bonds of the State to provide money to enable the Nevada Department of Transportation (NDOT) to complete pending and currently projected highway construction projects, in an amount specified in the request. The bonds may be issued at one time or from time to time, and must be issued in accordance with the State Securities Law and mature within not more than 30 years from their issuance date.

The State Treasurers Office, in cooperation with other state agencies which have authority to implement projects, coordinates the timing, rating agency presentations, and professional services necessary to issue securities on behalf of the State. Prior to the issuance of securities by the State Treasurer, a resolution describing the authority to issue must be approved by the Board.

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Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
(702) 486-3246 Fax

Website: NevadaTreasurer.gov E-mail: StateTreasurer@NevadaTreasurer.gov

The Nevada Board of Transportation is expected to approve a resolution requesting the State Board of Finance to issue Highway Revenue Bonds in the aggregate principal amount not to exceed $140,000,000 at its March 12, 2018 meeting.

A copy of that resolution is included as Attachment A to this memo.

Highway Revenue Bonds are special obligation bonds of the State paid by the Motor Vehicle Fuel Tax and appropriate federal highway grants payable to the State which are credited to the State Highway Fund. The Bonds are not general obligation bonds of the State and therefore are not counted against the States debt limit nor included in the affordability model.

The 2018 Bonds represent the 4th and final tranche of bonds anticipated to be required for the completion of Project Neon. The 2018 issuance fits within the long term plan for the funding of Project Neon and the requirement of 3X coverage for senior lien bonds. The preliminary Pro-Forma is attached as Attachment B to this memo.

The State's Highway Revenue (Motor Vehicle Fuel Tax) Improvement Bonds are currently rated AAA, AA+, Aa2 by Standard and Poor's, Fitch, and Moody's respectively.

ATTACHMENT A

March 12, 2017
Nevada Board of Transportation Resolution

RESOLUTION REQUESTING THE STATE BOARD OF FINANCE TO ISSUE HIGHWAY REVENUE BONDS OF THE STATE OF NEVADA AND PROVIDING OTHER MATTERS PROPERLY RELATED THERETO

WHEREAS, pursuant to Nevada Revised Statutes ("NRS") 408.273, the Board of Directors of the Nevada Department of Transportation (the "Board of Directors") of the State of Nevada (the "State") is authorized to request the State Board of Finance (the "Finance Board") to issue the State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018 (the "2018 Bonds") to provide money to enable the State Department of Transportation ("NDOT") to complete pending and currently projected highway projects (the "Improvement Project").

NOW THEREFORE, be it resolved by the Board of Directors that:

Section 1. The Board of Directors hereby requests the Finance Board to issue the 2018 Bonds in the aggregate principal amount not to exceed $140,000,000.

Section 2. The Secretary of the Board of Directors is authorized and directed to forward a signed copy of this resolution to the Finance Board.

Section 3. In order to permit NDOT to reimburse itself for prior expenditures relating to the Improvement Project with the proceeds of the 2018 Bonds, the Board of Directors determines and declares as follows:

(i) NDOT reasonably expects to incur expenditures with respect to the Improvement Project prior to the issuance of the 2018 Bonds and to reimburse those expenditures from the issuance of the 2018 Bonds; and

(ii) The maximum principal amount of the 2018 Bonds expected to be issued for the Improvement Project and used to reimburse such expenditures is $140,000,000.

PASSED, ADOPTED AND APPROVED on March 12, 2018.

State of Nevada, Department of Transportation
Board of Directors

_____
Chairman

_____
Secretary to the Board of Directors

Approved to Legality and Form:

_____
Chief Deputy Attorney General

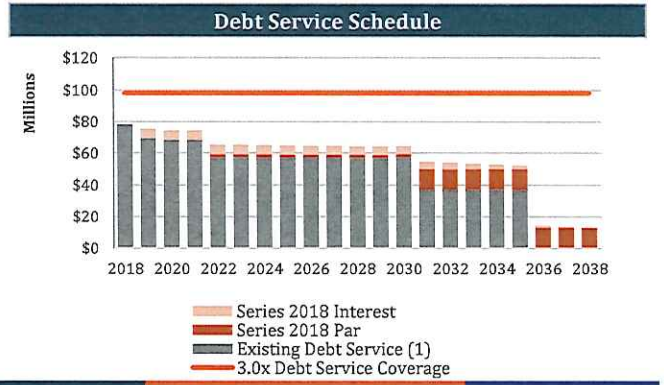
ATTACHMENT B

Pro-Forma Debt Service
With Series 2018 Proposed Structure

Pro-Forma Debt Service with Series 2018 Proposed Structure

Sources & Uses	
Series	Series 2018
Par Amount	$ 120,500,000
Premium	15,632,258
Total Sources	**$ 136,132,258**
Project Fund	$ 135,000,000
Cost of Issuance	650,258
Underwriters' Discount	482,000
Total Uses	**$ 136,132,258**

Projected MADS Coverage	
Aggregate Maximum Annual Debt Service (*after Series 2018*)	75,233,781
Occurring Bond Year	2019
MADS Coverage (1)	3.91x



Fiscal Year	Senior Lien Highway Revenue Bonds: Existing Debt Service (1)	Series 2018: Par	Series 2018: Interest	Series 2018: Debt Service	Aggregate Debt Service	FY2017 Pledged Revenue	Coverage (2)	Pay Go ($100M - Debt Service)
6/30/2018	78,480,375	-	-	-	78,480,375	294,115,000	3.75	21,519,625
6/30/2019	69,275,725	-	5,958,056	5,958,056	75,233,781	294,115,000	3.91	24,766,219
6/30/2020	68,386,575	-	6,025,000	6,025,000	74,411,575	294,115,000	3.95	25,588,425
6/30/2021	68,333,825	-	6,025,000	6,025,000	74,358,825	294,115,000	3.96	25,641,175
6/30/2022	57,093,325	2,000,000	5,975,000	7,975,000	65,068,325	294,115,000	4.52	34,931,675
6/30/2023	57,118,425	2,000,000	5,875,000	7,875,000	64,993,425	294,115,000	4.53	35,006,575
6/30/2024	57,023,525	2,000,000	5,775,000	7,775,000	64,798,525	294,115,000	4.54	35,201,475
6/30/2025	56,968,025	2,000,000	5,675,000	7,675,000	64,643,025	294,115,000	4.55	35,356,975
6/30/2026	56,916,025	2,000,000	5,575,000	7,575,000	64,491,025	294,115,000	4.56	35,508,975
6/30/2027	56,969,825	2,000,000	5,475,000	7,475,000	64,444,825	294,115,000	4.56	35,555,175
6/30/2028	56,819,750	2,000,000	5,375,000	7,375,000	64,194,750	294,115,000	4.58	35,805,250
6/30/2029	56,766,000	2,000,000	5,275,000	7,275,000	64,041,000	294,115,000	4.59	35,959,000
6/30/2030	57,194,375	2,000,000	5,175,000	7,175,000	64,369,375	294,115,000	4.57	35,630,625
6/30/2031	37,099,250	12,815,000	4,804,625	17,619,625	54,718,875	294,115,000	5.38	45,281,125
6/30/2032	37,064,500	12,815,000	4,163,875	16,978,875	54,043,375	294,115,000	5.44	45,956,625
6/30/2033	37,189,800	12,815,000	3,523,125	16,338,125	53,527,925	294,115,000	5.49	46,472,075
6/30/2034	37,161,500	12,815,000	2,882,375	15,697,375	52,858,875	294,115,000	5.56	47,141,125
6/30/2035	37,138,200	12,810,000	2,241,750	15,051,750	52,189,950	294,115,000	5.64	47,810,050
6/30/2036	-	12,810,000	1,601,250	14,411,250	14,411,250	294,115,000	20.41	85,588,750
6/30/2037	-	12,810,000	960,750	13,770,750	13,770,750	294,115,000	21.36	86,229,250
6/30/2038	-	12,810,000	320,250	13,130,250	13,130,250	294,115,000	22.40	86,869,750
Total	$ 982,999,025	$ 120,500,000	$ 88,681,056	$ 209,181,056	$ 1,192,180,081			

(1) FY2018 existing debt service includes principal and interest payments already made on 12/1/2017
(2) Using FY2017 Net Pledged Revenue ($294M)
Current rates as of 2/13/2018 + Estimated Credit Spread from PFM Pricing Group + 50 bps volatility cushion

ATTACHMENT C

Bond Resolution

RESOLUTION

A RESOLUTION DESIGNATED BY THE SHORT TITLE "2018 HIGHWAY IMPROVEMENT REVENUE BOND RESOLUTION"; AUTHORIZING THE SALE AND ISSUANCE OF THE STATE OF NEVADA, HIGHWAY IMPROVEMENT REVENUE (MOTOR VEHICLE FUEL TAX) BONDS, SERIES 2018 IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF $140,000,000; PROVIDING THE FORM, TERMS AND CONDITIONS OF THE BONDS; PROVIDING FOR THE CONTINUED IMPOSITION AND COLLECTION OF CERTAIN FUEL TAXES DEPOSITED IN THE STATE HIGHWAY FUND; PLEDGING THE PROCEEDS OF EXCISE TAXES AND ANY APPROPRIATE FEDERAL HIGHWAY AID PAYABLE TO THE STATE TO THE PAYMENT OF THE BONDS; RATIFYING ACTION PREVIOUSLY TAKEN AND PERTAINING THERETO; AND PROVIDING OTHER RELATED MATTERS.

WHEREAS, the State of Nevada, acting by and through the State Board of Finance (the "State" and the "Board," respectively), pursuant to Nevada Revised Statutes ("NRS") 408.273, (the "Project Act"); chapter 365 and chapter 366, NRS, and all laws amendatory thereof (collectively, the "Fuel Tax Act"); and NRS 349.150 to 349.364, inclusive, and all laws amendatory thereof, and designated in NRS 349.150 thereof as the State Securities Law (the "Bond Act"); and all laws supplemental thereto, may issue highway revenue bonds, subject to conditions hereinafter as stated; and

WHEREAS, pursuant to the Project Act, the Board of Directors of the Department of Transportation requested the Board to issue highway revenue bonds to pay wholly or in part the cost of completing pending and currently projected highway construction projects (the "Project"); and

WHEREAS, 23 United States Code Annotated ("U.S.C.") Section 122 in effect in relevant part provides (i) that the State may claim payment from the Secretary of the Department of Transportation of the United States of any portion of the sums apportioned to it for expenditure on eligible projects to aid in the reimbursement of the State for expenses and costs incurred for the principal of, interest on, costs of issuance, costs of insurance, and any other costs incidental to the sale of bonds issued by the State the proceeds of which were used and actually expended in the construction of one or more such projects; and (ii) that such claim for payment may be made only when all of the provisions of title 23 of U.S.C. have been complied with to the same extent and with the same effect as though payment were to be made to the State under Section 121 of that title, and Section 122 further provides that the reimbursement shall not constitute a commitment, guarantee, or obligation on the part of the United States to provide for the payment of the principal or interest on the eligible debt financing instrument or create any right of a third party against the United States for payment under the eligible debt financing instrument; and

WHEREAS, the bonds herein authorized (the "Bonds") shall be payable from any such federal aid eligible for the payment of the principal of and interest on the Bonds and from the proceeds of the motor vehicle fuel taxes imposed and collected pursuant to the Fuel Tax Act and credited to the State Highway Fund (as herein defined) for the payment of principal of and interest on the Bonds (the "Gross Pledged Revenues"), but excluding:

A. Any tax proceeds not collected because of exempt sales and other exempt transactions provided in NRS 365.220 through 365.260 and NRS 366.200;

B. Any tax proceeds not collected because of the dealers' collection and handling fee provided in NRS 365.330 and 366.390;

C. Tax proceeds for making refunds provided in NRS 365.370 through 365.490 and NRS 366.650 through 366.680;

D. Motor vehicle fuel tax proceeds paid on fuel used in watercraft for recreational purposes as provided in NRS 365.535;

E. The tax proceeds imposed and collected as provided in NRS 365.180, 365.190 and 365.192 (but not NRS 365.170, 365.175, 365.185, 366.190 and 366.195) and distributed to the counties in the State as provided in NRS 365.550, 365.560 and 365.562, respectively;

F. The tax proceeds derived from motor vehicle fuel used in aircraft as provided in NRS 365.565 and 365.545; and

G. The costs of administration for the collection of any excise tax on gasoline or other motor vehicle fuel, as provided in NRS 365.150, subject to the limitation of not exceeding 1% of the total proceeds so collected as expressed in NRS 408.235(5);

such exclusions being herein the "Direct Distributions and Other Exclusions"; and

WHEREAS, other than to the Outstanding Parity Securities (as defined herein), the State has not pledged nor in any way hypothecated the Gross Pledged Revenues derived or to be derived from any federal aid and derived or to be derived (directly or indirectly) from certain excise taxes relating to motor vehicle and special fuel to the payment of any bonds now Outstanding (as hereinafter defined) or for any other purpose, excluding the Direct Distributions and Other Exclusions, with the result that the proceeds of the Gross Pledged Revenues may now be pledged lawfully and irrevocably to the payment of the Bonds, all as herein provided; and

WHEREAS, the Board, on the behalf and in the name of the State, has determined, and does hereby declare:

A. The State shall undertake the Project for the benefit and welfare of the people of the State;

B. The State shall borrow money by the issuance of the Bonds, pursuant to the Project Act, as supplemented by the Bond Act and the Fuel Tax Act, and all laws thereunto enabling, to defray the Cost of the Project (as hereinafter defined), except to the extent defrayed with any revenues other than the proceeds of the Bonds;

C. The total of all revenue bonds and any other securities payable from the Gross Pledged Revenues issued on the behalf and in the name of the State and now Outstanding and for these purposes, including the Bonds:

(1) will not be in an amount requiring a total debt service in excess of the receipts estimated by the Board to be derived from the excise taxes imposed pursuant to the provisions of NRS 365.170, 365.175, 366.190 and 366.195, but excluding any proceeds thereof included within the Direct Distributions and Other Exclusions; and

(2) will not be general obligations of the State;

(3) will be secured as to principal and interest by a pledge authorized by the Project Act and the Bond Act of the receipts from the motor vehicle and special fuel taxes herein designated and included as all or a part of the Gross Pledged Revenues, except such portion of such receipts as may be required for the Direct Distributions and Other Exclusions;

D. The net proceeds of the tax levied and collected pursuant to NRS 365.170, 365.175 and 366.190, and credited to the State Highway Fund are sufficient to pay the Bonds from the proceeds thereof;

E. The Board, on the behalf and in the name of the State, may additionally secure the payment of the Bonds by a pledge of, and the creation of a lien on, not only the proceeds of any motor vehicle and special fuel tax authorized at the time of the issuance of such securities payable from the Gross Pledged Revenues, and derived wholly or in part from the Fuel Taxes (as hereinafter defined) imposed by NRS 365.170, 365,175 and 366.190, and from any Fuel Taxes now conditionally imposed by NRS 365.185 and 366.195, but also the proceeds of any such tax hereafter imposed to be used or pledged or used and pledged for the payment of such securities, whether such tax be levied or collected by the State, or otherwise, or be levied in at least an equivalent value in lieu of any such taxes existing at the time of the issuance of such securities or be levied in supplementation thereof;

F. The pledges and liens authorized by NRS 365.170, 365.175, 365.185, 366.190 and 366.195, and by the Project Act will extend to the proceeds of any tax collected for use by the State on any motor vehicle fuel or special fuel (but not any such proceeds included in the Direct Distributions and Other Exclusions) so long as any bonds or other securities issued under the Project Act remain Outstanding; and the revenues pledged for the payment of the Bonds, as received by the State, will immediately be subject to the lien of each such pledge without any physical delivery thereof or any filing or further act, and the lien of each such pledge and the obligation to

perform the contractual provisions made in this Resolution will have priority over any or all other obligations and liabilities of the State, except the obligations and liabilities the State creates in a resolution authorizing the issuance of highway revenue bonds on a parity with those bonds previously issued or created hereunder, and except as may be otherwise provided in the Project Act or in this Resolution; and the lien of each such pledge will be valid and binding as against all Persons (as hereinafter defined) having claims of any kind in tort, contract or otherwise against the State, whether or not such Persons have notice thereof;

G. All action preliminary to the authorization of the issuance of the Bonds has been taken;

H. The State shall forthwith effect the Project with reasonable diligence, shall apply the proceeds of the Bonds to defray wholly or in part the Cost of the Project, subject to the limitations and other provisions in the Project Act and other laws supplemental thereto;

I. Each of the limitations and other conditions to the issuance of the Bonds in the Project Act, the Bond Act, the Fuel Tax Act and in any other relevant act of the State or the Federal Government has been met; and pursuant to NRS 349.352, this determination of the Board that the limitations in the Bond Act have been met shall be conclusive in the absence of fraud or arbitrary and gross abuse of discretion;

J. The Bonds shall otherwise be issued in strict compliance with the Project Act, the Bond Act, the Fuel Tax Act, any other relevant act supplemental thereto, and as may be otherwise provided by law;

K. The proceeds of the Bonds, indirectly constituting proceeds from the imposition of an excise tax on gasoline and other motor vehicle and special fuel, shall, except costs of administration, be used exclusively to pay the Cost of the Project, as herein delineated, pursuant to Article 9, Section 5, Nevada Constitution; and the Bonds shall constitute special obligations of the State payable from a constitutionally created special fund under that section and do not constitute a debt under Section 3, Article 9, Nevada Constitution; and

WHEREAS, pursuant to NRS 349.303, the Board delegates to the State Treasurer (the "Treasurer") or the Treasurer's designee the power to accept a binding bid for the Bonds, subject to certain requirements specified in this Resolution, to be set forth in a certificate signed by the Treasurer or the Treasurer's designee on or before the date of closing on the Bonds (the "Certificate of the Treasurer"); and

WHEREAS, the Board hereby elects to have the provisions of chapter 348 of NRS apply to the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOARD OF FINANCE OF THE STATE OF NEVADA:

ARTICLE I

SHORT TITLE, DEFINITIONS, INTERPRETATION, RATIFICATION, AUTHENTICATION AND EFFECTIVE DATE

Section 101. Short Title. This resolution may be cited and designated by the short title "2018 Highway Improvement Revenue Bond Resolution" (this "Resolution").

Section 102. Meanings and Construction.

A. Definitions. The terms in this Section defined for all purposes of this Resolution and of any instrument amendatory hereof or supplemental hereto, or relating hereto, and of any instrument or document pertaining hereto, except where the context by clear implication otherwise requires, shall have the meanings herein specified:

(1) "Board" means the State Board of Finance of the State of Nevada.

(2) "Bond Act" or "State Securities Law" means the supplemental act pertaining to the issuance of the Bonds cited as NRS 349.150 to 349.364, inclusive, and all laws amendatory thereof, which act is designated in NRS 349.150 as the State Securities Law.

(3) "Bond Fund" means the special and separate account designated as the "State of Nevada, Highway Parity Revenue Bonds, Gross Pledged Revenues Interest and Bond Retirement Fund" previously created and continued herein.

(4) "Bond Requirements" means the principal of, the interest on and any prior redemption premiums due in connection with the Bonds and any other additional bonds or other additional securities payable from the Gross Pledged Revenues, or such part of such other bonds or other securities pertaining to those revenues as may be designated, as such principal, any such premiums, and such interest become due.

(5) "Bondholder" or "registered owner" or any similar term means any person who shall be the registered owner of any Bond or Bonds.

(6) "Bonds" means the securities herein authorized and designated as the "State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018".

(7) "2017 Bonds" State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2017".

(8) "2016 Bonds" means the securities herein authorized and designated as the "State of Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Improvement and Refunding Bonds, Series 2016".

(9) "2014 Bonds" means the securities issued and designated as the "State of Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2014".

(10) "2013 Bonds" means the securities issued and designated as the "State of Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds, Series 2013".

(11) "2012 Bonds" means the securities issued and designated as the "State of Nevada, Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds, Series 2012".

(12) "Combined Maximum Annual Principal and Interest Requirements" means the maximum sum of the principal of and the interest on the Bonds and any other Parity Securities payable from the Gross Pledged Revenues and falling due (other than by an exercise of an option of prior redemption, except as hereinafter specifically provided) during any one succeeding Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the Fiscal Year in which any of such obligations last become due at their respective fixed maturity dates or on a Redemption Date on which any of such obligations thereafter maturing are called for prior redemption or on which the State has obligated itself to call such obligations for prior redemption, whichever time is earlier, if any, but not including as Outstanding any Bonds which are no longer Outstanding under the defeasance provisions of Section 901 hereof, subject to the following provisions:

(a) In any computation of the Combined Maximum Annual Principal and Interest Requirements under the historic earnings test in Section 703 B hereof, the computation pertains to the Outstanding Bonds and any other Outstanding Parity Securities; and the calculations pertaining to such computations with respect to any Parity Securities proposed to be issued shall be adjusted as provided by Section 703 C and D hereof and shall be made as provided by Section 704 hereof; and

(b) In any computation of the Combined Maximum Annual Principal and Interest Requirements hereunder, if all or any part of the Bonds, any Outstanding Parity Securities, and, in the case of a computation of the historic earnings test in Section 703 B hereof, the Parity Securities proposed to be issued, of any issue hereafter issued or to be issued, as the case may be, is a term issue,

rather than a serial issue, and if in the bond resolution or other proceedings authorizing or otherwise pertaining to the issuance of such securities the State shall have obligated itself to call securities for prior redemption at any time or times in one or more designated Fiscal Years during the term of such issue prior to the fixed maturity date of such term securities, then the principal amount of such securities (but no prior redemption premiums, if any, then due) to be paid on such a call date or such call dates in each such Fiscal Year shall be included as a principal amount so becoming due on such date or dates in each such Fiscal Year, the amount of principal of the term securities stated to be due on their fixed maturity date shall be correspondingly reduced by the amounts of principal theretofore to be redeemed on such mandatory prior redemption date or dates, and the amount of interest becoming due in each Fiscal Year shall be correspondingly adjusted to reflect such payment of principal under the schedule of mandatory prior redemption of securities.

(13) "Commercial Bank" means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation and of the Federal Reserve System, which has a capital and surplus of $10,000,000 or more and which is located within the United States; and such term includes without limitation, any "Trust Bank," as herein defined.

(14) "Construction Account" means the special and separate account designated as the "State of Nevada, Highway Improvement Revenue Bonds, Series 2018 Construction Account" created in Section 401 hereof.

(15) "Controller" means the de jure or de facto controller of the State, or his or her successor in functions, if any.

(16) "Cost of the Project," or any phrase of similar import, means all or any part designated by the Board as the cost of the Project, or an interest therein, which cost at the option of the Treasurer may include (except as limited by this Resolution or as otherwise limited by law) all or any part of the incidental costs pertaining to the Project, including, without limitation:

(a) Preliminary expenses advanced by the State from funds available for use therefor, or advanced by the Federal Government, or from any other source, with the approval of the Board or the Director, or any combination thereof;

(b) The costs in the making of surveys, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;

(c) The costs of premiums on builders' risk insurance and performance bonds, or a reasonably allocable share thereof;

(d) The costs of appraising, printing, estimates, advice, services of engineers, architects, financial consultants, attorneys at law, clerical help or other agents or employees;

(e) The costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the Project, the filing or recordation of instruments, the taking of options, the issuance of the Bonds and other securities, and bank fees and expenses;

(f) The cost of contingencies;

(g) The costs of the capitalization with proceeds of the Bonds or other securities of any operation and maintenance expenses pertaining to the Project and of any interest on the Bonds or other securities for any period not exceeding the period estimated by the Board to effect the Project plus one year, of any discount on the Bonds or other securities, and of any reserves for the payment of the principal of and interest on the Bonds or other securities, or any replacement expenses, and of any other cost of issuance of the Bonds or other securities;

(h) The costs of amending any resolution or other instrument authorizing the issuance of or otherwise pertaining to Outstanding Bonds or other securities of the State;

(i) The costs of funding any short-term financing, construction loans and other temporary loans of not exceeding five years pertaining to the Project and of the incidental expenses incurred in connection with such loans;

(j) The costs of any properties, rights, easements or other interests in properties, or any licenses, privileges, agreements and franchises;

(k) The costs of demolishing, removing or relocating any buildings, structures or other facilities on land acquired for the Project, and of acquiring land to which such buildings, structures or other facilities may be moved or relocated; and

(l) All other expenses necessary or desirable and pertaining to the Project, as estimated or otherwise ascertained by the Board.

(17) "Department" means the State's Department of Transportation.

(18) "Direct Distributions and Other Exclusions" means the distributions and other exclusions of revenues from the Gross Pledged Proceeds resulting from exempt sales and other exempt transactions, allowances for the dealers' collections and handling fee, refunds, exemption of proceeds pertaining to fuel used in watercraft for recreational purposes or in aircraft, Fuel Taxes imposed and collected for the benefit of counties and certain political subdivisions therein, and administration costs of collecting certain Fuel Taxes, as more specifically delineated in the preambles hereof.

(19) "Director" means the de jure or de facto director of the Department, or his or her successor in functions, if any.

(20) "Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., as the disclosure dissemination agent for the State with respect to the Bonds, or any successor disclosure dissemination agent appointed by the State.

(21) "Events of Default" means the events stated in Section 1003 hereof.

(22) "Federal Government" means the United States, or any agency, instrumentality or corporation thereof.

(23) "Federal Securities" means bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States, or securities which are direct obligations of, or the principal and interest of which securities are conditionally or unconditionally guaranteed by the Federal Government, or other securities of the Federal Government, or other obligations the payment of which is fully secured by a pledge of any such securities.

(24) "Fiscal Year" for the purposes of this Resolution means the 12 months commencing on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year.

(25) "Fuel Tax Act" means, collectively, chapter 365 and chapter 366 of NRS, by which act the State imposes and collects motor vehicle and special fuel taxes for credit in part to the State Highway Fund, or for credit in part to

the State Motor Vehicle Fund and thereafter, subject to the requirements of NRS 482.180, for transfer to the State Highway Fund, and for inclusion in the Gross Pledged Revenues, but excluding therefrom the Direct Distributions and Other Exclusions.

(26) "Fuel Tax" or "Fuel Taxes" means the motor vehicle and special fuel tax or taxes imposed and collected or to be collected pursuant to NRS 365.170, 365.175, 365.185, 366.190 and 366.195, the proceeds of which are credited and are to be credited to the State Highway Fund or are credited and are to be credited to the State Motor Vehicle Fund and thereafter, subject to requirements of NRS 482.180, are to be transferred to the State Highway Fund, and in part comprise the Gross Pledged Revenues, but excluding therefrom the Direct Distributions and Other Exclusions. The Fuel Taxes, however, may be modified by the State as provided in the preambles hereof, but subject to the provisions of Section 214 hereof.

(27) "Governor" means the de facto or de jure governor of the State, or his or her successor in functions, if any.

(28) "Gross Pledged Revenues" means all the revenues derived from any federal aid made by the United States to the State for the reimbursement for expenses and costs incurred for the payment of the principal of, interest on, costs of issuance, costs of insurance, and any other costs incidental to the sale of the Bonds and from a portion of the State's Fuel Taxes, as more specifically designated in the 4th preamble hereof.

(29) "hereby," "herein," "hereinabove," "hereinafter," "hereinbefore," "hereof," "hereto," "hereunder" or any similar term refers to this Resolution and not solely to the particular portion thereof in which such word is used; "heretofore" means before the adoption of this Resolution; and "hereafter" means after the adoption of this Resolution.

(30) "Independent Accountant" means any certified public accountant or any firm of certified public accountants duly licensed to practice and practicing as such under the laws of the State, as from time to time appointed and compensated by the Board on the behalf and in the name of the State:

(a) Who is, in fact, independent and not under the domination of the State;

(b) Who does not have any substantial interest, direct or indirect, with the State; and

(c) Who is not connected with the State as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the State.

(31) "NRS" means Nevada Revised Statutes, the State's code of general laws.

(32) "Outstanding" when used with reference to the Bonds or any other designated securities and as of any particular date means all the bonds or any such other securities payable from the Gross Pledged Revenues, in any manner theretofore and thereupon being executed and delivered:

(a) Except any Bond or other security canceled by the State, or otherwise on the State's behalf, at or before such date;

(b) Except any Bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of its maturity or any Redemption Date, whichever date is earlier, if any, shall have theretofore been deposited with a Trust Bank in escrow or in trust for that purpose, as provided in Section 901 hereof or any similar section of the resolution pursuant to which such other securities were issued; and

(c) Except any Bond or other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered pursuant to Sections 304, 312 or 1109 hereof or any similar sections of the resolution pursuant to which such other securities were issued.

(33) "Owner" or "Owners" means any person who shall be the registered owner of any Bond or Bonds.

(34) "Parity Securities" means bonds or securities pertaining to the State's public highway facilities and payable from the Gross Pledged Revenues on a parity with the Bonds, the 2017 Bonds, the 2016 Bonds, the 2014 Bonds, the 2013 Bonds and the 2012 Bonds.

(35) "Paying Agent" or "Registrar" means U.S. Bank, National Association, and its successor and assigns.

(36) "Person" means a corporation, firm, other body corporate (including, without limitation, the Federal Government, or any other body corporate and politic other than the State), partnership, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

(37) "Purchaser" means the Purchaser of the Bonds set forth in the Certificate of the Treasurer.

(38) "Rebate Account" means the special and separate account designated as the "State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds Series 2018 Rebate Account" created in Section 505 hereof.

(39) "Redemption Date" means the date fixed for the redemption prior to their respective maturities of any designated securities payable from the Gross Pledged Revenues or other moneys pertaining to the State highway system or the State in any notice of prior redemption, or otherwise fixed and designated by the State.

(40) "Regular Record Date" means the fifteenth day of the calendar month next preceding each interest payment date (other than a special interest payment date fixed for payment of defaulted interest) for the Bonds.

(41) "Resolution" means this Resolution, cited in Section 101 hereof by the short title "2018 Highway Improvement Revenue Bond Resolution"; and the term "resolution of the State," "resolution of the Board," "amendatory resolution," "supplemental resolution" or any phrase of similar import, means any resolution adopted by the Board on behalf of the State.

(42) "Secretary" or "Secretary of State" means the de facto or de jure secretary of state of the State or his or her successor in functions, if any.

(43) "Special Record Date" means a date fixed by the Registrar pursuant to Section 302 hereof in connection with the payment of defaulted interest on the Bonds.

(44) "State" means the State of Nevada, in the United States; and where the context so indicates, "State" means the geographical area comprising the State of Nevada.

(45) "State Highway Fund" means the accounting entity created by NRS 408.235, and to which are credited in part proceeds from the imposition and collection of the Fuel Taxes, among other revenues, and to which fund the Gross Pledged Revenues pertain.

(46) "State Motor Vehicle Fund" means the accounting entity created by NRS 482.180, and to which are credited in part proceeds from the imposition and collection of certain Fuel Taxes, among other revenues, and from which certain transfers are made to the State Highway Fund.

(47) "State Treasurer" or "Treasurer" means the de facto or de jure state treasurer of the State or the Treasurer's successor in functions, if any.

(48) "Subordinate Securities" means bonds or securities pertaining to the State highway system and payable from the Gross Pledged Revenues subordinate and junior to the lien thereon of the Bonds and any other Parity Securities.

(49) "Tax Code" means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds.

(50) "Trust Bank" means a Commercial Bank which is authorized to exercise and is exercising trust powers, and also means any branch of the Federal Reserve Bank.

(51) "United States" means the United States of America; and where the context so indicates, "United States" means the geographical area comprising the United States of America.

B. Construction. This Resolution, except where the context by clear implication herein otherwise requires, shall be construed as follows:

(1) Words in the singular number include the plural, and words in the plural include the singular.

(2) Words in the masculine gender include the feminine and the neuter, and when the sense so indicates words of the neuter gender refer to any gender.

(3) Articles, sections, subsections, paragraphs and subparagraphs mentioned by number, letter or otherwise, correspond to the respective articles, sections, subsections, paragraphs and subparagraphs of this Resolution so numbered or otherwise so designated.

(4) The titles and leadlines applied to articles, sections and subsections of this Resolution are inserted only as a matter of convenience and ease in reference and in no way define, limit or describe the scope or intent of any provisions of this Resolution.

(5) Any Bonds held by the State shall not be deemed to be Outstanding for the purpose of consents hereunder or for any other purpose provided herein.

Section 103. Successors. All of the covenants, stipulations, obligations and agreements by or on behalf of and other provisions for the benefit of the State or the Board contained herein shall bind and inure to the benefit of any successors thereof and shall bind and inure to the

benefit of any officer, board, district, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the State or the Board or of their respective successors, if any, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

Section 104. Parties Interested Herein. Except as herein otherwise expressly provided, nothing herein expressed or implied is intended or shall be construed to confer upon or to give to any Person, other than the State, the Board, the Registrar, the Paying Agent and the Owners from time to time of the Bonds, any right, remedy or claim under or by reason hereof or any covenant, condition or stipulation hereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the State shall be for the sole and exclusive benefit of the State, the Board, the Registrar, the Paying Agent and any Owner of any Bonds.

Section 105. Ratification; Approval of Official Statement. All action heretofore taken (not inconsistent with the provisions of this Resolution) by the Board, the officers of the State and otherwise by the State directed toward the Project and the sale and delivery of the Bonds for that purpose be, and the same hereby is, ratified, approved and confirmed. The Treasurer and other officers of the State are hereby authorized to publicly sell Bonds; prepare and distribute an Official Notice of Bond Sale; prepare, distribute and execute the Preliminary Official Statement; and complete, distribute and execute the Final Official Statement with such amendments, additions and deletions as are consistent with the facts and not inconsistent herewith, as may be approved by the Treasurer or designee by such officer's execution of the Final Official Statement. The designation of the Preliminary Official Statement as a "nearly final Official Statement" for purposes of Rule 15c2-12 of the Securities and Exchange Commission is hereby authorized, approved and confirmed.

Section 106. Resolution Irrepealable. In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, after any of the Bonds are issued, this Resolution shall constitute an irrevocable contract between the State and the Owner or Owners of the Bonds; and this Resolution (subject to the provisions of Section 901 and of Article XI hereof) shall, if any Bonds are in fact issued, be and remain irrepealable until the Bonds, as to all Bond Requirements, shall be fully paid, canceled and discharged, except as herein otherwise expressly provided.

Section 107. Repealer. All bylaws, orders and other instruments, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any bylaw, order or other instrument, or part thereof, heretofore repealed.

Section 108. Severability. If any section, subsection, paragraph, clause or other provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, subsection, paragraph, clause or other provision shall not affect any of the remaining provisions of this Resolution.

Section 109. Effective Date. This Resolution immediately upon its final passage and adoption shall be in full force and effect.

ARTICLE II

BOARD'S DETERMINATIONS, AUTHORITY FOR AND AUTHORIZATION OF PROJECT, PROJECT COST AND OBLIGATION OF STATE

Section 201. Authority of this Resolution. This Resolution is adopted by virtue of the Project Act, the Fuel Tax Act and the Bond Act and pursuant to their provisions; and the State has ascertained and hereby determines that each and every matter and thing as to which provision is made herein is necessary in order to carry out and to effectuate the purposes of the State in accordance with the Project Act, the Fuel Tax Act and the Bond Act have been and hereby are approved.

Section 202. Life of Project. The Board, on behalf of the State, has determined and does hereby declare that the estimated life or estimated period of usefulness of the Project financed with the proceeds of the Bonds is not less than the average maturity of the Bonds.

Section 203. Necessity of Project and Bonds. It is necessary and for the best interest of the Board, the State and the officers and the inhabitants of the State that the State effect the Project and defray wholly or in part the cost thereof by issuing the Bonds therefor; and it is hereby so determined and declared.

Section 204. Authorization of Project. The Board, on behalf of the State, does hereby determine to proceed with the Project, and the Project is hereby so authorized.

Section 205. Estimated Cost of Project. The Cost of the Project is estimated not to exceed the aggregate principal amount of the Bonds, excluding any such cost defrayed or to be defrayed by any source other than the proceeds of the principal amount of the Bonds.

Section 206. Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be deemed to be and shall constitute contracts between the State and the Owners from time to time of the Bonds.

Section 207. Bonds Equally Secured. The covenants and agreements of the State herein set forth shall be for the equal benefit, protection and security of the Owners of any and all of the Outstanding Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction, except as otherwise expressly provided in or pursuant to this Resolution.

Section 208. Special Obligations. All of the Bonds, as to all Bond Requirements, shall be payable and collectible solely out of the Gross Pledged Revenues, which revenues are so pledged; the Owner or Owners thereof may not look to any general or other fund for the payment of such Bond Requirements, except the special funds herein pledged; the Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation;

and the Bonds shall not be considered or held to be general obligations of the State but shall constitute its special obligations.

Section 209. Exempt Debt. If the Bonds should be held to constitute "debts" as that term is used in Article 9, Section 3, Nevada Constitution, by any final decree of a Nevada court with appropriate jurisdiction, the issuance of the Bonds pursuant to the Project Act, the Fuel Tax Act and the Bond Act is for the protection and preservation of any of the property within the State or the natural resources therein, or for the purposes of obtaining the benefits thereof, and constitutes an exercise of the authority conferred by the second paragraph of Section 3, Article 9, Nevada Constitution. Thus, the issuance of the Bonds is not restricted in such case by the limitations stated in the first paragraph of such Section, and the Bonds, while they remain Outstanding and unpaid, do not diminish the State's debt-incurring power under the 2% limitation stated in the first paragraph in such Section.

Section 210. Character of Agreement. None of the covenants, agreements, representations and warranties contained herein or in the Bonds, in the absence of any breach thereof, shall ever impose or be construed as imposing any liability, obligation or charge against the State (except the special funds pledged) or its general credit, payable out of its general fund or out of any funds derived from taxation other than the Fuel Taxes.

Section 211. No Pledge of Property. Pursuant to NRS 349.250, the payment of the Bonds is not and shall not be secured by an encumbrance, mortgage or other pledge of property of the State, except the Gross Pledged Revenues and any other moneys pledged for the payment of the Bonds. No property of the State, subject to such exception, shall be liable to be forfeited or taken in payment of the Bonds.

Section 212. No Recourse Against Officers and Agents. Pursuant to NRS 349.252, no recourse shall be had for the payment of the Bond Requirements of the Bonds or for any claim based thereon, or otherwise, upon this Resolution or other instrument pertaining thereto, against any individual member of the Board, or any other officer or other agent of the State, past, present or future, either directly or indirectly through the Board, the State or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty, or otherwise, all such liability, if any, being by the acceptance of the Bonds and as a part of the consideration of their issuance specially waived and released.

Section 213. No Bond Election. The Bonds shall be issued without their being authorized at any election by any electors of the State and, other than the public sale of the Bonds, without any preliminaries being taken other than those heretofore taken as stated in the preambles hereof.

Section 214. Limitations Upon State. Pursuant to NRS 349.256, the faith of the State is pledged that the Project Act, the Fuel Tax Act, the Bond Act, any other law supplemental or otherwise pertaining to the Bond Act, and any other act concerning the Bonds or other State securities, Fuel Taxes or the Gross Pledged Revenues, or any combination of such securities, such taxes and such revenues, shall not be repealed nor amended or otherwise directly or indirectly

modified in such manner as to impair adversely the Bonds or any other outstanding State securities, until all such securities have been discharged in full or provision for their payment and redemption has been fully made, including, without limitation, the known minimum yield from the investment or reinvestment of moneys pledged therefor in Federal Securities pursuant to Section 901 hereof.

Section 215. Terms of Bond Sale. The bid submitted by the Purchaser for the purchase of the Bonds, bearing interest at the rates therein designated and otherwise upon the terms and conditions provided in such bid, as supplemented by the Official Notice of Bond Sale and by this Resolution, hereby is authorized to be accepted by the Treasurer or designee by executing the Certificate of the Treasurer.

Section 216. Acceptance of Bid. Pursuant to NRS 349.303, the Board hereby delegates to the Treasurer or designee the authority to accept a binding bid for the Bonds from the Purchaser subject to the following requirements:

A. the effective interest rate on the Bonds must not exceed by more than 3% the "25 Revenue Bond Index" which was most recently published in The Bond Buyer as of the date of acceptance of the Purchaser's bid;

B. the Treasurer, in the Treasurer's discretion, or designee will determine the dates on which, if any, and the prices at which the Bonds may be called for redemption prior to maturity, provided that any redemption price shall not exceed 102% of the aggregate principal amount of the Bonds called for redemption;

C. the purchase price for the Bonds will be equal to the amount of the aggregate principal amount of the bonds as set forth in the Certificate of the Treasurer (not to exceed $140,000,000 for the Project) less a discount, if any, of not more than 9 percent of such aggregate principal amount, or plus a premium, if any, plus accrued interest, if any, all as set forth in the Certificate of the Treasurer; and

D. the aggregate principal amount of the Bonds maturing in any particular year must not exceed $30,000,000.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, FORM AND ISSUANCE OF BONDS

Section 301. Authorization of Bonds. For the purpose of conserving the property and advancing the general welfare of the citizens of the State, the "State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018" in the aggregate principal amount as set forth in the Certificate of the Treasurer (not to exceed $140,000,000 for the Project) are hereby authorized to be issued pursuant to the Project Act, the Fuel Tax Act and the Bond Act; the Bonds are payable as to all Bond Requirements solely out of the Gross Pledged Revenues; and the State pledges irrevocably, but not necessarily exclusively, the Gross Pledged Revenues to the payment of the Bond Requirements of the Bonds.

Section 302. Bond Details.

A. Bond Payment. The Bonds shall be issued in fully registered form, i.e., registered as to both principal and interest. The Bonds shall be dated as of the date of delivery of the Bonds and shall be issued in denominations of $5,000 or any integral multiple thereof. The Bonds shall bear interest from their date until their respective fixed maturity dates at the respective rates (calculated on the basis of a 360-day year of twelve 30-day months) as set forth in the Certificate of the Treasurer, payable on June 1 and December 1 in each year, commencing on December 1, 2018; provided that Bonds which are reissued upon transfer, exchange or other replacement shall bear interest at the rates specified in the Certificate of the Treasurer from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from the date of such Bonds. The Bonds shall mature on the dates and in each of the amounts of principal designated in the Certificate of the Treasurer.

The principal of any Bond shall be payable to the Owner thereof as shown on the registration records kept by the Registrar upon maturity thereof and upon presentation and surrender at the office of the Paying Agent or at such other office as designated by the Paying Agent. If any Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by said Bond until the principal thereof is paid in full. Payment of interest on any Bond shall be made to the Owner thereof by check mailed by the Paying Agent, on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day) to the Owner thereof at such Owner's address shown on the registration records kept by the Registrar as of the close of business on the Regular Record Date; but any such interest not so timely paid shall cease to be payable to the Owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable to the Owner thereof at such Owner's address shown on the registration records of the Registrar as of the close of business on a date fixed to determine the names and addresses of Owners for the purpose of paying defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Registrar to the Owners of the Bonds not less than 10 days prior thereto by first-class mail to each such Owner as shown on the

Registrar's registration records as of the date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

B. Optional Redemption. Bonds maturing on and after the date set forth in the Certificate of the Treasurer shall be subject to redemption prior to their respective maturities, at the option of the State, to be exercised by delivery of a written certificate of the Treasurer to the Registrar, on and after the date set forth in the Certificate of the Treasurer, in whole or in part at any time from any maturities selected by the Treasurer and by lot within a maturity, at a price equal to the principal amount of each Bond, or portion thereof, so redeemed, accrued interest thereon to the redemption date, and a premium, if any, as set forth in the Certificate of the Treasurer.

C. Partial Redemption. In the case of Bonds of a denomination larger than $5,000, a portion of such Bond ($5,000 or any integral multiple thereof) may be redeemed pursuant to subsection B of this section, in which case the Registrar, except as provided in Section 312 hereof, shall, without charge to the Owner of such Bond, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof. In the case of a partial redemption of Bonds of a single maturity pursuant to subsection B of this section, the Registrar shall select the Bond to be redeemed by lot at such time as directed by the State.

D. Mandatory Redemption. The Bonds maturing on the dates, if any, and designated as term bonds as set forth in the Certificate of the Treasurer (the "Term Bonds"), are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date. As and for a sinking fund for the redemption of Term Bonds, there shall be deposited into the "State of Nevada, Highway Parity Revenue Bonds, Gross Pledged Revenues Interest and Bond Retirement Fund," on or before the dates, if any, set forth in the Certificate of the Treasurer, a sum which is sufficient to redeem on the dates and in the principal amounts as set forth in the Certificate of the Treasurer.

Not more than 60 days nor less than 30 days prior to the sinking fund payment dates for the Term Bonds, the Registrar shall proceed to select for redemption (by lot in such manner as the Registrar may determine) from all outstanding Term Bonds, a principal amount of the Term Bonds equal to the aggregate principal amount of Term Bonds redeemable with the required sinking fund payments, and shall call such Term Bonds or portions thereof for redemption from the sinking fund on the next principal payment date, and give notice of such call as provided in subsection E of this section of this Resolution.

At the option of the Board as directed by the Treasurer to be exercised by delivery of a written certificate to the Registrar not less than sixty days next preceding any sinking fund redemption date, the Treasurer may (i) deliver to the Registrar for cancellation Term Bonds, or portions thereof ($5,000 or any integral multiple thereof) in an aggregate principal amount desired by the Board or, (ii) specify a principal amount of Term Bonds, or portions thereof ($5,000 or any

integral multiple thereof) which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Registrar and not theretofore applied as a credit against any sinking fund redemption obligation. Each Term Bond or portion thereof so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Board on the sinking fund redemption dates and any excess shall be so credited against future sinking fund redemption obligations in such manner as the Board determines. In the event the Board as directed by the Treasurer shall avail of the provisions of clause (i) of the first sentence of this paragraph, the certificate required by the first sentence of this paragraph shall be accompanied by the respective Term Bonds or portions thereof to be canceled, or in the event the Bonds are registered in the name of Cede & Co., the certificate required by the first sentence of this paragraph shall be accompanied by such direction and evidence of ownership as is satisfactory to the Depository Trust Company.

E. Redemption Notice. Unless waived by any Owner of a Bond to be redeemed, notice of redemption shall be given by the Registrar (on direction of the State Treasurer given not less than 60 days prior to the redemption date), by electronic mail as long as Cede & Co. or a nominee or a successor depository is the Owner of the Bonds, and otherwise by first class postage prepaid mail, at least 30 days but not more than 60 days prior to the redemption date, to the Owner of any Bond all or a part of which is called for redemption at the Owner's address as it last appears on the registration records kept by the Registrar, and electronically (1) to the Disclosure Dissemination Agent or (2) if Digital Assurance Certification, L.L.C. no longer serves as the Disclosure Dissemination Agent and the State has not appointed a successor Disclosure Dissemination Agent, to the Municipal Securities Rulemaking Board ("MSRB") via its Electronic Municipal Market Access system. The notice shall identify the Bonds or portions thereof to be redeemed, specify the redemption date and state that on such date the principal amount thereof, accrued interest and premium, if any, thereon will become due and payable at the principal office of the Paying Agent or such other office as may be designated by the Paying Agent, and that after such redemption date interest will cease to accrue.

After such notice and presentation of said Bonds, the Bonds called for redemption will be paid. Actual receipt of the notice by the Disclosure Dissemination Agent, MSRB or the Owners of Bonds shall not be a condition precedent to redemption of such Bonds. Failure to give such notice to the Disclosure Dissemination Agent, MSRB or the Owner of any Bond designated for redemption or any defect therein, shall not affect the validity of the proceedings for redemption of any other Bond. A certificate by the Registrar that notice of redemption has been given as provided in this section shall be conclusive as against all parties; and no Owner whose Bond is called for redemption or any other Owner of any Bond may object thereto or may object to the cessation of interest on the redemption date on the ground that he failed to actually receive such notice of redemption.

Notwithstanding the provisions of this section, any notice of redemption may contain a statement that the redemption is conditional upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by

written notice to the Owners of the Bonds called for redemption in the same manner as the original notice of redemption was given.

Section 303. Negotiability. Subject to the registration and payment provisions herein provided, the Bonds shall be fully negotiable within the meaning of and for the purpose of the Uniform Commercial Code - Investment Securities and each Owner shall possess all rights enjoyed by holders of instruments under the Uniform Commercial Code-Investment Securities.

Section 304. Registration, Transfer and Exchange of Bonds. Except as otherwise provided in Section 312 hereof:

A. Records for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender of any Bond at the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the Owner or his or her attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. Bonds in denominations other than $5,000 may be exchanged at the Registrar for an equal aggregate principal amount of Bonds of the same maturity of other authorized denominations, as provided in Section 302 hereof. The Registrar shall authenticate and deliver a Bond or Bonds which the Owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. For every exchange or transfer of Bonds requested by the Owner thereof, the Registrar may make a sufficient charge to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and may charge a sum sufficient to pay the cost of preparing and authenticating a new Bond.

B. The Registrar shall not be required to transfer or exchange (i) any Bond subject to redemption during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds by the Registrar and ending at the close of business on the day of such mailing, or (ii) any Bond after the mailing of notice calling such Bond or any portion thereof for redemption as herein provided.

C. The Person in whose name any Bond shall be registered on the registration records kept by the Registrar shall be deemed and regarded as the absolute owner thereof for the purpose of payment and for all other purposes (except to the extent otherwise provided in Section 302 hereof with respect to interest payments); and payment of or on account of either principal or interest on any Bond shall be made only to or upon the written order of the Owner thereof or his or her legal representative. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

D. If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the State may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. If such lost, stolen, destroyed or mutilated

Bond shall have matured, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement.

E. Whenever any Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Registrar for transfer, exchange or replacement as provided herein, such Bond shall be promptly cancelled by the Paying Agent or Registrar.

Section 305. Execution of Bonds. The Bonds shall be executed as follows:

A. Filings with Secretary of State. If the Bonds will be executed with facsimile signatures, pursuant to NRS 349.284, Bond Act, and to the Uniform Facsimile Signatures of Public Officials Act, cited as chapter 351 of NRS, and prior to the execution of any Bonds, the Governor, the Controller, the Treasurer and the Secretary shall each file with the Secretary of State of the State of Nevada his or her manual signature certified by him or her under oath.

B. Manner of Execution. Pursuant to NRS 349.282, each Bond shall be approved, signed and executed in the name of and on behalf of the State with the engraved, imprinted, stamped or otherwise reproduced facsimile of the signature or the manual signature of the Governor, shall be countersigned and executed with such a facsimile of the signature or the manual signature of the Controller, and shall be countersigned, subscribed and executed by such a facsimile of the signature or the manual signature of the Treasurer; each Bond shall be authenticated with the manual impression or the printed, engraved, stamped or otherwise placed thereon facsimile of the official seal of the State; and each Bond shall be signed, executed and attested with such a facsimile signature or the manual signature of the Secretary.

C. Authentication. No Bond shall be valid or obligatory for any purpose unless the certificate of authentication thereon, substantially in the form hereinafter provided, has been duly manually executed by the Registrar. The Registrar's certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized officer or employee of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder. By authenticating any of the Bonds initially delivered pursuant to this Resolution, the Registrar shall be deemed to have assented to all of the provisions of this Resolution.

Section 306. Use of Predecessor's Signature. The Bonds bearing the signatures of the officers in office at the time of the signing thereof shall be the valid and binding obligations of the State, notwithstanding that before the delivery thereof and the payment therefor any or all of the individuals whose signatures appear thereon shall have ceased to fill their respective offices. Each of the Governor, the Controller, the Treasurer and the Secretary at the time of the execution of the Bonds and a signature certificate pertaining thereto by the Governor, the Controller, the Treasurer and the Secretary, respectively, may adopt as and for his or her own facsimile signature the facsimile signature of his or her predecessor in office if such facsimile signature appears upon any of the Bonds.

Section 307. Incontestable Recital in Bonds. Pursuant to NRS 349.274, each Bond shall recite that it is issued pursuant to the Bond Act, which recital shall be conclusive evidence of the validity of the Bonds and the regularity of their issuance.

Section 308. Tax Exemption. Pursuant to NRS 349.354, the Bonds, their transfer and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to the provisions of chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to the provisions of chapter 375B of NRS.

Section 309. Bond Execution. The Governor, the Controller, the Treasurer and the Secretary are hereby authorized and directed to prepare and to execute the Bonds as herein provided.

Section 310. Registration. The Registrar shall maintain the registration records of the State for the Bonds, showing the name and address of the Owner of each Bond authenticated and delivered, the date of authentication, the maturity of the Bond, and the interest rate on, principal amount of and bond number of each such Bond.

Section 311. Bond Delivery. After such registration of the Bonds by the Registrar pursuant to Section 310 hereof and after their execution pursuant to Section 309 hereof, and other provisions herein supplemental thereto, the Registrar shall cause the Bonds to be delivered to the Purchaser, upon payment being made therefor on the terms of the sale of the Bonds.

Section 312. Custodial Deposit. A. Notwithstanding the foregoing provisions of Sections 302 to 304 hereof, the Bonds shall initially be evidenced by one or more Bonds for each year in which the Bonds mature in denominations which equal the aggregate principal amount which matures in each such year. Such initially delivered Bonds shall be registered in the name of "Cede & Co.," as nominee for The Depository Trust Company, the depository for the Bonds. The Bonds may not thereafter be transferred or exchanged except:

(1) To any successor of The Depository Trust Company or its nominee;

(2) Upon the resignation of The Depository Trust Company or a successor or new depository under clause (1) or this clause (2) of this Subsection A or a determination by the State that The Depository Trust Company or such successor or new depository is no longer able to carry out its functions and the designation by the State, within 90 days thereafter, of another depository institution, acceptable to the State and to the depository then holding the Bonds to carry out the functions of The Depository Trust Company or such successor or new depository;

(3) Upon the resignation of The Depository Trust Company or a successor depository or new depository under clause (1) or (2) of this subsection A or a determination by the State that The Depository Trust Company, or such successor or new depository is no longer able to carry out its functions and the

failure by the State, after reasonable investigation, to locate another qualified depository institution under clause (2) to carry out the functions of The Depository Trust Company or such successor or new depository; or

(4) Upon the determination by the Treasurer that it is not in the best interest of the State and/or the beneficial owners to continue the book-entry only system of transfers through The Depository Trust Company or a successor or new depository.

B. In the case of a transfer to a successor of The Depository Trust Company or its nominee as referred to in clause (1) of subsection A hereof or in the case of designation of a new depository pursuant to clause (2) of subsection A hereof, upon receipt of the outstanding Bonds by the Registrar, together with written instructions for transfer satisfactory to the Registrar, a new Bond for each then Outstanding maturity of the Bonds shall be issued to such successor or new depository, as the case may be, or its nominee, as is specified in such written transfer instructions. In the case of a resignation or determination under clause (3) of subsection A hereof and the failure after reasonable investigation to locate another qualified depository institution for the Bonds as provided in clause (3) of subsection A hereof or in the case of a determination as described in clause (4) of subsection A hereof, and, in any case, upon receipt of outstanding Bonds by the Registrar together with written instructions for transfer satisfactory to the Registrar, new Bonds shall be issued in the denominations of $5,000 or any integral multiple thereof, as provided in and subject to the limitations of Section 302 hereof, registered in the names of such Persons, and in such denominations as are requested in such written transfer instructions; however, the Registrar shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

C. The State, the Registrar and the Paying Agent shall be entitled to treat the registered owner of any Bond as the absolute owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by any or all of them and the State, the Registrar and the Paying Agent shall have no responsibility for transmitting payments to the beneficial owners of the Bonds held by The Depository Trust Company or any successor or new depository named pursuant to subsection A hereof.

D. The State, the Registrar and the Paying Agent shall endeavor to cooperate with The Depository Trust Company or any successor or new depository named pursuant to clause (1) or (2) of subsection A hereof in effectuating payment of the Bond Requirements of the Bonds by arranging for payment in such a manner that funds representing such payments are available to the depository on the date they are due.

Section 313. Bond Form. Subject to the provisions of this Resolution, each Bond shall be in substantially the following form, with such omissions, insertions, endorsements and variations as to any recitals of fact or other provisions as may be required by the circumstances, be required or permitted by this Resolution, or be consistent with this Resolution or necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

(Form of Bond)

STATE OF NEVADA
HIGHWAY IMPROVEMENT REVENUE
(MOTOR VEHICLE FUEL TAX) BOND
SERIES 2018

No. _____ $_____

Interest Rate	Maturity Date	Dated As Of	CUSIP
% per annum	_____ 1, _____	_____, 2018	

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: DOLLARS

The State of Nevada (the "State"), for value received, hereby promises to pay solely from the special funds described herein to the registered owner specified above, or registered assigns, the principal amount specified above, on the maturity date specified above, and to pay interest thereon on June 1 and December 1 of each year, commencing on December 1, 2018, at the interest rate per annum specified above, until the principal sum is paid or payment has been provided for. This bond shall bear interest from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from the date of this bond. The principal of this bond is payable upon presentation and surrender hereof at the office designated by the State's paying agent (the "Paying Agent"), presently U.S. Bank, National Association. Interest on this bond will be paid by check mailed on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day) to the person in whose name this bond is registered (the "registered owner") in the registration records of the State maintained by the State's registrar (the "Registrar"), presently U.S. Bank, National Association, and at the address appearing thereon as of the close of business on the 15th day of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any such interest not so timely paid for shall cease to be payable to the person who is the registered owner as of the close of business on the Regular Record Date and shall be payable to the person who is the registered owner as of the close of business on a special record date for the payment of any defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owner not less than 10 days prior thereto. Alternative means of payment of interest may be used if mutually agreed to by the registered owner and the Paying Agent, as provided in the resolution of the State Board of Finance (the "Board") authorizing the issuance of the bonds of the series of which this bond is one (the "Bonds") and designated in Section 101 thereof as the "2018 Highway Improvement Revenue Bond Resolution" (the "Resolution"), duly adopted by the Board on March 13, 2018. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or the Registrar. The principal of and interest on the Bonds are herein referred to as the "Bond Requirements."

The Bonds are issuable solely as fully registered Bonds in denominations of $5,000 each or any integral multiple thereof, and are exchangeable for fully registered Bonds of the same maturity in equivalent aggregate principal amounts and in authorized denominations at the aforesaid office of the Registrar but only in the manner, subject to the limitations and on payment of the charges provided in the Resolution.

This Bond is fully transferable by the registered owner in person or by his or her duly authorized attorney on the registration records kept by the Registrar upon surrender of this Bond together with a duly executed written instrument of transfer satisfactory to the Registrar. Upon such transfer a new fully registered Bond of authorized denomination or denominations of the same aggregate principal amount and maturity will be issued to the transferee in exchange for this Bond, subject to such terms and conditions and on payment of the charges as set forth in the Resolution.

This Bond must be registered in the name of the owner as to both principal and interest on the registration records kept by the Registrar in conformity with the provisions stated herein and endorsed hereon and subject to the terms and conditions set forth in the Resolution. The State, the Registrar and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of payment and for all other purposes, except to the extent otherwise provided hereinabove and in the Resolution with respect to Regular and Special Record Dates for the payment of interest.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the State or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co., or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

The Bonds shall not be transferable or exchangeable, except as set forth in the Resolution.

No transfer of this Bond shall be valid unless made on the registration records maintained at the principal office of the Registrar by the registered owner hereof or his or her attorney duly authorized in writing.

[The Bonds are subject to redemption as set forth in the Resolution and the Certificate of the Treasurer.]

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* Insert only if Bonds are delivered pursuant to Section 312(A)(3) or (4).

** Insert only if Bonds are initially delivered to DTC.

The Bonds do not constitute a debt or an indebtedness of the State within the meaning of any constitutional or statutory provision or limitation, shall not be considered or held to be general obligations of the State, and are payable and collectible solely out of income derived from certain federal aid described in the Resolution (which aid the United States is not committed or obligated to pay) and from certain excise taxes imposed upon motor vehicle fuel, as defined in NRS 365.060, and special fuel, as defined in NRS 366.060; the gross income of which federal aid and the net income of which motor vehicle fuel and special fuel taxes, subject to certain exceptions, is so pledged, as more specifically provided in the Resolution; and the owner hereof may not look to any general or other fund for the payment of the Bond Requirements of this Bond except the special funds pledged therefor. A copy of the Resolution is on file for public inspection in the office of the secretary of the State Board of Finance in Carson City, Nevada.

Payment of the Bond Requirements of the Bonds shall be made solely from, and as security for such payment there are irrevocably pledged, pursuant to the Resolution, a separate and special account identified as the "State of Nevada, Highway Parity Revenue Bonds, Gross Pledged Revenues Interest and Bond Retirement Fund," into which account the State covenants to pay from the revenues derived from such federal aid and from such motor vehicle fuel and special fuel taxes, including, without limitation, if hereafter authorized by law, any excise taxes pertaining to motor vehicle and special fuel of at least an equivalent value and pledged in lieu of such present taxes or any such excise taxes of any value pledged in supplementation of such present taxes (collectively, the "Gross Pledged Revenues"), after provision only for the payment of certain administration expenses and Direct Distributions and Other Exclusions (as defined in the Resolution), sums sufficient to pay when due the Bond Requirements of the Bonds, the Parity Securities and any Parity Securities hereafter issued in accordance with the Resolution and made payable from the Gross Pledged Revenues.

The Bonds, the Parity Securities and any Parity Securities hereafter issued are equally and ratably secured by a lien on the Gross Pledged Revenues, and the Bonds constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Gross Pledged Revenues. Bonds and other securities, in addition to the Bonds, subject to expressed conditions, may be issued and made payable from the Gross Pledged Revenues having a lien thereon subordinate and junior to the lien or, subject to additional expressed conditions, having a lien thereon on a parity with the lien of the Bonds, in accordance with the provisions of the Resolution.

The State covenants and agrees with the registered owner of this Bond and with each and every person who may become the registered owner hereof that it will keep and will perform all of the covenants of the Resolution.

This Bond is one of an issue of Bonds of like tenor and date, except as to number, amount, interest rate and maturity, authorized for the purpose of defraying the costs of certain highway construction projects in the State.

Reference is made to the Resolution and any and all modifications and amendments thereof and supplements thereto; the Project Act (now cited as NRS 408.273); the State Securities Law, now cited as NRS 349.150 to 349.364, inclusive, and all laws amendatory thereof (the "Bond

Act"); chapter 365 and chapter 366, NRS, and all laws amendatory thereof (collectively, the "Fuel Tax Act"); the federal act pertaining to the above-designated federal aid (23 U.S.C.), and all laws amendatory thereof and supplemental thereto, for an additional description of the nature and extent of the security for the Bonds, the accounts, funds or revenues pledged, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the registered owners of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued, and a statement of rights, duties, immunities and obligations of the State, and other rights and remedies of the registered owners of the Bonds.

The Bonds are issued pursuant to the Bond Act and other acts supplemental thereto; pursuant to NRS 349.274, this recital is conclusive evidence of the validity of the Bonds and the regularity of their issuance; and pursuant to NRS 349.354, the Bonds, their transfer and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to the provisions of Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

To the extent and in the respects permitted by the Resolution, the provisions of the Resolution or any instrument amendatory thereof or supplemental thereto may be amended or otherwise modified by action of the State taken in the manner and subject to the conditions and exceptions prescribed in the Resolution. The pledge of revenues and other obligations of the State under the Resolution may be discharged at or prior to the respective maturities of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Resolution.

It is further certified, recited and warranted that all the requirements of law have been fully complied with by the proper officers of the State in the issuance of this Bond; that it is issued pursuant to and in strict conformity with the Constitution and laws of the State, and particularly under the terms and provisions of the Project Act, the Fuel Tax Act, the Bond Act and all laws supplemental thereto, and with the Resolution; and that this Bond does not contravene any constitutional or statutory limitation.

No recourse shall be had for the payment of the Bond Requirements of this Bond, or for any claim based thereon or otherwise, upon the Resolution or other instrument pertaining thereto, against any member of the Board, or any officer or other agent of the State, past, present or future, either directly or indirectly through the Board or the State or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty, or otherwise, all such liability, if any, being by the acceptance of this Bond and as a part of the consideration of its issuance specially waived and released.

This Bond shall not be valid or obligatory for any purpose until the Registrar shall have manually signed the certificate of authentication hereon.

IN WITNESS WHEREOF, the State of Nevada, acting by and through the State Board of Finance, has caused this Bond to be approved, signed and executed in the name and upon the behalf of the State with the manual or facsimile signature of the Governor of the State, to be countersigned with the manual or facsimile signature of the Controller of the State, and to be

countersigned with the manual or facsimile signature of the Treasurer of the State; and has caused a manual impression or a facsimile of the seal of the State to be affixed hereon; has caused this Bond to be signed, executed and attested with the manual or facsimile signature of the Secretary of State; all as of _____, 2018.

STATE OF NEVADA
Approved and Signed:

(MANUAL OR FACSIMILE SEAL)

By (Manual or Facsimile Signature)
Governor of the State of Nevada

Attest:
By (Manual or Facsimile Signature)
Secretary of State

Countersigned:

By (Manual or Facsimile Signature)
State Controller

Countersigned:

By (Manual or Facsimile Signature)
State Treasurer

(End of Form of Bond)

(Form of Registrar's Certificate of Authentication for Bonds)

Date of authentication
and registration: _____

This is one of the Bonds described in the within-mentioned Resolution, and this Bond has been duly registered on the registration records kept by the undersigned as Registrar for such Bonds.

U.S. BANK, NATIONAL ASSOCIATION
as Registrar

By _____
Authorized Officer or Employee

(End of Form of Registrar's Certificate of Authentication for Bonds)

(Form of Prepayment Panel)

The following installments of principal (or portions thereof) of this Bond have been prepaid by the State, in accordance with the terms of the Resolution authorizing the issuance of this Bond.

Date of Prepayment	Principal	Signature of Authorized Representative of DTC

(End of Form of Prepayment Panel)

(Form of Assignment for Bonds)

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and hereby irrevocably constitutes and appoints _____ attorney to transfer the same on the records kept for registration of the within Bond, with full power of substitution in the premises.

_____

Dated: _____

Signature Guaranteed:

_____

Address of Transferee:

_____

_____

_____

Social Security or other tax identification number of transferee:

_____

NOTE: The signature to this Assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

TRANSFER FEES MUST BE PAID WHEN THIS BOND IS TRANSFERRED OR EXCHANGED EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION PURSUANT TO WHICH THIS BOND IS ISSUED.

(End of Form of Assignment for Bonds)

ARTICLE IV

USE OF BOND PROCEEDS

Section 401. Disposition of Bond Proceeds. The proceeds of the Bonds derived from the sale of the Bonds shall be credited to a separate account hereby created in the State treasury and known as the "State of Nevada, Highway Improvement Revenue Bonds, Series 2018 Construction Account" (the "Construction Account") to be used to pay the costs of the Project and the costs of issuance of the Bonds. After all expenses have been paid, any unexpended balance of Bond proceeds shall be deposited into the Bond Fund.

Section 402. Moneys for Project. All moneys received and held by the State for the Project from all sources, including, without limitation, any grants-in-aid from the Federal Government allocated to the State for that purpose (but not the federal aid for the payment of the Bond Requirements of the Bonds), shall be transferred to the Construction Account (except to the extent heretofore credited thereto or heretofore expended to defray in part the Cost of the Project). The money in the Construction Account, except as herein otherwise expressly provided, shall be used and paid out solely for the purpose of defraying the Cost of the Project, including, without limitation, the payment of all incidental expenses as may be necessary or otherwise pertain to the financing, including the costs of printing the Bonds, the fees and other charges of the financial advisors to the State, the State's bond counsel and any other charges pertaining to the sale and issuance of the Bonds.

Section 403. Application of Construction Account. Except as herein otherwise expressly provided, moneys shall be withdrawn from the Construction Account to defray the Cost of the Project only in payment of bills and charges certified by the Director, presented to and allowed by the Controller, who shall then draw a warrant therefor upon the Treasurer for payment in the manner provided for payment of bills and charges against the State Highway Fund.

Section 404. Completion of Project. When the Project shall have been completed in accordance with the relevant plans and specifications, and when all amounts due therefor, including, without limitation, all proper incidental expenses, shall have been paid, or for which full provision shall have been made, the Treasurer upon receipt from the Director or designee of a certificate so stating, and upon the receipt thereby of a resolution of the Board so ordering, shall cause to be transferred to the Bond Fund, for the payment of the Bond Requirements of the Bonds, all surplus Bond proceeds remaining in the Construction Account, if any, except for any moneys designated in the resolution to be retained to pay any unpaid accrued costs or contingent obligations. Upon such transfers of all moneys out of the Construction Account it shall be terminated. Nothing herein:

A. Periodic Transfers. Prevents the Treasurer from causing to be transferred from the Construction Account at any time prior to the termination of the Construction Account any moneys which the Director by certificate and the Board by resolution determine will not be necessary for the Project to the Bond Fund as permitted by NRS 349.296, as provided in such resolution; or

B. Limitations upon Transfers. Requires the transfer to the Bond Fund of any surplus moneys (other than Bond proceeds) received as grants, appropriations or gifts the use of which moneys is limited by the grantor or donor to the construction of specifically designated capital improvements or otherwise so that such surplus moneys (other than Bond proceeds) may not be properly transferred to any such account under the terms of such grants, appropriations or gifts.

Section 405. Purchaser Not Responsible. The validity of the Bonds shall neither be dependent on nor be affected by the validity or regularity of any proceedings relating to the Project, or any part thereof, or to the completion of the Project. The Purchaser and any Owner of the Bonds shall in no manner be responsible for the application or disposal by the State or by any of its officers, agents and employees of the moneys derived from the sale of the Bonds or of any other moneys herein designated.

Section 406. Lien on Bond Proceeds. Until and unless the proceeds of the Bonds are applied as hereinabove provided and used to defray the Cost of the Project from time to time, or are encumbered therefor, the Bond proceeds shall be subject to a lien thereon and pledge thereof for the benefit solely of the Owners of the Bonds from time to time as provided in Section 501 hereof.

Section 407. Modifications in Project. The Board and the Director reserve the right to make alterations, amendments, additions to and deletions from the Project prior to the withdrawal of all moneys accounted for in the Construction Account; but any such alterations, amendments, additions and deletions shall not contravene any contract between the State and the Federal Government pertaining to the Project.

ARTICLE V

ADMINISTRATION OF AND ACCOUNTING FOR GROSS PLEDGED REVENUES

Section 501. Pledge Securing Bonds. Subject only to the rights and obligations of the State to cause amounts to be withdrawn therefrom to pay the Cost of the Project as provided herein, the Gross Pledged Revenues and all moneys and securities paid (or to be paid) to or held (or to be held) in any account under Article V of this Resolution and under Section 401 hereof are hereby pledged to secure the payment of the Bond Requirements of the Outstanding Bonds; and this pledge shall be valid and binding so far as the Bonds are concerned from and after the date of the first delivery of any Bonds, and the moneys, as received by the State and hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing or further act, and the lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the State, except for the Direct Distributions and Other Exclusions, and except for any Outstanding securities hereafter authorized, the liens of which securities on the Gross Pledged Revenues are on a parity with the lien thereon of the Bonds, the Parity Securities and any Parity Securities hereafter issued; and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State (except as herein otherwise provided), irrespective of whether such parties have notice thereof.

Section 502. Administration of Gross Pledged Revenues. So long as any of the Bonds shall be Outstanding, during each Fiscal Year the Gross Pledged Revenues shall be administered, the money pertaining thereto shall be applied in the order of priority, and payments shall be made from the Gross Pledged Revenues as provided in Sections 503 through 507 hereof.

Section 503. Bond Fund Payments. First, from the Gross Pledged Revenues, there shall be credited to the Bond Fund and any bond funds created by resolutions authorizing the issuance of any Parity Securities, monthly, commencing on the first day of the month immediately succeeding the delivery of any of the Bonds, the Parity Securities and any Parity Securities hereafter issued, an amount in equal monthly installments necessary, together with any other money from time to time available therefor from whatever source, to pay the next maturing installments of principal and interest due on the Outstanding Bonds, the Outstanding Parity Securities and any Outstanding Parity Securities hereafter issued. The moneys credited to the Bond Fund shall be used to pay the Bond Requirements of the Outstanding Bonds and any Outstanding Parity Securities, as the same become due.

Section 504. Termination of Deposits. No payment need be made into the Bond Fund if the amount in the Bond Fund totals a sum at least equal to the entire amount of the Outstanding Bonds, Outstanding Parity Securities and any Outstanding Parity Securities hereafter issued as to all Bond Requirements to their respective maturities or to any Redemption Date on which the State shall have exercised or shall have obligated itself to exercise its option to redeem prior to their respective maturities the Outstanding Parity Securities thereafter maturing, and both accrued and not accrued, in which case moneys in that account in an amount, except for any interest

or other gain to accrue from any investment of moneys in Federal Securities from the time of any such deposit to the time or respective times the proceeds of any such investment shall be needed for such payment, at least equal to such Bond Requirements, shall be used together with any such gain from investments solely to pay such Bond Requirements as the same become due; and any moneys in excess thereof in that account and any other moneys derived from the Gross Pledged Revenues may be used in any lawful manner determined by the Board.

Section 505. Payment of Rebate. Secondly, and subject to the provisions hereinabove in this Article V and concurrently with the rebate payments required by any bond resolutions authorizing the issuance of any Parity Securities, there shall be transferred into the "State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds Series 2018 Rebate Account" hereby created (the "Rebate Account"), after making in full the monthly deposits required by Section 503 hereof, but prior to the transfer of any Gross Pledged Revenues to the payment of Subordinate Securities, such amounts as are required to be deposited therein to meet the State's obligations under the covenant contained in Section 815 hereof, in accordance with Section 148(f) of the Tax Code. Amounts in the Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and Section 148(f) of the Tax Code. Any amounts in the Rebate Account in excess of those required to be on deposit therein by Section 815 hereof and Section 148(f) of the Tax Code may be withdrawn therefrom and used for any lawful purpose.

Section 506. Payment of Additional Subordinate Securities. Thirdly, and subject to the provisions hereinabove in this Article V, but subsequent to the payments required by Section 503 hereof, as provided in Article VII hereof, and Section 505 hereof, any remaining Gross Pledged Revenues may be used by the State for the payment of Bond Requirements of additional Subordinate Securities payable from the Gross Pledged Revenues and hereafter authorized to be issued in accordance with Article VII hereof and any other provisions herein supplemental thereto, including any reasonable reserves for such securities, as the same accrue; but the lien of such additional bonds or other securities on the Gross Pledged Revenues and the pledge thereof for the payment of such additional bonds or other securities shall be subordinate to the lien and pledge of the Bonds, the Parity Securities and any Parity Securities hereafter issued, as herein provided.

Section 507. Use of Remaining Revenues. After the transfers hereinabove required to be made by Sections 503 through 506 hereof are made, any remaining Gross Pledged Revenues may be used in any Fiscal Year for any one or any combination of lawful purposes, as the Board or the Director may from time to time determine.

ARTICLE VI

GENERAL ADMINISTRATION

Section 601. Administration of Accounts. The special accounts designated in Articles IV and V hereof shall be administered as provided in this Article VI.

Section 602. Places and Times of Deposits. Each of the separate accounts in the State treasury hereinabove designated in Articles IV and V hereof shall be maintained as accounts and kept separate from all other accounts as a trust account solely for the purposes herein designated therefor. The moneys accounted for in such separate accounts shall be deposited in one bank account or more as provided in Section 603 hereof, as determined by the Board or the Treasurer. Nothing herein prevents the commingling of moneys accounted for in any two or more accounts pertaining to the Gross Pledged Revenues, proceeds of securities, other moneys, or to the fund pertaining thereto and any other funds of the State (each of which funds consists of a self-balancing group of accounts and constitutes an independent fiscal and accounting entity) in any bank account or any investment in Federal Securities hereunder (but not any account under Section 901 hereof). Each such bank account in the State treasury shall be secured by the official bond or bonds of the Treasurer, and each such bank account in the State treasury shall be continuously secured to the fullest extent required or permitted by the laws of the State for the securing of public funds, and shall be irrevocable and not withdrawable by anyone for any purpose other than the purpose or purposes designated therefor. Each periodic payment shall be credited to the proper book account not later than the date therefor herein designated, except that when any such date shall be a Saturday, Sunday or a legal holiday, then such payment shall be made on or before the next succeeding business day. Notwithstanding any other provision herein to the contrary, moneys shall be deposited with the Paying Agent at least by the day of each interest payment date herein designated sufficient to pay the Bond Requirements then becoming due on the Outstanding Bonds.

Section 603. Investment of Moneys. Any moneys in any account in the State treasury designated in Articles IV and V hereof (but not any account under Section 901 hereof), and not needed for immediate use, may be invested or reinvested by the Treasurer in investments permitted under State law (the "Permitted Securities") which (i) either shall be subject to redemption at any time at a fixed value by the holder hereof at the option of such holder, or (ii) shall mature not later than one day prior to the date or respective dates on which the proceeds are to be expended as estimated by the Treasurer or designee upon each date of such investment or reinvestment, but in no event exceeding the estimated date or dates of expenditure of any moneys so invested. For the purpose of any such investment or reinvestment, Permitted Securities shall be deemed to mature at the earliest date on which the obligor is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations.

Section 604. Scheduling Disbursements. Before the Treasurer invests or reinvests any moneys accounted for in the Construction Account or any like account, the Director or designee shall furnish to the Treasurer a certificate setting forth a schedule of the amounts and times when moneys are estimated by the Department to be needed to pay the Cost of the Project. The Treasurer and designee, if any, may conclusively rely upon the estimates contained in such certificate or any

addendum thereto, and shall have no liability or responsibility for any loss on any investment or reinvestment made or changed in accordance with any such certificate or any addendum thereto.

Section 605. Required and Permissive Investments. The Treasurer shall have no obligation to make any investment or reinvestment hereunder, unless any moneys on hand and accounted for in any one account exceeds $5,000 and at least $5,000 therein will not be needed for a period of not less than 60 days. In such event, the Treasurer shall invest or reinvest in Permitted Securities to the extent practicable not less than substantially all the amount which will not be needed during such 60-day period, except for any moneys on deposit in an interest-bearing account in a Commercial Bank, regardless of whether such moneys on deposit are evidenced by a certificate of deposit, or otherwise, pursuant to Sections 603 and 608 hereof; but the Treasurer is not required to invest any moneys accounted for hereunder if any such investment would adversely affect the exclusion from gross income of interest on the Bonds for Federal income tax purposes under the Tax Code or any other investment limitation imposed by law upon the State. The Treasurer may invest or reinvest in any lawful manner any moneys on hand at any time as provided in Section 603 hereof even though he or she is not obligated to do so.

Section 606. Accounting for Investments. The Permitted Securities so purchased as an investment or reinvestment of moneys in any such account shall be deemed at all times to be a part of the account and held in trust therefor. Except as herein otherwise provided, including, without limitation, the provisions of Section 901 hereof, any interest or other gain in any account from any investments and reinvestments in Permitted Securities and from any deposits of moneys in any Commercial Bank pursuant to this Article shall be credited to the State Highway Fund.

Section 607. Redemption or Sale of Investment Securities. The Treasurer or designee shall present for redemption at maturity or sale on the prevailing market at the best price obtainable any Permitted Securities and certificates of deposit so purchased as an investment or reinvestment of moneys in any account whenever it shall be necessary in order to provide moneys to meet any withdrawal, payment or transfer from such account. Neither the Treasurer nor any other officer of the State shall be liable or responsible for any loss resulting from any such investment or reinvestment made in accordance with this Resolution. The Treasurer or designee shall notify the Controller and the Board of any gain or loss in any account which he or she holds and controls.

Section 608. Character of Funds. The moneys in any account herein authorized shall consist either of lawful money of the United States or Permitted Securities, or both such money and such securities. Moneys deposited in a demand or time deposit account in or evidenced by a certificate of deposit of any Commercial Bank, appropriately secured according to the laws of the State, shall be deemed lawful money of the United States.

Section 609. Accelerated Payments. Nothing contained in Article V hereof prevents the accumulation in any account herein designated of any monetary requirements at a faster rate than the rate or minimum rate, as the case may be, provided in Article V; but no payment shall be so accelerated if such acceleration shall cause the Board to default in the payment of any obligation of the State pertaining to Gross Pledged Revenues. Nothing herein requires in connection with Gross Pledged Revenues received in any Fiscal Year the accumulation in any account for the payment in

such Fiscal Year of Bond Requirements due in connection with any series of bonds or other securities payable from Gross Pledged Revenues and herein or hereafter authorized, in excess of such Bond Requirements due in such Fiscal Year, or in that Fiscal Year of any reserves then required to be accumulated and maintained therefor, and of any existing deficiencies, and payable from such account, as the case may be, except as may be otherwise provided herein.

Section 610. Payment of Bond Requirements. The moneys credited to any account designated in Articles IV and V hereof for the payment of the Bond Requirements due in connection with any series of bonds or other securities payable from Gross Pledged Revenues and herein or hereafter authorized shall be used, without requisition, voucher, warrant, further order or authority (other than is contained herein), or any other preliminaries, to pay promptly the Bond Requirements payable from such account as such securities become due, upon the respective Redemption Dates, if any, on which the State is obligated to pay such securities, or upon the respective principal and interest fixed maturity dates of such securities, as provided therefor herein, or otherwise, except to the extent any other moneys are available therefor, including, without limitation, moneys accounted for in the Bond Fund.

Section 611. Payment of Redemption Premiums. Notwithstanding any other provision herein, this Resolution requires the accumulation in any account designated in Article IV or V hereof for the payment of any issue of bonds or other securities payable from the Gross Pledged Revenues of amounts sufficient to pay not only the principal thereof and interest thereon but also the prior redemption premiums due in connection therewith, as the same become due, whenever the State shall have called or shall have obligated itself to call any security for prior redemption except to the extent provision is otherwise made therefor, if any prior redemption premiums are due in connection therewith. In such event moneys shall be deposited in such account in due season for the payment of all such Bond Requirements without default as the same become due.

ARTICLE VII

SECURITIES LIENS AND ADDITIONAL SECURITIES

Section 701. Lien on the Bonds. The Bonds constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Gross Pledged Revenues on a parity with the lien thereon of the Outstanding Parities Securities and any Parity Securities hereafter issued.

Section 702. Equality of Bonds. The Bonds, the Outstanding Parity Securities and any Parity Securities hereafter issued and from time to time Outstanding are equally and ratably secured by a lien on the Gross Pledged Revenues and shall not be entitled to any priority one over the other in the application of the Gross Pledged Revenues regardless of the time or times of the issuance of the Bonds and any other such Parity Securities, it being the intention of the State that there shall be no priority among the Bonds and any such Parity Securities regardless of the fact that they may be actually issued and delivered at different times.

Section 703. Issuance of Parity Securities. Nothing herein, subject to the limitations stated in this Article VII, prevents the issuance by the State of additional bonds or other additional securities payable from the Gross Pledged Revenues and constituting a lien thereon on a parity with, but not prior or superior to, the lien thereon of the Bonds, or prevents the issuance of bonds or other securities refunding all or a part of the Bonds, except as provided in Sections 708 through 713 hereof; and before any additional Parity Securities are authorized or actually issued (excluding any parity refunding securities, other than any securities refunding Subordinate Securities as permitted in Section711 A or B hereof):

A. Absence of Default. At the time of the adoption of the resolution authorizing the issuance of the additional Parity Securities, the State shall not be in default in making any payments required by Article V hereof.

B. Historic Earnings Test. The Gross Pledged Revenues (but excluding any federal aid included as Gross Pledged Revenues) derived for the last Fiscal Year for which audited Gross Pledged Revenues are available immediately preceding the date of the issuance of the additional Parity Securities proposed to be issued shall have been sufficient to pay an amount at least equal to 300% of the Combined Maximum Annual Principal and Interest Requirements to be paid during any one Fiscal Year of the Outstanding Bonds, any Outstanding Parity Securities and the Parity Securities proposed to be issued (excluding any reserves therefor), except as hereinafter otherwise expressly provided.

C. Adjustment of Gross Pledged Revenues. In any computation of such earnings tests as to whether or not additional Parity Securities may be issued as provided in subsection B of this Section, the amount of the Gross Pledged Revenues for the next preceding Fiscal Year shall be decreased and may be increased by the amount of loss or gain estimated by the Treasurer, the Controller or an Independent Accountant resulting from any change in the Fuel Tax proceeds and constituting all or a part of the Gross Pledged Revenues, whether a change in the amount periodically paid per gallon, or the portions of the collections thereof credited to the Gross

Pledged Revenues, or modifications to the Direct Distributions and Other Exclusions, or otherwise, during the next preceding Fiscal Year, as if the schedule of such modified Fuel Tax proceeds had been in effect during the entire next preceding Fiscal Year, if such change shall have been made by the State prior to such computation of the designated earnings test but made in the same Fiscal Year in which such computation is made or in the next preceding Fiscal Year.

D. Reduction of Annual Requirements. The respective annual Bond Requirements (including as such a requirement for the purposes of this Section the amount of any prior redemption premiums due on any prior redemption date as of which the State shall have called or shall have obligated itself to call for prior redemption by a call of securities for payment if the securities are subject to call for prior redemption) shall be reduced to the extent such Bond Requirements are scheduled to be paid in each of the respective Fiscal Years with moneys held in trust or in escrow for that purpose by any Trust Bank within or without the State, including the known minimum yield from any investment in Federal Securities.

Section 704. Certification of Revenues. A written certification or written opinion by an Independent Accountant, the Controller or the Treasurer that such annual revenues, when adjusted as hereinabove provided in subsections C and D of Section 703 hereof, are sufficient to pay such amounts, as provided in subsection B of Section 703 hereof, shall be conclusively presumed to be accurate in determining the right of the State to authorize, issue, sell and deliver additional Parity Securities.

Section 705. Subordinate Securities Permitted. Nothing herein, subject to the limitations stated in Sections 711 and 712 hereof, prevents the State from issuing additional bonds or other additional securities payable from the Gross Pledged Revenues and having a lien thereon subordinate, inferior and junior to the lien thereon of the Bonds.

Section 706. Superior Securities Prohibited. Nothing herein permits the State to issue additional bonds or other additional securities payable from the Gross Pledged Revenues and having a lien thereon prior and superior to the lien thereon of the Bonds.

Section 707. Use of Proceeds. The proceeds of any additional bonds or other additional securities (other than funding or refunding securities) payable from the Gross Pledged Revenues shall be used only to pay the cost of a project for the construction, maintenance and repair of public highways of the State, refunding such a project, or any combination thereof, and the incidental expenses pertaining thereto like those stated in NRS 349.168.

Section 708. Issuance of Refunding Securities. At any time after the Bonds, or any part thereof, are issued and remain Outstanding, if the Board shall find it desirable to refund any Outstanding Bonds or other Outstanding securities payable from and constituting a lien upon the Gross Pledged Revenues, such Bonds or other securities, or any part thereof, may be refunded only if the Bonds or other securities at the time or times of their required surrender for their payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the State's option upon proper call, unless the owner or owners of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of any

refunding securities on the Gross Pledged Revenues is changed (except as provided in Section 706 and Sections 710 through 713 hereof).

Section 709. Limitations Upon Refundings. Any refunding bonds or other refunding securities payable from the Gross Pledged Revenues must be issued with such details as the Board may by instrument provide, subject to the provisions of Sections 712 and 713 hereof, and subject to the inclusion of any such rights and privileges designated in Section 710 hereof, but without any impairment of any contractual obligation imposed upon the State by any proceedings authorizing the issuance of any one or more outstanding issues, including, without limitation, the Bonds.

Section 710. Partial Refundings. The refunding bonds or other refunding securities so issued shall enjoy complete equality of lien with the portion of any securities of the same issue which is not refunded; and the owner or owners of such refunding securities shall be subrogated to all the rights and privileges enjoyed by the owner or owners of the unrefunded securities of the same issue partially refunded by the refunding securities.

Section 711. Protection of Securities Not Refunded. If only a part of the Outstanding Bonds and other Outstanding securities of any issue or issues payable from the Gross Pledged Revenues is refunded, then such securities must not be refunded without the consent of the Owner or Owners of the unrefunded portion of such securities unless:

A. Requirements Not Increased. The refunding bonds or other refunding securities do not increase for any Fiscal Year the aggregate principal and interest requirements evidenced by such refunding securities and by the Outstanding securities not refunded on and prior to the last maturity date or last Redemption Date, if any, whichever time is earlier, of such unrefunded securities, and unless the lien of any refunding bonds or other refunding securities on the Gross Pledged Revenues is not raised to a higher priority than the lien thereon of the Bonds or other securities thereby refunded; or

B. Subordinate Lien. The lien on any Gross Pledged Revenues for the payment of the refunding securities is subordinate to each such lien for the payment of any securities not refunded; or

C. Historic Earnings Test. The refunding bonds are issued in compliance with Section 703 hereof (including subsections A through D thereof) and Section 704 hereof, but excluding from any computation thereunder the Bonds or other securities to be refunded and redeemed and which shall forthwith upon the issuance of the refunding bonds be no longer Outstanding.

Section 712. Accumulating Revenues for Payments. In connection with each issue of additional Parity Securities hereafter authorized, if any, moneys fully sufficient for the payment of each installment of interest and each installment of principal and any amount required to be deposited into any reserve account (except to the extent any other moneys are available therefor) shall be withdrawn from the Gross Pledged Revenues and credited to and accumulated in the Bond

Fund in accordance with Section 503 hereof and any reserve account in the case of the issuance of any Parity Securities or any account like the Bond Fund or a reserve account in the case of the issuance of Subordinate Securities, prior to each interest and principal installment payment date in each Fiscal Year, or if there is none in the Fiscal Year in which the additional Parity Securities are issued, prior to the first and any succeeding interest payment dates prior to the first principal payment date, commencing prior to the first interest installment payment date (whether or not any installment of principal also then becomes due) following the issuance of the additional Parity Securities.

ARTICLE VIII

MISCELLANEOUS PROTECTIVE COVENANTS

Section 801. General. The State hereby particularly covenants and agrees with the Owners of the Bonds and makes provisions which shall be a part of its contract with such Owners to the effect and with the purpose set forth in the following provisions and Sections of this Article.

Section 802. Performance of Duties. The State, acting by and through the Board or otherwise, shall faithfully and punctually perform or cause to be performed all duties with respect to the Gross Pledged Revenues required by the Constitution and laws of the State and the various instruments and other documents of the State, including, without limitation, the imposition and collection of the Fuel Tax proceeds, as herein provided, and the proper segregation of the proceeds of the Bonds and any other securities pertaining to the Gross Pledged Revenues and their application from time to time to the respective accounts provided therefor.

Section 803. Contractual Obligations. The State shall perform all contractual obligations undertaken by it under the contract to purchase the Bonds with the Purchaser and any other agreements relating to the Bonds, any such other securities or the Project (or any combination thereof) with all other Persons.

Section 804. Further Assurances. At any and all times the State, acting by and through the Board except when otherwise required or permitted by law, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Gross Pledged Revenues and other moneys and accounts hereby pledged or assigned, or intended so to be, or which the State may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of this Resolution and to comply with the Project Act, the Fuel Tax Act and the Bond Act. The State, acting by and through the Board, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Gross Pledged Revenues and other moneys and accounts pledged hereunder and all the rights of every Owner of any Bonds against all claims and demands of all Persons whomsoever.

Section 805. Conditions Precedent. Upon the date of issuance of any Bonds, all conditions, acts and things required by the Constitution or statutes of the State, including, without limitation, the Project Act, the Fuel Tax Act and the Bond Act, or this Resolution, to exist, to have happened, and to have been performed precedent to or in the issuance of the Bonds shall exist, have happened and have been performed; and the Bonds, together with all other obligations of the State, shall not contravene any debt or other limitation prescribed by the Constitution or statutes of the State.

Section 806. Prejudicial Action Prohibited. No contract shall be entered into or any other action taken by which the rights of any Owner of any Bond or any other security payable from the Gross Pledged Revenues might be prejudicially and materially impaired or diminished.

Section 807. Protection of Security. The State, officers, agents and employees of the State, and the Board shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bond Requirements of the securities payable from the Gross Pledged Revenues according to the terms of such securities.

Section 808. Prompt Payment of Bonds. The State shall promptly pay the Bond Requirements of every Bond and every other security payable from the Gross Pledged Revenues, if any, hereafter authorized and pertaining to those revenues at the place, on the dates and in the manner specified herein and in the Bonds and in any such other securities according to the true intent and meaning hereof.

Section 809. Use of Bond Fund. The Bond Fund shall be used solely and only and the moneys credited to that account are hereby pledged for the purpose of paying the Bond Requirements of the Bonds and any additional Parity Securities, except for those moneys in the Bond Fund as are in excess of such Bond Requirements, both accrued and not accrued, to their respective maturities or, in the event of the issuance of any securities hereafter subject to prior redemption, other due date (subject to the provisions of Sections 504, 606 and 901 hereof), as herein provided.

Section 810. Other Liens. Other than as provided by this Resolution, there are no liens or encumbrances of any nature whatsoever on or against the Gross Pledged Revenues, derived or to be derived.

Section 811. Records. So long as any of the Bonds or any other securities payable from the Gross Pledged Revenues remain Outstanding, proper books of record and account pertaining to those revenues shall be kept by the State, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Gross Pledged Revenues.

Section 812. Rights Concerning Records. Any Owner of any of the Bonds or any other Outstanding securities payable from the Gross Pledged Revenues or any duly authorized agent or agents of such Owner, the Purchaser and each other interested Person shall have the right at all reasonable times to inspect all records, accounts and data relating to the Gross Pledged Revenues, and to make copies of such records, accounts and data.

Section 813. Revenues Claims. The State, acting by and through the Board, or otherwise, shall defend against every suit, action or proceeding at any time brought against any Owner of any Bonds or other securities payable from the Gross Pledged Revenues upon any claim arising out of the receipt, application or disbursement of any of the Gross Pledged Revenues, or involving such Owner's right under this Resolution or other proceedings pertaining to the issuance of such securities; the State also shall indemnify and save harmless any such holders against any and all liability, claim or assertion by any Person whomsoever, arising out of such receipt, application or

disbursement; but such Owner at his election may appear in and defend any such suit, action or proceedings; and notwithstanding any contrary provision hereof, this covenant shall continue and remain in full force and effect, even though all indebtedness, liabilities, obligations and other sums secured hereby may have been fully paid and satisfied, and the obligations under this Resolution may have been released and the lien hereof discharged.

Section 814. Completion of Project. The State, with the proceeds derived from the sale of the Bonds and other available moneys, shall proceed to cause the Project to be completed without delay to the best of the abilities of the State and with due diligence, as herein provided. A contract or contracts for the construction and other acquisition of the Project shall be let by the State as soon as practicable after the delivery of the Bonds, except to the extent theretofore let.

Section 815. Tax Covenant. The State covenants for the benefit of the Owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the State or any facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except to the extent that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing corporate alternative minimum taxable income for taxable years of corporations beginning before January 1, 2018. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the State in fulfilling the above covenant under the Tax Code have been met.

Section 816. Continuing Disclosure Undertaking. The State covenants for the benefit of the holders and beneficial owners of the Bonds to comply with the provisions of the Disclosure Dissemination Agent Agreement, in substantially the form on file with the Secretary of the Board, to be executed by the Treasurer or designee, with any amendments deemed necessary by the Treasurer or designee, and delivered in connection with the delivery of the Bonds.

ARTICLE IX

MISCELLANEOUS

Section 901. Defeasance. When all Bond Requirements of a Bond or any other securities of any other issue payable from the Gross Pledged Revenues have been duly paid, the pledge and lien and all obligations hereunder as to that Bond or other security shall thereby be discharged and the Bond or other security shall no longer be deemed to be Outstanding within the meaning of this Resolution. There shall be deemed to be such due payment if the State, acting by and through the Board, has placed in escrow or in trust with a Trust Bank exercising trust powers, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of the Bond or other security, as such requirements become due to the fixed maturity date of the Bond or other security or to any Redemption Date or Redemption Dates as of which the State shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond or security thereafter maturing for payment if the securities are subject to a call for prior redemption. The Federal Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the State and such bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the owner thereof to assure such availability as so needed to meet such schedule. If at any time the State has so placed in escrow or trust an amount sufficient to pay designated Bond Requirements of the Bond or security constituting less than all of the Bond Requirements of the Bond or security becoming due on and before their respective due dates, whether the fixed maturity dates of the Bond or security or any such Redemption Date pertaining to the securities, such designated Bond Requirements shall be deemed paid and discharged under this Resolution. For purposes of this Section, the term "Federal Securities" shall include only bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal of and interest on which securities are unconditionally guaranteed by, the United States which are not callable at the option of the issuer thereof.

Section 902. Delegated Powers. The Governor, the Secretary, the Treasurer, the Controller and other officers of the State be, and they hereby are, authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution, including, without limitation:

A. Printing Bonds. The printing of the Bonds;

B. Final Certificates. The execution of such certificates as may be reasonably required by the Purchaser, relating, among other matters, to:

(1) The signing of the Bonds and the deposit of the Bonds with The Depository Trust Company,

(2) The tenure and identity of the officials of the Board and the State,

(3) The exclusion of interest on the Bonds from gross income and alternative minimum taxable income,

(4) The delivery of the Bonds and the receipt of the purchase price therefor, and

(5) If it is in accordance with fact, the absence of litigation, pending or threatened, affecting the validity thereof;

C. Information. The assembly and dissemination of financial and other information concerning the State and the Bonds;

D. Official Statement. The preparation and completion of an official statement for use for prospective buyers of the Bonds, including, without limitation, such use by the Purchaser; and

E. Bond Sale. The sale and issuance of the Bonds in accordance with the provisions of this Resolution and with the purchase proposal submitted by the Purchaser to the State, including, without limitation, the execution of the Certificate of the Treasurer on behalf of the State in substantially the form on file with the Treasurer with such amendments as deemed necessary by the Treasurer.

Section 903. Statute of Limitations. No action or suit based upon any Bond or other obligation of the State shall be commenced after it is barred by any statute of limitations pertaining thereto. Any trust or fiduciary relationship between the State and the Owner of any Bond or the obligee regarding any such obligation shall be conclusively presumed to have been repudiated on the fixed maturity date or other due date thereof unless the Bond is presented for payment or demand for payment of any such obligation is otherwise made before the expiration of the applicable limitation period. Any moneys from whatever source derived remaining in any account reserved, pledged, or otherwise held for the payment of any such obligation, action or suit for the collection of which has been barred, shall revert to the Gross Pledged Revenues, unless the Board shall otherwise provide by instrument of the State. Nothing herein prevents the payment of any such obligation after any action or suit for its collection has been barred if the Board deems it in the best interests of the public so to do and orders such payment to be made.

Section 904. Evidence of Ownership. Any request, consent or other instrument which this Resolution may require or may permit to be signed and to be executed by the Owner of any Bonds or other securities may be in one or more instruments of similar tenor and shall be signed or shall be executed by each such Owner in person or by his or her attorney appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney, or the holding by any Person of the securities shall be sufficient for any purpose of this Resolution (except as otherwise herein expressly provided) if made in the following manner, but the State may,

nevertheless, in its discretion require further or other proof in cases when it deems the same desirable:

A. Proof of Execution. The fact and the date of the execution by any Owner or his or her attorney of any Bonds or other securities of such instrument may be proved by the certificate, which need not be acknowledged or verified, of any officer of a bank or trust company satisfactory to the State or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he or she purports to act, that the individual signing such request or other instrument acknowledged to him or her the execution, or an affidavit of a witness of such execution, duly sworn to before such notary public or other officer; the authority of the individual or individuals executing any such instrument on behalf of a corporate Owner of any securities may be established without further proof if such instrument is signed by an individual purporting to be the president or vice-president of such corporation with a corporate seal affixed and attested by an individual purporting to be its secretary or an assistant secretary; and the authority of any Person or Persons executing any such instrument in any fiduciary or representative capacity may be established without further proof if such instrument is signed by a Person or Persons purporting to act in such fiduciary or representative capacity.

B. Proof of Ownership. The ownership of any of the Bonds or other securities held by any Person executing any instrument as an Owner of securities, and the numbers, date and other identification thereof, together with the date of his or her holding the securities, shall be proved by the registration records of the State kept by the Registrar.

Section 905. Warranty Upon Issuance of Bonds. Any Bonds, when duly executed and delivered for the purpose provided for in this Resolution, shall constitute a warranty by and on behalf of the State for the benefit of each and every future Owner of any of the Bonds that the Bonds have been issued for a valuable consideration in full conformity with law.

Section 906. Immunities of Purchaser. The Purchaser is under no obligation to any Owner of the Bonds for any action that it may or may not take or in respect of anything that it may or may not do by reason of any information contained in any reports or other documents received by it under the provisions of this Resolution. The immunities and exemption from liability of the Purchaser hereunder extend to its partners, directors, successors, employees and agents.

Section 907. Replacement of Registrar or Paying Agent. If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the Treasurer shall determine to replace the Registrar or Paying Agent, the Treasurer may, upon notice sent by U.S. mail or electronic mail to the insurer of the Bonds, if any, and the Owner of each Outstanding Bond at such Owner's address last shown on the registration records, appoint a successor Registrar or Paying Agent, or both. No resignation or dismissal of the Registrar or Paying Agent may take effect until a successor is appointed. It shall not be required that the same institution serve as both Registrar and Paying Agent hereunder, but the State shall have the right to have the same institution serve as both Registrar and Paying Agent.

Any corporation or association into which the Registrar or Paying Agent may be converted or merged, or with which they may be consolidated, or to which they may sell or transfer their corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer, to which they are a party, shall be and become the successor Registrar or Paying Agent under this Resolution, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties hereto, anything in this Resolution to the contrary notwithstanding.

ARTICLE X

PRIVILEGES, RIGHTS AND REMEDIES

Section 1001. Bondholder's Remedies. Each Owner of any Bond shall be entitled to all of the privileges, rights and remedies provided, in the Project Act, the Fuel Tax Act, the Bond Act, this Resolution and as otherwise provided or permitted at law or in equity or by other statutes, except as provided in Sections 207 through 212 hereof, but subject to the provisions hereof concerning the Gross Pledged Revenues and the proceeds of the Bonds.

Section 1002. Right to Enforce Payment. Nothing in this Article affects or impairs the right of any Owner of any Bond to enforce the payment of the Bond Requirements of his or her Bond or the obligation of the State to pay the Bond Requirements of each Bond to the Owner thereof at the time and the place expressed in the Bond.

Section 1003. Events of Default. Each of the following events is hereby declared an "Event of Default":

A. Nonpayment of Principal. Payment of the principal of any of the Bonds shall not be made when the same becomes due and payable at maturity or otherwise;

B. Nonpayment of Interest. Payment of any installment of interest shall not be made when the same becomes due and payable or within 30 days thereafter;

C. Incapable to Perform. The State shall for any reason be rendered incapable of fulfilling its obligations hereunder;

D. Nonperformance of Duties. The State shall have failed to carry out and to perform (or in good faith to begin the performance of) all acts and things lawfully required to be carried out or to be performed by it under any contract relating to the Gross Pledged Revenues or this Resolution and such failure shall continue for 60 days after receipt of notice from either the Purchaser or from the Owners of at least 10% in aggregate principal amount of the Bonds then Outstanding;

E. Appointment of Receiver. An order or decree shall be entered by a court of competent jurisdiction with the consent or acquiescence of the State appointing a receiver or receivers for the Gross Pledged Revenues and any other moneys subject to the lien to secure the payment of the Bonds, or if an order or decree having been entered without the consent or acquiescence of the State shall not be vacated or discharged or stayed on appeal within 60 days after entry; or

F. Default of Any Provision. The State shall default in the due and punctual performance of any other of the representations, covenants, conditions, agreements and other provisions contained in the Bonds or in this Resolution on its part to be performed, and such default shall continue for 60 days after written notice specifying such default and requiring the same

to be remedied shall have been given to the State by either the Purchaser or by the Owners of at least 10% in aggregate principal amount of the Bonds then Outstanding.

Section 1004. Remedies for Default. Upon the happening and continuance of any of the Events of Default, as provided in Section 1003 hereof, then and in every case the Owner or Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the State and its agents, officers and employees to protect and to enforce the rights of any Owner of Bonds under this Resolution by mandamus or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained herein or in an award of execution of any power herein granted for the enforcement of any proper, legal or equitable remedy as such Owner or Owners may deem most effectual to protect and to enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any Owner of any Bond, or to require the State to act as if it were the trustee of an express trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of the Bonds then Outstanding.

Section 1005. Receiver's Rights and Privileges. Any receiver appointed in any proceedings to protect the rights of such Owners hereunder, the consent of any such appointment being hereby expressly granted by the State, may collect, receive and apply all Gross Pledged Revenues arising after the appointment of such receiver in the same manner as the State itself might do.

Section 1006. Rights and Privileges Cumulative. The failure of any Owner of any Outstanding Bond to proceed in any manner herein provided shall not relieve the State, the Board, or any of its officers, agents or employees of any liability for failure to perform or carry out any duty, obligation, or other commitment. Each right or privilege of any such Owner (or trustee hereof) is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege thereof.

Section 1007. Duties Upon Defaults. Upon the happening of any of the Events of Default as provided in Section 1003 hereof, the State, in addition, shall do and perform all proper acts on behalf of and for the Owners of Bonds to protect and to preserve the security created for the payment of their Bonds and to insure the payment of the Bond Requirements promptly as the same become due. During any period of default, so long as any of the Bonds issued hereunder are Outstanding, except to the extent it may be unlawful to do so, all Gross Pledged Revenues shall be paid into the Bond Fund. If the State fails or refuses to proceed as in this Section provided, the Owner or Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the Owners of the Bonds as hereinabove provided; and to that end any such Owners of Outstanding Bonds shall be subrogated to all rights of the State under any agreement or contract involving the Gross Pledged Revenues entered into prior to the effective date of this Resolution or thereafter while any of the Bonds are Outstanding.

Section 1008. Duties in Bankruptcy Proceedings. If any Person obligated to pay any Fuel Tax proceeds under any laws of the United States relating to bankruptcy, including, without limitation, any action under any law providing for corporate reorganization, it shall be the duty of the State, and its appropriate officers are hereby authorized and directed, to take all necessary steps for the benefit of the Owners of the Bonds in such proceedings, including the filing of any claims for unpaid Fuel Tax proceeds and other payments to or otherwise arising from the breach of any of the covenants, terms or conditions of any instrument or obligation pertaining to the Gross Pledged Revenues, except to the extent that State acting by and through the Department or otherwise takes such action, unless the Board by resolution or other instrument determines that the costs of such action are likely to exceed the amounts thereby recovered from such taxpayer.

Section 1009. Prejudicial Action Unnecessary. Nothing in this Article requires the State to proceed as provided herein if the Board determines in good faith and without any abuse of its discretion that if the State so proceeds it is more likely than not to incur a net loss rather than a net gain or such action is otherwise likely to affect materially and prejudicially the Owners of the Outstanding Bonds and any Outstanding Parity Securities.

ARTICLE XI

AMENDMENT OF RESOLUTION

Section 1101. Privilege of Amendments. The Board may, from time to time, modify, amend, supplement or alter this Resolution without the consent of, or notice to any of the Owners of the Bonds or the insurer of the Bonds, if any, for any one or more of the following purposes:

A. to add to the agreements of the Board or the State contained in this Resolution, other agreements thereafter to be observed or to surrender, restrict or limit any right or power herein reserved to or conferred upon the Board or the State;

B. to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Resolution, or in regard to matters or questions arising under this Resolution, as the Board may deem necessary or desirable and not inconsistent with this Resolution;

C. to grant to or confer any additional rights, remedies, powers or authorities that may be lawfully granted to or conferred upon the Owner of the Bonds;

D. to evidence the appointment of successors to any depositories, custodians, Paying Agent or Registrar; or

E. to make any other change which shall not have a material adverse effect on the interests of the Owners of the Bonds.

This Resolution may be amended or supplemented by instruments adopted by the Board in accordance with the laws of the State, without receipt by the State of any additional consideration, but with the written consent of the insurer of the Bonds, if any, or the Owners of at least 51% in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such amendatory or supplemental instrument, not including in any case any Bonds which may then be held or owned for the account of the State, but including such refunding securities as may be issued for the purpose of refunding any of the Bonds issued hereunder if such refunding securities are not owned by the State.

Section 1102. Limitations Upon Amendments. No such instrument shall permit without the consent of all Owners of any Bonds adversely affected thereby:

A. Changing Payment. A change in the maturity or in the terms of redemption of the principal of any Outstanding Bond or any installment of interest thereon; or

B. Reducing Return. A reduction in the principal amount of any Bond or the rate of interest thereon, unless with the consent of the Owner of the Bond; or

C. Prior Lien. The creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by this Resolution; or

D. Modifying Limitations upon Modifications. A reduction of the principal amount or percentages or otherwise affecting the description of Bonds or the consent of the Owners of which is required for any such modification or amendment; or

E. Priorities Between Bonds. The establishment of priorities as between Bonds issued and Outstanding under the provisions of this Resolution; or

F. Partial Modification. Materially and prejudicially modifying or otherwise materially and prejudicially affecting the rights or privileges of the Owners of less than all of the Bonds then Outstanding.

Section 1103. Notice of Amendment. Whenever the Board proposes to amend or modify this Resolution under the provisions of this Article, it shall cause notice of the proposed amendment to be mailed, by U.S. mail or electronic mail, within 30 days to the insurer of the Bonds, if any, or the Owner of each of the Bonds Outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory instrument is on file in the office of the Secretary for public inspection.

Section 1104. Time for Amendment. Whenever at any time within one year from the date of the giving of such notice, there shall be filed in the office of the Secretary an instrument or instruments executed by the insurer of the Bonds, if any, or the Owners of at least 51% in the aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendatory instrument described in such notice and shall specifically consent to and approve the adoption of such instrument, thereupon, but not otherwise, the Board may adopt such amendatory instrument and such instrument shall become effective.

Section 1105. Binding Consent to Amendment. If the insurer of the Bonds, if any, or the Owners of at least 51% in aggregate principal amount of the Bonds then Outstanding, at the time of the adoption of such amendatory instrument, or the predecessors in title of such insurer or such Owners, shall have consented to and approved the adoption thereof as herein provided, no insurer or Owner of any Bond, whether or not such insurer or Owner shall have consented to or shall have revoked any consent as in this Article provided, shall have any right or interest to object to the adoption of such amendatory instrument or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the State from taking any action pursuant to the provisions thereof.

Section 1106. Time Consent Binding. Any consent given by an Owner of a Bond pursuant to the provisions of this Article shall be irrevocable for a period of six months from the date of the giving of the notice and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent by an Owner may be revoked at any time after six months from the date of the giving of such notice by the Owner who gave such consent or by a successor in title by filing notice of such revocation with the Registrar, but such revocation shall not be effective

if the holders of at least 51% in aggregate principal amount of the Bonds Outstanding as in this Article provided, prior to the attempted revocation, consented to and approved the amendatory instrument referred to in such revocation.

Section 1107. Unanimous Consent. Notwithstanding anything in the foregoing provisions of this Article, the terms and the provisions of this Resolution or of any instrument amendatory thereof or supplemental thereto and the rights and the obligations of the State, the insurer, if any, and of the Owners of the Bonds may be amended or otherwise modified in any respect upon the adoption by the Board and upon the filing with the Secretary of an instrument to that effect and with the consent of the insurer of the Bonds, if any, or the Owners of all the then Outstanding Bonds, such consent to be given as provided in Section 904 hereof; and no notice to Owners of Bonds shall be required as provided in Section 1103 hereof, and the time of consent shall not be limited except as may be provided in such consent.

Section 1108. Exclusion of State's Bonds. Bonds owned or held by or for the account of the State shall not be deemed Outstanding and shall be excluded for the purpose of consent or other action or of any calculation of Outstanding Bonds provided for in this Article, pursuant to paragraph (5) of Section 102 B hereof, and the State shall not be entitled with respect to such Bonds to give any consent or to take any other action provided for in this Article. At the time of any consent or of other action taken under this Article, the State shall furnish to the Secretary a certificate of the Treasurer, upon which certificate the State may rely, describing all Bonds to be excluded for any such purpose.

Section 1109. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in this Article provided may bear a notation by endorsement or otherwise in form approved by the Board as to such action; and if any such Bond so authenticated and delivered shall bear such notation, then upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his or her Bond for the purpose at the principal office of the Registrar, suitable notation shall be made on such Bond by the Registrar as to any such action. If the Board so determines, new Bonds so modified as in the opinion of the Board to conform to such action shall be prepared, authenticated and delivered; and upon demand of the Owner of any Bond then Outstanding, shall be exchanged without cost to such Owner for Bonds then Outstanding upon surrender of such Bonds.

Section 1110. Proof of Resolutions and Bonds. The fact and date of execution of any resolution under the provisions of this Article may be proved by a certificate of the Secretary, and the amount and number of the Bonds held by any Person executing such instrument and the date of his or her holding the same may be proved as provided by Section 904 hereof.

ADOPTED on March 13, 2018.

_____
Chairman, State Board of Finance

Attest:

_____
Secretary, State Board of Finance

STATE OF NEVADA)
) ss.
CARSON CITY)

I am the duly chosen and qualified Chief Deputy Treasurer of the State of Nevada (the "State"), ex officio secretary of the State Board of Finance (the "Board"), and do hereby certify that:

1. The foregoing pages constitute a true, correct, complete and compared copy of the 2018 Highway Improvement Revenue Bond Resolution, which resolution was passed and adopted by the Board at the duly held meeting of March 13, 2018, in the Old Assembly Chambers of the Capitol Building, Second Floor, 101 N. Carson Street, Carson City, Nevada 89701 and at 555 E. Washington Avenue, Las Vegas, Nevada.

2. The original of the 2018 Highway Improvement Revenue Bond Resolution was signed by the chairman of the Board and authenticated by me as ex officio secretary of the Board and was recorded in the minute book of the Board kept for that purpose in my office.

3. The members of the Board listed below attended such meeting and voted in favor of the passage of the 2018 Highway Improvement Revenue Bond Resolution:

Governor:	Brian Sandoval
Treasurer:	Daniel M. Schwartz
Controller:	Ronald L. Knecht
Other Members:	Steve E. Martin
	Teresa Courrier

4. All members of the Board were given due and proper notice of such meeting.

5. Pursuant to NRS 241.020, written notice of such meeting was given at least three working days before the meeting:

(a) By giving a copy of the notice to each member of the Board;

(b) By posting a copy of the notice on the State Treasurer's website; on the official website of the State pursuant to NRS 232.2175, at the principal office of the Board; or if there is no principal office, at the building in which the meeting was held; and at least three other separate, prominent places within the jurisdiction of the Board, to wit:

(i) Capitol Building, Carson City, Nevada,

(ii) Blasdel Building, Carson City, Nevada,

(iii) Legislative Building, Carson City, Nevada,

(iv) Nevada State Library, Carson City, Nevada,

(v) Grant Sawyer Building, Las Vegas, Nevada,

(vi) City Hall, Reno, Nevada,

(vii) City Hall, Elko, Nevada,

(viii) City Hall, Henderson, Nevada;

(c) By giving a copy of the notice to each person, if any, who had requested notice of the meetings of the Board in accordance with the provisions of Chapter 241 of NRS.

6. A copy of the notice so given is attached to this certificate as Appendix I.

7. No other proceedings were adopted and no other action taken or considered at such meeting relating to the subject matter of the 2018 Highway Improvement Revenue Bond Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand on March 13, 2018.

_____

Secretary
State Board of Finance

APPENDIX I

(Copy of Notice of Meeting)

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT

Multi-Unit Housing Revenue Bonds
Desert Properties Apartments

In accordance with the requirements of NRS 319.190, 319.260 and 319.270, and based upon the memorandum of support, the Administrator of the Nevada Housing Division finds that:

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible families and seniors can afford within the Tonopah, Nevada rental housing markets, as determined by the Administrator.

2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which families and seniors of low and moderate income can afford.

3. The proposed multifamily project will preserve the supply and improve the quality of decent, safe and sanitary rental housing for eligible seniors and families.

4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Tonopah, Nevada.

5. The Housing Division's estimates of revenues to be derived from the mortgage made under the proposed project, together with all bond proceeds, all subsidies, grants or other financial assistance and guarantees issued from other entities to be received in connection with the bond financing, will be sufficient to pay the amount

estimated by the Housing Division as necessary for debt service on the bonds issued for the financing of the proposed project.

BY: _____ DATE: 2/23/10

Steve Aichroth
Administrator
Nevada Housing Division

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

1830 College Parkway, Suite 200
Carson City, NV 89706

DATE: February 22, 2018

TO: State Board of Finance

AGENDA ITEM: Approval of the Findings of Fact of the Administrator of the Nevada Housing Division concerning the Multi-Unit Housing Revenue Bonds (Desert Properties Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

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A. Time and Place of Meeting:

1:00 p.m., Tuesday, March 13, 2018, at the Old Assembly Chambers of the Capitol Building, 101 N. Carson Street, Carson City, Nevada 89701.

B. Matter to be reviewed: The Findings of Fact ("Findings") of the Administrator of the Housing Division concerning the Multi-Unit Housing Revenue Bonds (Desert Properties Apartments).

C. The Findings relate to the issuance of up to $5,000,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition, construction and renovation of 56-units of housing comprised of 36 family units and 20 senior units, a community building and common area laundry facilities located in Tonopah on 1000 Erie Main Street.

D. The Housing Division will issue up to $5,000,000 of multi-unit housing revenue bonds which will be structured in two phases, Construction Phase and Permanent Phase. The Construction Phase loan amount will be approximately $4,320,000. Loan proceeds will be advanced to the Borrower on a "draw down" basis as needed to fund construction expenditures. At conversion to Permanent Phase the loan will be reduced to an approximate permanent amount of $1,600,000 using tax credit equity installments, and will commence monthly principal amortization with a 35-year term. The bond issuance will also satisfy the Internal Revenue Code Section 42 Low-Income Housing requirement that tax-exempt debt in an amount at least equal to 50% of the tax credit depreciable basis be outstanding through the date until a project is "placed in service." The debt will either be publicly offered with an expected minimum rating of AA+ by SP Global Ratings or placed directly with a financial institution. The Project borrower/developer will be a limited liability company (Desert Properties Associates, LLC), which will consist of the Nevada Rural Housing Authority and the Richman Group Affordable Housing Corporation. The Richman Group Affordable Housing Corporation will be the equity investor limited partner and will provide approximately $2,400,000 of equity through

the purchase of 4% low income housing tax credits. The proposed private placement financing structure is in compliance with NRS and NAC Chapter 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

The Project borrower/developer, in concert with the Housing Division's financial team and bond counsel, has prepared the necessary documents to implement this acquisition, construction, and renovation housing project. Further, the project, as proposed, complies with the intent and purpose of Nevada Housing Finance Law. Also, the program and bond documents prepared will comply with the Internal Revenue Code of 1986 (United States Code Title 26), as amended.

F. Staff Recommendation:

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings of Fact, to the Board of Finance, for the issuance by the Nevada Housing Division of an issue of bonds known as its "Multi-Unit Housing Revenue Bonds (Desert Properties Apartments)."

G. Attorney Opinion:

The Findings of Fact of the Administrator of the Housing Division have been reviewed by the Housing Division's Legal Counsel; and assuming the factual matter stated therein is accurate, and except for the bond issue cash flow analyses and other financial and statistical data included therein as to which no opinion is expressed, the findings comply with the requirements of NRS 319.190, 319.260 and 319.270.

February 21, 2018

Steve Aichroth
Administrator
Nevada Housing Division
1830 College Parkway, Suite 200
Carson City, NV 89706

Re: Multi-Unit Housing Revenue Bonds
(Desert Properties Apartments) Series 2018

pfm

Dear Mr. Aichroth:

This Memorandum is provided as support for the request by the Nevada Housing Division to the State of Nevada Board of Finance for approval of the Findings of Fact for the Multi-Unit Housing Revenue Bonds (Desert Properties Apartments), Series 2018 and authorization for issuance of up to **$5,000,000** of Nevada Housing Division multi-unit housing revenue bonds to fund acquisition, renovation and related costs of for a combination affordable family and seniors housing rental project. ("Project") in Tonopah.

Background:

As financial advisor to the Nevada Housing Division ("Division"), PFM Financial Advisors LLC ("PFM") has been tasked to review the Application submitted to the Division for financing of the Project. The scope of our work has included a review of the Application, the borrower financing plan, the tax credit equity investor letter of intent, and the funding sources and uses and operating pro-forma provided by the borrower's consultant. Based on our review, we have made certain minor revisions to the latter two submittals to better represent Division requirements and expectations. During the course of our review, we have had direct conversations with the borrower's consultant, Division staff and bond counsel.

This Memorandum is a summary of PFM's review and certain key factors supporting the Findings of Fact to be submitted to the State of Nevada Board of Finance.

Summary of the Proposed Project:

The Project will be rehabilitation of two adjacent housing developments in Tonopah known as Desert Family and Desert Elderly. The facilities share a 4.04 acre site and will consist in the aggregate of 14 two-story buildings providing 56 units of housing; 36 family units in Desert Family and 20 seniors units in Desert Elderly. 52 of the 56 units receive project-based rental assistance from the United States Department of Agriculture ("USDA") – Rural Development

Section 515 program. Concurrently with this proposed Project, a third facility will renovated with separate taxable financing and 9% Low Income Housing Tax Credits.

A new community building and common area laundry facilities will be constructed central to all three facilities. The Project is intended to bring all units up to current construction and interior standards, increase energy efficiency, provide improved site security and improved tenant accessibility and mobility standards. A more detailed discussion of the project rehabilitation and construction plans can be found in Exhibit B.

Details regarding unit mix and rent restrictions are provided in the Project Operating Profile contained in Exhibit A.

Project Sponsor/Borrower:

The Project is being developed by the Nevada Rural Housing Authority ("NRHA"). NRHA was established in 1973 to address the housing needs throughout Nevada's 15 rural counties and rural portions of Clark County and Washoe County. NRHA is a quasi-governmental agency receiving no allocation of funds from the State budget, but a mandate to address rural Nevada's affordable housing needs. NRHA's jurisdiction extends to any Nevada city or town with a population of 150,000 or less. NRHA has significant prior development experience and has completed four affordable housing projects to-date with two additional projects under construction which commence in March 2016. A complete summary of NRHA's development experience is contained in Exhibit B.

The borrower/ownership entity will be a sole purpose Nevada limited liability company named Desert Properties Associates LLC. The 0.01% Managing Member of the LLC will be Desert Properties Manager LLC, a sole purpose Nevada limited liability company whose sole manager will be NRHA. The 0.99% remaining membership interest will consist of The Richman Group Affordable Housing Corporation ("TRGAHC"). TRGAHC will be providing project equity in the approximate amount of $2,400,000 through purchase of the right to receive 4% Low Income Housing Tax Credits accruing to the Project.

Project Construction:

The Project general contractor will be B&H Construction of Henderson, Nevada.

Project Manager:

Upon completion the Project will be managed by Weststates Property Management Company. Weststates manages and/or operates over 60 properties comprising in excess of 2,500 residential units.

Summary of the Financing:

The long term financing for the Project will be a USDA-RD 538 mortgage loan in the approximate amount of $1,600,000. This USDA-RD loan will be processed by Bonneville Real Estate Capital. At closing, the Division will issue approximately $4,320,000 (subject to change) of Multifamily Housing Revenue Bonds, Series 2018 which will be fully collateralized by bond proceeds and additional borrower cash invested in US Treasury securities and/or AAAm rated money market funds sufficient to provide for all interest payments and bond principal through maturity or earlier redemption.

Periodic construction draws against the 538 loan will be deposited with the Trustee and an equivalent amount of bond proceeds will be released for project construction expenditures. The Series 2018 Bonds are expected to be issued with a maturity of 18 months, subject to prior redemption which is anticipated to occur 12-15 months after issuance.

The Series 2018 Bonds are necessary only to satisfy the IRC Section 42 LIHTC requirement that tax-exempt debt in an amount at least equal to 50% of the tax credit depreciable basis be outstanding through the date a project is "placed in service". The Series 2018 Bonds are expected to be rated at a minimum level of AA+ by SP Global Ratings and will be sold as a public offering.

Alternatively, the Division will also be evaluating opportunities to directly place the Series 2018 Bonds with a financial institution in an effort to achieve issuance cost reductions to the benefit of the Project.

Reserves:

The Borrower will fund deposits to a replacement reserve at $400/unit/year. Minimum required reserve deposits may be adjusted based on a periodic physical needs assessment.

The Borrower will also fund an Operating Reserve in the amount of $165,000 upon receipt of the final equity installment.

Sources and Uses

Sources of Funds	Construction Phase	Permanent Phase
Bond/Loan Proceeds	$4,320,000	$1,600,000
LIHTC Equity	354,492	2,363,280
Seller Note	385,580	385,580
USDA MPR Funds	946,250	1,246,250
USDA MPR Loan (0%)		490,000
USDA Loan (1%)	270,735	270,735
USDA Loan (deferred)	482,685	482,685
HOME/HTF Loans		300,000
NHD GAHP Loan		750,000
Reserve Account Transfer		44,418
Deferred Development Fee		82,624
Total Sources	$6,759,742	$8,015,572

Uses of Funds		
Acquisition Cost	$1,195,000	$1,195,000
Hard Costs	3,902,545	4,152,545
Soft Costs	692,787	753,653
Contingencies	447,874	447,874
Bond Collateral Deposit	111,500	111,500
Costs of Issuance	155,000	155,000
Operating Reserve		165,000
Development Fee	255,036	1,035,000
Total Uses	$6,759,742	$8,015,572

Conclusion:

Exhibit A to this memorandum provides detail on the derivation of projections for rental income and operating expenses and a cash flow projection demonstrating that revenue sources net of operation expenses are sufficient to fund the planned USDA long term loan which provides primary funding for this Project

The Series 2018 Bonds to be issued by the Division will be secured at all times by an escrow consisting of US Treasury securities and cash which provides for payment of all interest payments and redemption of the Bonds at maturity or earlier redemption and thus constitute a very low risk to the Division.

In summary, we are of the opinion that the proposed financing for the Project reflects prudent affordable housing underwriting criteria and financing terms which are consistent with Division

regulatory provisions. The proposed Project is viewed positively in the local community as evidenced by the endorsement from Nye County. A tax-exempt financing issued through the Division is essential under Federal law to qualify the Project for 4% Low Income Housing Tax Credits without which construction of affordable housing at the proposed restricted income levels would not be possible without significant additional subsidy.

In our opinion, the Project meets the requirements of NRS 319.260 and meets the requirements of NAC 319.712, and we recommend it for submittal for approval by the Board of Finance. Final bond issuance will be subject to receipt of definitive USDA-RD loan underwriting and acceptable bond rating confirmation for a public offering of the Series 2018 Bonds.

Sincerely,

Fred R. Eoff
Director
PFM Financial Advisors, LLC

Exhibit A: Project Operating Proforma
Exhibit B: Project Narrative

2018

Unit Mix	% AMI Restriction	Number Units	% of Units	Res. SF	LIHTC Allowable Monthly Rent	Less Utility Allowance	Adjusted LIHTC Monthly Rent	Allowable USDA Rent	Monthly Revenues	Yearly Revenues
Desert Family Apartments										
1 Bedroom - RA	<60%	10	18%	627	$565	$61	$504	$575	$5,750	$69,000
1 Bedroom - w/o RA	<60%	2	4%	627	$565	$61	$504	$575	$1,150	$13,800
2 Bedroom - RA	<60%	22	39%	797	$677	$77	$600	$610	$13,420	$161,040
2 Bedroom - w/o RA	<60%	2	4%	797	$677	$77	$600	$610	$1,220	$14,640
Desert Elderly Apartments										
1 Bedroom - RA	<60%	20	36%	627	$565	$64	$501	$575	$11,500	$138,000
Total Units		**56**							**$33,040**	**$396,480**

USDA 538 Loan

Senior Loan Amount - Permanent	$1,600,000
Loan Term	40
Initial Senior Loan Rate	4.50%
Senior Annual Debt Service	$86,316

USDA 1% Loan

Loan Amount	$270,735
Loan Term	50
Loan Rate	1.00%
Debt Service	$6,883

USDA MPR Loan

Loan Amount	$490,000
Loan Term	50
Loan Rate	0.00%
Debt Service	$9,800

Partnership Fees

Development Fee	$1,035,000
Deferred Development Fee	$82,624
LP Asset Management Fee	$4,500

Trend Assumptions

Income	2.00%
Expenses	3.00%
Vacancy	5.00%

NHD GAHP Loan

Loan Amount	$750,000
Loan Term	35
Loan Rate	3.00%
Debt Service	Variable

Note: "RA" refers to USDA-RD rental assistance intended to reduce net rent requirements

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income											
Annual Gross Rental Income	$396,480	$404,410	$412,498	$420,748	$429,163	$437,746	$446,501	$455,431	$464,540	$473,830	$483,307
Other: Ancillary Revenue	4,325	4,412	4,500	4,590	4,682	4,775	4,871	4,968	5,067	5,169	5,272
Total Residential Income	$400,805	$408,821	$416,998	$425,337	$433,844	$442,521	$451,372	$460,399	$469,607	$478,999	$488,579
Less: Residential Vacancy	(20,040)	(20,441)	(20,850)	(21,267)	(21,692)	(22,126)	(22,569)	(23,020)	(23,480)	(23,950)	(24,429)
Effective Gross Income	**$380,765**	**$388,380**	**$396,148**	**$404,071**	**$412,152**	**$420,395**	**$428,803**	**$437,379**	**$446,127**	**$455,049**	**$464,150**
Adjusted Effective Gross Income	**159,921**										
Expenses											
Maintenance & Operations	$64,600	$66,538	$68,534	$70,590	$72,708	$74,889	$77,136	$79,450	$81,833	$84,288	$86,817
Utilities	44,712	46,053	47,435	48,858	50,324	51,833	53,388	54,990	56,640	58,339	60,089
Administrative	103,420	106,523	109,718	113,010	116,400	119,892	123,489	127,194	131,009	134,940	138,988
Taxes & Insurance	11,100	11,433	11,776	12,129	12,493	12,868	13,254	13,652	14,061	14,483	14,917
NHD Fees	2,520	2,596	2,673	2,754	2,836	2,921	3,009	3,099	3,192	3,288	3,387
Investor Services Fee	4,500	4,635	4,774	4,917	5,065	5,217	5,373	5,534	5,700	5,871	6,048
Replacement Reserves	$22,400	22,400	22,400	22,400	22,400	22,400	22,400	22,400	22,400	22,400	22,400
Total Operating Expenses	**$253,252**	**$260,178**	**$267,311**	**$274,658**	**$282,226**	**$290,021**	**$298,049**	**$306,319**	**$314,836**	**$323,609**	**$332,646**
Operating Expenses Adjustment	**106,366**										
Net Operating Income	**$53,555**	**$128,202**	**$128,837**	**$129,412**	**$129,926**	**$130,374**	**$130,754**	**$131,060**	**$131,290**	**$131,440**	**$131,504**
538 Loan Debt Service	$64,737	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316
538 Guarantee	7,946	7,870	7,791	7,708	7,622	7,531	7,437	7,338	7,234	7,126	7,013
USDA 1% Loan - Amortizing	5,162	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883
MPR Loan	7,350	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800
Total Debt & Guarantees	$85,195	$110,869	$110,790	$110,707	$110,621	$110,530	$110,436	$110,337	$110,233	$110,125	$110,012
Debt Service Coverage		116%	116%	117%	117%	118%	118%	119%	119%	119%	120%
Residual Receipts	**($31,640)**	**$17,333**	**$18,047**	**$18,705**	**$19,305**	**$19,844**	**$20,318**	**$20,723**	**$21,057**	**$21,315**	**$21,492**
Return to Owner (RTO)		**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**
Partnership Allocation of RTO		**14,000**	**14,000**	**14,000**	**14,000**	**14,000**	**14,000**	**2,800**	**2,800**	**2,800**	**2,800**
NHD Allocation of RTO								**11,200**	**11,200**	**11,200**	**11,200**
DDF Payments		**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$12,624**				
DDF Balance	**82,624**	**68,624**	**54,624**	**40,624**	**26,624**	**12,624**	**0**	**0**	**0**	**0**	**0**
Surplus Cash to Project Reserves	**($31,640)**	**$3,333**	**$4,047**	**$4,705**	**$5,305**	**$5,844**	**$6,318**	**$6,723**	**$7,057**	**$7,315**	**$7,492**
GAHP Loan Interest		**$7,425**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**
GAHP Loan Principal		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$11,200**	**$11,200**	**$11,200**	**$11,200**
GAHP Loan Balance	**$750,000**	**$757,425**	**$779,925**	**$802,425**	**$824,925**	**$847,425**	**$869,925**	**$881,225**	**$892,525**	**$903,825**	**$915,125**

	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Income										
Annual Gross Rental Income	$492,973	$502,833	$512,889	$523,147	$533,610	$544,282	$555,168	$566,271	$577,596	$589,148
Other: Ancillary Revenue	5,378	5,485	5,595	5,707	5,821	5,937	$6,056	$6,177	6,301	6,427
Total Residential Income	$498,351	$508,318	$518,484	$528,854	$539,431	$550,219	$561,224	$572,448	$583,897	$595,575
Less: Residential Vacancy	(24,918)	(25,416)	(25,924)	(26,443)	(26,972)	(27,511)	(28,061)	(28,622)	(29,195)	(29,779)
Effective Gross Income	**$473,433**	**$482,902**	**$492,560**	**$502,411**	**$512,459**	**$522,708**	**$533,163**	**$543,826**	**$554,702**	**$565,796**
Adjusted Effective Gross Income										
Expenses										
Maintenance & Operations	$89,422	$92,104	$94,867	$97,713	$100,645	$103,664	$106,774	$109,977	$113,276	$116,675
Utilities	61,892	63,749	65,661	67,631	69,660	71,750	73,902	76,119	78,403	80,755
Administrative	143,157	147,452	151,876	156,432	161,125	165,959	170,938	176,066	181,348	186,788
Taxes & Insurance	15,365	15,826	16,301	16,790	17,293	17,812	18,347	18,897	19,464	20,048
NHD Fees	3,488	3,593	3,701	3,812	3,926	4,044	4,165	4,290	4,419	4,551
Investor Services Fee	6,229	6,416	6,608	6,807	7,011	7,221	7,438	7,661	7,891	8,128
Replacement Reserves	22,400	22,400	22,400	22,400	22,400	22,400	22,400	22,400	22,400	22,400
Total Operating Expenses	**$341,953**	**$351,540**	**$361,414**	**$371,584**	**$382,060**	**$392,850**	**$403,963**	**$415,410**	**$427,200**	**$439,344**
Operating Expenses Adjustment										
Net Operating Income	**$131,480**	**$131,362**	**$131,146**	**$130,827**	**$130,399**	**$129,859**	**$129,199**	**$128,416**	**$127,502**	**$126,452**
538 Loan Debt Service	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316	$86,316
538 Guarantee	6,894	6,770	6,641	6,505	6,364	6,229	6,094	5,959	5,824	5,689
USDA 1% Loan - Amortizing	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883
MPR Loan	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800
Total Debt & Guarantees	$109,893	$109,769	$109,640	$109,504	$109,363	$109,228	$109,093	$108,958	$108,823	$108,688
Debt Service Coverage	120%	120%	120%	119%	119%	119%	118%	118%	117%	116%
Residual Receipts	**$21,587**	**$21,593**	**$21,506**	**$21,323**	**$21,036**	**$20,631**	**$20,106**	**$19,458**	**$18,679**	**$17,764**
Return to Owner (RTO)	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**	**$14,000**
Partnership Allocation of RTO	**2,800**	**2,800**	**2,800**	**2,800**	**2,800**	**2,800**	**2,800**	**2,800**	**2,800**	**2,800**
NHD Allocation of RTO	**11,200**	**11,200**	**11,200**	**11,200**	**11,200**	**11,200**	**11,200**	**11,200**	**11,200**	**11,200**
DDF Payments										
DDF Balance	**0**	**0**	**0**	**0**	**0**					
Surplus Cash to Project Reserves	**$7,587**	**$7,593**	**$7,506**	**$7,323**	**$7,036**	**$6,631**	**$6,106**	**$5,458**	**$4,679**	**$3,764**
GAHP Loan Interest	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**	**$22,500**
GAHP Loan Principal	**$11,200**	**$11,200**	**$11,200**	**$11,200**	**$11,200**	**$11,200**	**$11,200**	**$11,200**	**$11,200**	**$11,200**
GAHP Loan Balance	**$926,425**	**$937,725**	**$949,025**	**$960,325**	**$971,625**	**$982,925**	**$994,225**	**$1,005,525**	**$1,016,825**	**$1,028,125**

The Desert Properties
1000 Erie Main Street
Tonopah, NV 89049
APN #: 008-261-02 (4.40 acres)

Project Description

The Desert Properties entails the acquisition and rehabilitation of two adjoining USDA-RD subsidized housing developments totaling 56 units in Tonopah, NV. The Section 515 properties Desert Family and Desert Elderly share a parcel and consist of fourteen two-story buildings built in 1982. Fifty-two of the fifty-six units receive Section 515 project-based rental assistance. The properties are adjacent to the USDA Section 515 property Belmont Apartments, which will be rehabilitated simultaneously with Desert Family and Desert Elderly Apartments as separate financing. A new community building and common area laundry facilities will be constructed between the Desert properties and Belmont and will be available at both properties through a shared use agreement. Acquisition and rehabilitation of this set of properties will allow for a more cohesive site layout and improvements to parking, site and recreational amenities.

The rehabilitation of the property is being done with the following goals in mind:

- Address major capital items in order to preserve and extend its life within the parameters of the recent Capital Needs Assessment completed by Zeffert & Associates;
- Bring the units up to modern standards with repair and/or replacement of flooring, cabinets, tubs, showers, faucets, toilets, baseboard heaters, paneling, entry and storage doors with new locksets, smoke detectors, and GFI outlets;
- Increase energy efficiency with new range hoods and hot water heaters as needed. New thermostats, LED light fixtures and bulbs and new vinyl windows will also increase efficiency;
- Increase site security and marketability of the development by repairing and/or replacing asphalt, concrete walkways, ADA railings, stairs, fire alarm bell system, building mounted lighting, landscaping, new roofing, new vinyl siding and soffits; and,
- Address site accessibility deficiencies.

Property Description

The Desert Properties consists of Desert Elderly Apartments and Desert Family Apartments, both of which are located at 1000 Erie Main Street in Tonopah, NV. The two properties were built in 1982 and share a parcel, with approximately 2.00 acres allotted to the elderly property and 2.04 acres allotted to the family property. Desert Elderly contains 20 one-bedroom units (627 SF) in five two-story buildings. Desert Family consists of 12 one-bedroom units (627 SF) and 24 two-bedroom units (797 SF) in nine two-story buildings. All buildings have a concrete slab on grade foundation, wood siding, and pitched composition shingle roofing.

The site contains several community amenities, which are shared by both properties. These amenities include a children's play area, a small maintenance shed, and a community building containing laundry facilities, a management office, and a small community space with a computer. The complexes have landscaped areas around the buildings and contain security lighting for safety.

Site and Neighborhood

The Desert Properties are located off Erie Main Street between Logan Field Road and Air Force Road in the southern portion of Tonopah in Nye County, Nevada. The surrounding neighborhood is comprised primarily of multifamily dwellings, with some commercial properties to the west. Tonopah High School is located to the south of the site and there is vacant land to the east of the site.

There is a Scolari's Grocery Store & Pharmacy, Ramada Inn, and Tonopah Station Casino/Hotel, directly west of the property (0.2 miles) and a Family Dollar slightly southwest of the property (0.3 miles). There is a gas station and a coffee shop to the south of the property (0.2 miles). Children at The Desert Properties would attend Tonopah Elementary & Middle School (0.9 miles away) and Tonopah High School (0.25 miles away). About a mile north of the properties, along Erie Main Street, is downtown Tonopah, which contains a U.S. Post Office, the NV Department of Transportation, the Tonopah Public Library, Barsanti Park & Tonopah Memorial Swimming Pool, a Nevada State Bank, the Tonopah Convention Center, and several restaurants and retail stores.

Recreation opportunities in Tonopah include Butler Park (0.8 miles away), Tonopah Historic Mining Park (1.4 miles away), and the Central Nevada Museum (0.1 miles away). There are also several National Forests and designated Wilderness Areas in the surrounding 50 miles, which provide opportunities for outdoor recreation.

For residents of Desert Elderly Apartments, the Tonopah Senior Center is located ½ mile from the site. The senior center provides congregate and home-delivered meals to clients age 60 and over. They also provide limited transportation to seniors, with stops including the senior center for meals, the post office, banks, medical appointments, and grocery stores. Every other month the senior center schedules a trip to Fallon, which is approximately 176 miles away, for shopping and other needs. The Senior Nutrition Program also provides non-emergency medical transportation to Las Vegas, Reno, Carson City, Fallon, Hawthorne, and Bishop, CA on an as-needed basis.

The Renown Medical Group – Tonopah telemedicine clinic is located approximately ¼ mile from the Tonopah 3 Rehabilitation site. The clinic is the only comprehensive health care service clinic in Tonopah and allows patients to meet with a local registered nurse and connect with primary care providers and specialists in Reno via a secure videoconferencing technology. The clinic can also order basic lab tests and perform x-rays onsite.

Tonopah is a rural census-designated place located in Nye County halfway between Reno and Las Vegas. It has a population of roughly 2,500 people. It is located approximately 211 miles north of Las Vegas and 237 miles southeast of Reno. The nearest city with a population of over

50,000 is Carson City, NV, which is approximately 214 miles northwest. Tonopah is located at the Junction of US-95, which runs north to south from Fallon to Las Vegas, and US-6, which runs east to west between Ely and Tonopah.

The Tonopah Airport is located approximately 8 miles east of the properties. This airport is one of three primary airports serving Nye County.

Target Population

The Desert Properties will serve households with incomes at or below 60% of area median income. Thirty-two of the thirty-six units at Desert Family and all twenty units at Desert Elderly receive USDA-RD Section 515 project-based rental assistance. Under the program, households in rental-assisted units pay 30% of their adjusted gross income towards rent, allowing the development to serve very low- and disabled households, including those on SSI/DI. Given this, we anticipate that most units will serve tenants with very or extremely low incomes.

Market Demand

The Nevada Rural Housing Authority recently commissioned the 2014-2018 Rural Nevada Housing Study with Vogt, Santer, Insights (VSI), which provided data on housing demand, inventory, and supporting infrastructure for Nevada's rural communities, including Nye County (and especially the Tonopah area). There were several important findings in this report that indicate a need for the rehabilitation of USDA-RD subsidized housing such as The Desert Properties.

First, the study found a discrepancy between the median household income and housing prices. Between 2010 and 2013, the median household income decreased by 29.6%. By 2018, it is anticipated to decrease another 24.3%. Meanwhile, multi-family unit rents in Northern Nye County are an average of $63 per month higher than the rest of rural Nevada. The study also found that the average renter's capacity to achieve new construction rents of $666 per unit per month is insufficient. According to the American Community Survey, up to 42% of Northern Nye households are rent overburdened, indicating a need for affordable housing in the area.

Vacancy rates in the market area are also very low, and rentals in Northern Nye County have a combined occupancy rate of 99.5%. Given the low vacancy rates in the market area, we anticipate that the vacancy rate at The Desert Properties will be 5% or below. In addition, because The Desert Properties is occupied, we anticipate that many current tenants will return to their newly remodeled units upon construction completion, reducing the need for The Desert Properties to capture many additional tenants.

Finally, the study found a great need for senior-specific housing: "Between 2013 and 2018, the largest increase among households age groups is projected to be among those between the ages of 65 and 74. Household growth is also occurring at a rapid rate among households age 75 to 84 and 85 and older, indicating an increasing need for senior-specific housing in the market. Not all of these changes, however, translate into a need for new housing units. This is because many of the area's older adults are already housed. Instead, older adults will likely at some future date move into senior-specific housing…"

The rehabilitation of the Desert Properties will prolong the life of these valuable apartments and will renew the USDA-RD subsidy to allow the developments to serve the most at-risk and lowest income residents in Tonopah for an additional 15 years.

Relocation

Because the Desert Properties are income-restricted and currently occupied, we will structure renovation so that there will be minimal disturbances to current tenants. All of the units are occupied by residents that are already income-eligible for USDA subsidy. The acquisition and rehabilitation of the property will not create any permanent displacement of tenants.

We will likely stop leasing prior to the beginning of renovation in order to free up a block of vacant units for rehabilitation. The plan is to have two vacant buildings available for rehabilitation at the start of the construction schedule. Existing residents will be temporarily relocated to other units on site, and some tenants may be temporarily relocated off site, depending on the number and availability of vacant units. Once those first buildings are complete, the relocated tenants will be moved to the fully renovated units in order to free up the next block of units for rehabilitation. Some of the repairs to the exterior of the units – site work, exterior painting, etc. – can be carried out with the residents in place.

When tenants vacate their current unit to relocate temporarily to another unit on site or to a newly renovated unit, proper noticing procedures will be followed and relocation assistance will be provided to assist tenants with necessary packing supplies. A moving crew will be assembled to physically move tenant furnishings and personal belongings to their new units.

In the event tenants need to be temporarily relocated off site, proper noticing procedures will be followed and relocation assistance will be provided. Relocation assistance will include packing supplies, moving services and lodging. Meals and incidental costs and storage costs will also be covered as required.

Development Team

Developer:	Nevada Rural Housing Authority
Consultant	Praxis Consulting Group, LLC
General Contractor:	TBD
Property Manager:	Landmark Group, dba Weststates Property Management
Architect:	Integrated Design & Architecture (IDeA)

The Desert Properties will be owned by a sole purpose Nevada limited liability company, Desert Properties Associates LLC. The 0.01% Managing Member of the LLC will be Desert Properties Manager LLC, a sole purpose Nevada limited liability company. Nevada Rural Housing Authority (NRHA) will be the sole manager of the Manager LLC. Nevada Rural Housing Authority will also act as developer to the ownership LLC.

Nevada Rural Housing Authority ("NRHA") was established in 1973 under the laws of the State of Nevada to address the housing needs and enhance the quality of life throughout Nevada's 15 rural counties and the rural portions of Clark and Washoe County. As a quasi- governmental

agency, NRHA receives no allocation of funds through the State budgeting process, simply the mandate to address rural Nevada's affordable housing needs. NRHA's jurisdiction extends to any Nevada city or town with a population of 150,000 or less.

Working with a consortium of public and private partners, including state and federal housing agencies and local community service groups, NRHA administers a variety of successful housing programs, including Housing Choice Voucher rental assistance, a tax- exempt bond, single-family mortgage program, weatherization assistance, and affordable rental housing. Collectively, NRHA owns eight HUD-, USDA- and LIHTC-assisted housing developments located in Carson City, Yerington, Fallon, Elko and Winnemucca.

To date, NRHA has successfully developed four affordable housing projects and began construction of their fifth and sixth projects in March 2016. Their first project, completed in 2009 and in partnership with Pacific West Builders, Inc., included over $9 million in tax credit financing for the rehabilitation of Southgate Apartments in Carson City, Nevada. The project serves low-income elderly and disabled residents and consisted of the rehabilitation of 100 existing units and the new construction of 48 additional units.

NRHA also developed Phase I construction of Larios Arms Senior Residence. The project was awarded $4.2 million in tax credit financing, $600,000 in AHP funds and $450,000 in HOME funds. The Phase I development included 30 units of affordable senior housing and was completed in May 2012. In July 2016, NRHA completed the second phase of Larios Arms Senior Residence, which added an additional 30 senior units to Phase I.

In 2011, NRHA completed a $1 million HUD Green Retrofit of Yerington Manor, a 52-unit affordable senior property in Yerington, Nevada. The rehabilitation focus was to increase energy efficiency, tighten the building envelope and preserve existing subsidized housing. The scope of work included window and roof replacement, insulation and HVAC upgrades, new kitchen and bath cabinets, low flow fixtures, low VOC paint and flooring and low water use landscape.

In January of 2014, NRHA completed a $400,000 USDA funded preservation / revitalization rehab of Winnemucca Manor, a 20-unit senior property located adjacent to Larios Arms in Winnemucca, Nevada. The project, constructed in 1983, received significant exterior upgrades including roof replacement and stucco, energy efficient upgrades to replace a central boiler and individual A/C units, and extensive rehabilitation of accessible units to provide roll-in showers and fully accessible bathrooms.

NRHA also recently completed the rehabilitation of Sunridge Quarters Apartments in Fallon, Nevada. The Sunridge property features 48 units of low-income family housing constructed in 1977 under the USDA-RD Section 515 program. The project was awarded over $5 million in tax credit equity and $400,000 in HOME funds to complete an extensive rehabilitation that will bring natural gas to the property, expand the building footprint to include balconies, patios and individual storage areas, and complete interior renovation with new cabinets, flooring, appliances and fixtures. The rehabilitation was completed in July of 2014.

In April of 2016, NRHA closed and began construction on Southwood Apartments, an

acquisition and rehabilitation of two USDA-RD subsidized housing developments totaling 22 units and a privately held 4-plex located on an adjoining parcel in Yerington, NV (26 units total) Financing for the project included the assumption of an existing USDA-RD loan, $400,000 in HOME funds from the Nevada Housing Division, and nearly $3 million in limited partner equity. Southwood Apartments was completed in July 2017.

NRHA also closed and began construction on Richards Crossing in April 2016. Richards Crossing involves the new construction of a 39-unit permanent supportive housing development for homeless individuals in Carson City, NV. The project received $1,000,000 in NHD HOME funds, $390,000 in Affordable Housing Program Funds from the Federal Home Loan Bank of San Francisco, $100,000 in Home Depot grant funds, $221,474 in Carson City CDBG funds, and nearly $6 million in limited partner equity. The project opened in April 2017.

Both NRHA maintains strong alliances with Nevada Housing Division and USDA Rural Development as well as local governments and economic development authorities to promote their joint missions to increase the supply of quality affordable housing throughout the state. NRHA, in conjunction with other local and state agencies, recently completed a Nevada Regional Demand Market Analysis to assess current and future housing needs in Nevada's rural areas largely impacted by the growing mining industry.

NRHA continues to be recognized by HUD as a High Performer in administration of HUD Housing Choice Vouchers. NRHA furthers their mission by providing Home At Last Single Family Mortgage and MCC programs to promote homeownership across the state with increased savings and tax benefits for qualified buyers.

Formed in 2004, **Praxis Consulting Group LLC** is a Nevada-based consulting firm that helps non-profit, for-profit and government organizations develop and finance affordable housing. Praxis also carries out research and technical assistance in the areas of community development, non-profit capacity building, fund raising and public policy development. Eric Novak, its principal, has 30 years of experience in all aspects of the affordable housing development process, including HOPE VI and public housing mixed-finance and affordable assisted living. Since 2005, Praxis has directly secured the financing for and closed over 50 affordable housing developments, totaling over 4,500 units and $725 million in financing. Financing sources have included project-based housing choice vouchers, public housing operating subsidy, private grants, tax-exempt bonds, 4 percent and 9 percent tax credits, ARRA TCAP and Section 1602 funds, HUD HOME and state housing trust funds, state transitional housing monies, FHLB AHP funds, as well as conventional construction and permanent debt. Praxis has particular expertise in working with public housing authorities in portfolio assessment and RAD and mixed-finance development. Through this work, Praxis has facilitated the creation and preservation of thousands of additional units across multiple housing authorities.

Landmark Group, dba Weststates Property Management Company (WSPM) manages / operates over 60 properties, over 2,500 units, with over 200 employees. WSPM has developed several educational training techniques: All on-site employees have extensive ongoing training through new manager training and monthly supervisory visits. All new employees have Fair Housing training during the first 90 days of employment. Annual training is held for Managers

and Maintenance Technicians. During this training WSPM brings Nationally recognized trainers such as Steve Rosenblatt of Spectrum, Anne Sadovsky, Toni Blake, and Home Depot Supply to name a few. WSPM has taken the philosophy and practice a "management training company" culture that provides continuing outstanding education for its employees.

Integrated Design & Architecture (IDeA) provides services in architecture, planning, sustainable design, and construction management. Historically 60% of IDeA's work by dollar value has been in the affordable housing sector. IDeA was the architect for a number of USDA-RD Section 515 and HUD-assisted rehabilitation projects in Nevada, including NRHA's Sunridge Apartments project, Sierra Run II Apartments, Willowbrook I and II Apartments, Bristlecone Pine I and II Apartments, Fernwood Apartments, Sierra Run I Apartments, Riverwood I & II Apartments, Cimarron Village Apartments, Humboldt Village Annex Apartments, Humboldt Village Apartments, Homestead Apartments, Shadow Creek II Apartments, River Valley Apartments, Heritage Park Apartments, Sun River Apartments, Foothill Gardens Apartments and Washoe Mills Apartments.

IDeA has been on a sustainability path for over 30 years, increasing its commitment to the next level of green: integrating all aspects—lighting, ventilation, landscaping, etc. IDeA looks at every angle of building from its sustainability: water capture, solar, small footprint, ecological and human health. It is interested in purposeful design, in creating buildings that don't cost more to maintain than to build. IDeA's principals and team have years of commitment to energy efficient design, including daylighting and passive solar. Energy conscious design and natural, low-energy and recycled materials have been key to many of IDeA's designs, including affordable housing projects.

Project Financing

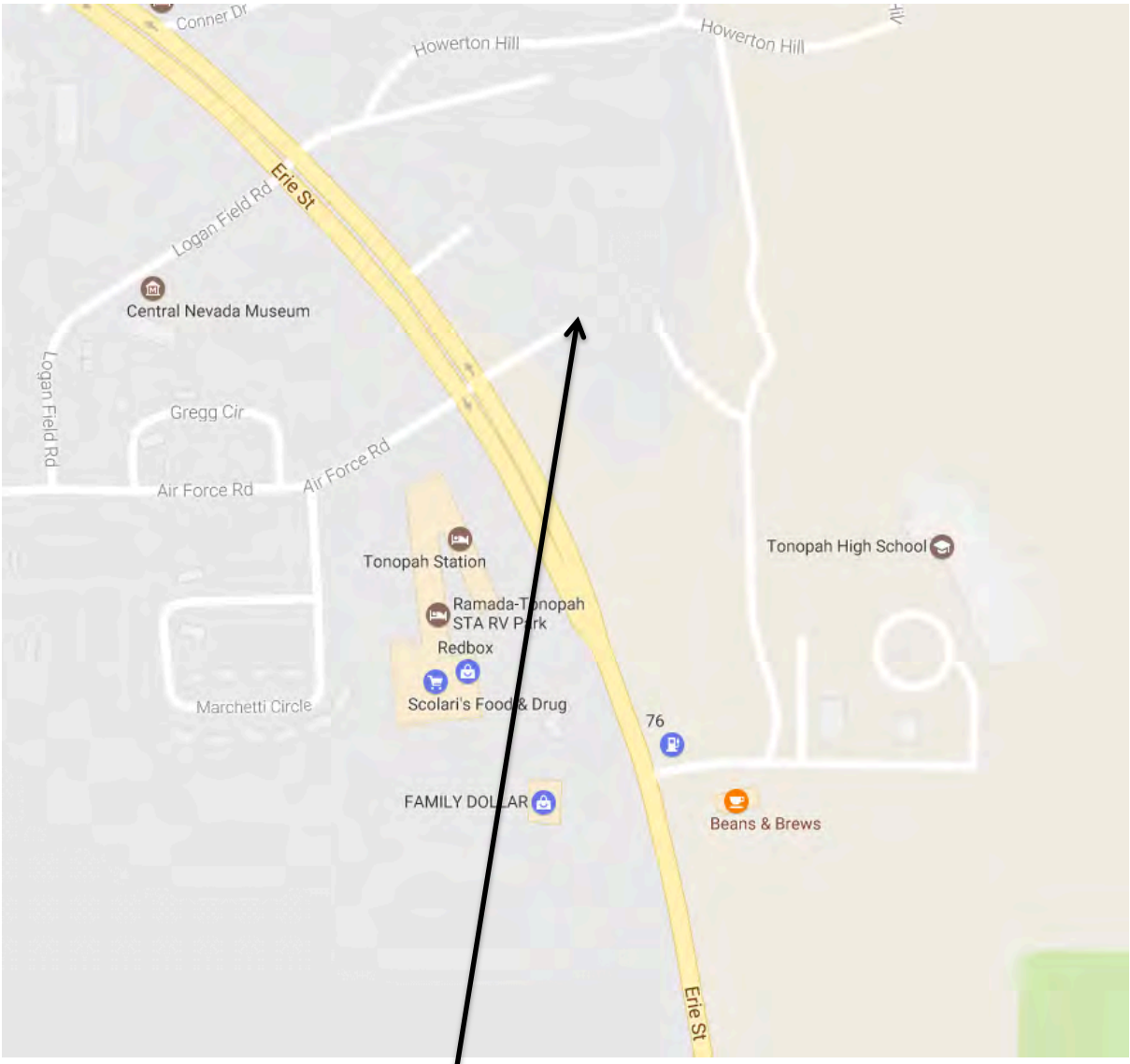
The project financing for The Desert Properties will include tax-exempt bonds issued by the Nevada Housing Division (NHD), equity from the sale of non-competitive 4% Low Income Housing Tax Credits, HUD HOME funds from the Nevada Housing Division, a new USDA Section 538 mortgage, Multi-Family Preservation and Revitalization Funds (MPR) from USDA-RD, Affordable Housing Program funds from Federal Home Loan Bank of San Francisco, and the assumption of the existing 1% interest rate USDA-RD Section 515 mortgage. The total development cost is projected at approximately $7.95 million, or $141,925 per unit.

Project Schedule

Construction Start	July 2018
Construction Completion	July 2019
Full Rent Up	October 2019

The Desert Properties
1000 Erie Main Street
Tonopah, NV 89049
APN #: 008-261-02 (4.40 acres)

Location Map



SITE

The Desert Properties
1000 Erie Main Street
Tonopah, NV 89049
APN #: 008-261-02 (4.40 acres)

Aerial Photo

DESERT FAMILY DESERT ELDERLY

BRIAN SANDOVAL
Governor

C.J. MANTHE
Director

STATE OF NEVADA

DEPARTMENT OF BUSINESS AND INDUSTRY
OFFICE OF THE DIRECTOR

MEMORANDUM

TO: Nevada State Board of Finance

FROM: C.J. Manthe, Director, State of Nevada Department of Business and Industry

DATE: February 21, 2018

RE: Memorandum of the Director Substantiating Findings Pursuant to Nevada Revised Statutes (NRS) 388A.650 relating to the issuance of charter school lease revenue bonds for the Somerset Academy of Las Vegas Project

BACKGROUND

In 2013 the Nevada Legislature enacted NRS 388A.550 through 388A.695, inclusive, (the "Charter School Financing Law"). The Charter School Financing Law authorizes the Director of the State of Nevada Department of Business and Industry (the "Director") to issue bonds for the purpose of financing facilities or other improvements to be owned, operated, or used by a charter school for its educational purposes.

The State Board of Finance (the "Board of Finance") is being asked to approve findings of the Director in connection with a proposed issuance of approximately $61,570,000 State of Nevada Department of Business and Industry Charter School Lease Revenue Bonds (Somerset Academy) Series 2018A (the "Series 2018A Bonds") and approximately $430,000 State of Nevada Department of Business and Industry Charter School Lease Revenue Bonds (Somerset Academy) Series 2018B (Federally Taxable) (the "Series 2018B Bonds" and together with the Series 2018A Bonds, the "Bonds"). Somerset Academy of Las Vegas, a public charter school validly existing under the laws of the State of Nevada (the "Charter School") has requested the Director issue Bonds on its behalf. The Charter School currently operates five charter school campuses and plans to open another two charter school campuses in 2018 or 2019, all in Clark County, and currently serves approximately 6,716 students in grades K through 12. Proceeds from the Bonds will be used to finance the acquisition of charter school facilities and the related land and improvements for (i) the Losee campus located in North Las Vegas and (ii) the Stephanie

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campus located in Henderson. Such land and improvements will be purchased by ZB, National Association, dba Zions Bank acting as trustee (the "Trustee") for the bondholders. The Charter School will lease-purchase the charter school facilities from the Trustee, and lease payments made by the Charter School will be structured to be sufficient for the Trustee to make principal and interest payments on the Bonds.

In April, 2015, the Director issued its $42,995,000 Charter School Lease Revenue Bonds (Somerset Academy) Series 2015A and its $85,000 Charter School Lease Revenue Bonds (Somerset Academy) Series 2015B (collectively, the "Prior Bonds") pursuant to a Trust Indenture dated as of April 1, 2015 (the "Original Indenture") between the Director and the Trustee. The Bonds will be issued as additional bonds on a parity basis with the Prior Bonds.

The Charter School submitted its application for this charter school bond financing to the Director in November 2017 (the "Application"). A summary memorandum of the Application and proposed financing prepared by the financial advisor to the Director is attached hereto as Exhibit H. The Director and the Charter School signed a Letter of Agreement as of February 23, 2018, setting forth certain requirements and fees to be paid by the Charter School for the bond financing. A public hearing to receive public comment regarding the issuance of the Bonds and necessary to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "TEFRA Hearing") was held on February 12, 2018. Subject to final approval from the Board of Finance, the Bonds will be sold in a negotiated public offering and are expected to be issued on or about April 26, 2018.

The Bonds and the interest due thereon will not be an obligation, debt or liability of the State of Nevada or the Director and will not constitute or give rise to any pecuniary liability or charge against the credit of the Director or the credit or taxing power of the State of Nevada, but will be a limited obligation payable solely from and secured by the lease payments made by the Charter School.

As a prerequisite to the issuance of the Bonds, attached are findings of the Director as required by NRS 388A.650 (the "Findings") for approval by the Board of Finance. Additional considerations of the Director as set forth in NRS 388A.655 (the "Additional Considerations") are also attached.

Additional documents relevant to the Findings and Additional Considerations have been placed on file with the Ex-Officio Secretary of the Board of Finance and are available for review by the Board of Finance. A list of such additional documents is attached to the Findings. The Findings are based on the totality of the record, and the Director has not attempted to list each element of the record which has led to each of the determinations made in the Findings. The Director, in consultation with the financial professionals and its legal counsel and bond counsel, represents the Findings comply with NRS 388A.650 and

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388A.655 and recommends approval of the Findings by the Board of Finance for the issuance of the Bonds.

If the Board of Finance approves the Findings as required by law, the financing may proceed. Effective upon receipt of the Board of Finance approval, the Director will be deemed to have given the order to authorize issuance of the Bonds pursuant to NRS 388A.675. Such order while deemed given, will be contingent upon the satisfaction of the following conditions:

1. Receipt of a Certificate of Governor of the State of Nevada approving the issuance of the Bonds in the form attached to the Findings as Exhibit F and necessary to satisfy the TEFRA Hearing requirements.

2. Receipt of an unqualified opinion from Gilmore & Bell, P.C., bond counsel to the State of Nevada Department of Business and Industry, that interest on the Series 2018A Bonds will be tax-exempt for federal tax purposes. This opinion will be in a standard form acceptable to the financial markets. It is evident that the financing will not go forward unless such opinion is delivered.

3. The final agreements related to the Bonds will be in forms acceptable to the Director and its legal counsel.

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FINDINGS OF THE DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY PURSUANT TO NEVADA REVISED STATUTES (NRS) 388A.650 RELATING TO THE FINANCING OF CHARTER SCHOOL PROJECTS TO BE LOCATED IN CLARK COUNTY, NEVADA

WHEREAS, Somerset Academy of Las Vegas, a duly organized and validly existing Nevada charter school and a Nevada nonprofit corporation (the "Charter School"), has submitted its application dated November 29, 2017 (the "Application"), to the Director of the State of Nevada Department of Business and Industry (the "Director") for the issuance of charter school lease revenue bonds in an amount not to exceed $62,000,000 (the "Bonds") for the purpose of assisting in financing the acquisition of (i) charter school facilities comprised of an approximately 54,821 square-foot school building located on an approximately 4.61 acre site located at 50 N. Stephanie Street in Henderson, Nevada; and (ii) charter school facilities comprised of an approximately 160,105 square-foot school building located on an approximately 16.91 acre site located at 4650 Losee Road in North Las Vegas, Nevada (together, the "Projects"), such charter school facilities being initially owned on behalf of the Director by ZB, National Association dba Zions Bank (the "Trustee"), and leased to and operated by the Charter School;

WHEREAS, the Director has authority to issue the Bonds pursuant to the Nevada Revised Statues, including the Charter School Financing Law, Sections 388A.550 through 388A.695, inclusive, thereof (the "Act"); and

WHEREAS, the Charter School and other interested parties have prepared and submitted to the Director certain reports, records and other information related to the Projects, and the Director has reviewed such reports, records and other information and has otherwise investigated the facts concerning the Projects so as to enable the Director to make the following Findings in accordance with the Act;

NOW, THEREFORE, pursuant to Section 388A.650 of the Act, the Director hereby finds and determines as follows (the "Findings"):

1. Based on Lease Agreements with options to purchase the Projects between the Charter School and the sellers of the Projects and real estate appraisals of the Projects completed in connection with the issuance of the Bonds, the Projects consist of land, buildings or other improvements, and all real and personal properties necessary in connection therewith, which are suitable for acquisition, improvement, restoration or rehabilitation of charter school facilities.

2. Based on the letter, attached hereto as Exhibit A, from the State Public Charter School Authority, as sponsor of the Charter School, the Charter School is not in default under its charter contract.

Carson City: 1830 College Parkway, Suite 100 Carson City, Nevada 89706 - Telephone (775) 684-2999 - Fax (775) 684-2998

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3. As explained below, based on the performance rating report for the school years ending in 2014 and 2017 received by the Charter School with respect to its elementary and middle school operations, and the high schools ratings received by Somerset Academy, Inc. in Florida for the school years ending 2014, 2015, 2016 and 2017 together with a letter from the Nevada Department of Education indicating that such ratings are equivalent to ratings for high schools within the State of Nevada, all as attached hereto as Exhibit B, the Charter School received within the immediately preceding two consecutive school years for which performance rating reports were available one of the three highest ratings of performance pursuant to the statewide system of accountability for public schools or received equivalent ratings in another state, as determined by the Department of Education. In 2015 and 2016, the Department of Education did not post performance rating reports for any Nevada public schools. In 2015, then President Obama signed the Every Student Succeeds Act ("ESSA") and pursuant to the waiver granted to the Nevada Department of Education, the Nevada Department of Education developed a new school accountability system which did not require performance rating reports to be posted until the fall of 2017. As a result of the changes made by the ESSA, the Nevada Department of Education did not rate any schools for the 2015-2016 school year and only rated elementary and middle schools for the 2016-17 school year. Thus, the only school ratings available for these Findings are the 2013-2014 and 2016-17 school years for the Charter School's elementary and middle school campuses and the Florida ratings for Somerset Academy Inc.'s high school campuses.

4. Based on certain provisions of the Lease Purchase Agreement, dated as of April 1, 2015 (the "Original Lease") between the Trustee and the Charter School to be amended by the First Amendment to Lease Purchase Agreement (the "First Amendment to Lease" and together with the Original Lease, the "Lease") and certain provisions of the Trust Indenture, dated as of April 1, 2015 (the "Original Indenture") between the Director and the Trustee to be supplemented by the First Supplemental Indenture (the "First Supplemental Indenture" and together with the Original Indenture, the "Indenture"), all attached hereto as Exhibit C, there are sufficient safeguards to ensure that all money provided by or through the Director will be expended solely for the purposes of the Projects. Such provisions set forth procedures ensuring that such moneys shall only be used to pay for certain costs relating to the acquisition, construction and equipping of the Projects, funding of necessary debt service reserves, and payment of Bond costs of issuance.

5. Based on certain provisions of the Indenture, attached hereto as Exhibit D, there are sufficient safeguards to ensure that the Director will have the ability, but shall not be obligated, to monitor compliance with the provisions of the Act, on an ongoing basis with respect to the Projects.

6. Based on a certificate attached hereto as Exhibit E and signed by an authorized representative of the Charter School, the Projects have received all approvals

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by the local, state and federal governments which may be necessary to proceed with acquisition, improvement, rehabilitation or redevelopment of the Projects.

7. By submission of its application for funding to the Director, the Charter School has requested that the Director issue bonds to finance the Projects.

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ADDITIONAL CONSIDERATIONS OF THE DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY PURSUANT TO NEVADA REVISED STATUTES (NRS) 388A.655 RELATING TO THE FINANCING OF CHARTER SCHOOL PROJECTS TO BE LOCATED IN CLARK COUNTY, NEVADA

Pursuant to NRS 388A.655, as additional considerations required for the approval and issuance of the Bonds, the Director has determined the following (the "Additional Considerations") and hereby requests the Board of Finance to make the same determinations.

(a) As provided by the Charter School and set forth in the public notice published in the *Las Vegas Review-Journal* and the *Reno Gazette-Journal* on January 28, 2018 and attached hereto as Exhibit F, the maximum amount of Bonds to be issued by the Director for financing the Projects shall not exceed $62,000,000.

(b) The Charter School was formed in 2011 and has submitted a five-year operating history attached hereto as Exhibit G. Further, the Director has received assurances based on covenants in the Indenture that all of the Bonds will be sold to qualified institutional buyers as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act") and/or accredited investors as defined in Rule 501 promulgated under the Securities Act in minimum denominations of $100,000.

(c) (i) The Charter School has not received within the 12 months immediately preceding the date of these Findings a rating within one of the top four categories of Moody's Investors Service (e.g. "Aaa," "Aa," "A," or "Baa"), Standard and Poor's Ratings Services, or Fitch Ratings, Inc. (e.g. "AAA," "AA," "A," or "BBB").

(ii) Although the Charter School did not receive a rating within one of the top four categories as set forth above, the Charter School expects to receive a rating of "BB" from Standard and Poor's Ratings Services.

(d) The Director has considered the extent to which the Projects are affected by any federal, state or local governmental action, activity, program or development and has determined to issue the Bonds.

(e) The Charter School has maintained facilities appropriate to the community in this State since 2011.

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These Findings and Additional Considerations are made only for the purposes of Sections 388A.650 and 388A.655, respectively, of the Act and do not constitute a guarantee of financial results with respect to the Projects or otherwise with respect to the business prospects of the Charter School. These Findings are not intended as an analysis of the Bonds as investments or intended to be relied upon by investors.

NOW, THEREFORE, the Director hereby requests that the Board of Finance review and consider the Additional Considerations set forth above and pursuant to Section 388A.650 of the Act approve the Findings as set forth herein and evidence such approval by the execution of the certificate attached hereto as Exhibit I.

Dated this 26 day of February, 2018.

DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY

By: _____
C.I. Manthe
Director

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Las Vegas: 3300 W. Sahara Avenue, Suite 425 Las Vegas, Nevada 89101 - Telephone (702) 486-2750 - Fax (702) 486-2758
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LIST OF EXHIBITS

EXHIBIT A	Letter from the State Public Charter School Authority
EXHIBIT B	Charter School Performance Rating Reports
EXHIBIT C	Document extracts relating to Paragraph 4 of the Findings
EXHIBIT D	Document extracts relating to Paragraph 5 of the Findings
EXHIBIT E	Certificate of the Charter School Regarding Federal, State & Local Approvals
EXHIBIT F	Form of Governor's Certificate regarding the issuance of the Bonds, Proof of Publication of Public Notice and Minutes
EXHIBIT G	Five-Year Operating History of the Charter School
EXHIBIT H	Financial Advisor Memorandum
EXHIBIT I	Certificate of Approval by the Board of Finance

ADDITIONAL DOCUMENTS ON FILE

1. Charter School Financing Law (NRS 388A.550 – 388A.695).
2. Regulations Pertaining to the Charter School Financing Law (NAC 388A.640).
3. Trust Indenture by and between the Director and ZB, National Association, dba Zions Bank.
4. First Supplemental Trust Indenture (draft) by and between the Director and ZB, National Association, dba Zions Bank.
5. Lease Purchase Agreement by and between ZB, National Association, dba Zions Bank and the Charter School.
6. First Amendment to Lease Purchase Agreement (draft) by and between ZB, National Association, dba Zions Bank and the Charter School.
7. Preliminary Limited Offering Memorandum (draft) relating to the Bonds.

EXHIBIT A

LETTER FROM THE STATE PUBLIC CHARTER SCHOOL AUTHORITY

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BRIAN SANDOVAL
Governor

STATE OF NEVADA

PATRICK GAVIN
Executive Director

STATE PUBLIC CHARTER SCHOOL AUTHORITY
1749 North Stewart Street Suite 40
Carson City, Nevada 89706-2575
(775) 687 - 9174 · Fax: (775) 687 - 9113

VIA ELECTRONIC MAIL AND
UNITED STATES POSTAL SERVICE

February 21, 2018

Ms. C.J. Manthe
Director
Department of Business & Industry
1830 College Parkway
Carson City, Nevada 89706
cjmanthe@business.nv.gov

Re: Somerset Academy of Las Vegas

Dear ~~Ms. Manthe~~, CJ,

It is our understanding that Somerset Academy of Las Vegas has or will be applying to the Department of Business and Industry for bond financing under NRS 388A.550 et seq., the Charter School Finance Law.

Pursuant to NRS 388A.650(2), the State Public Charter School Authority has determined that Somerset Academy of Las Vegas is not in default under its charter contract. As always, please feel free to contact me with any questions or concerns.

Sincerely,

Patrick J. Gavin
Executive Director

EXHIBIT B

CHARTER SCHOOL PERFORMANCE RATING REPORTS

The attached reports show that the Charter School has received, with respect to its elementary and middle school operations, for the school years ending in 2014 and 2017, which are the last school years for which results were available, one of the three highest ratings of performance (either five stars, four stars or three stars on a scale of one to five stars) from the Nevada Department of Education. In 2015 and 2016, the Department of Education did not post performance rating reports for any Nevada public schools.

Specifically, the Charter School received ratings of five stars for its elementary and middle school program in the 2013-2014 school year, four stars for its elementary school program in the 2016-2017 school year and three stars for its middle school program in the 2016-2017 school year.

As the Charter School has not received ratings from the Nevada Department of Education for its high school operations for the immediately two proceeding school years, the Charter School submitted the attached ratings for Somerset Academy Inc.'s Florida high schools from the Florida Department of Education for the 2014, 2015, 2016 and 2017 school years. As set forth in the attached letter, the Nevada Department of Education has determined that these Florida ratings are equivalent to the ratings for high schools within the State of Nevada and that the Charter School has achieved one of the three highest ratings for its high school.

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Nevada School Performance Framework

Nevada Department of Education

☆☆☆☆☆

School Overview Report

School Year: 2013-14

Somerset Academy of Las Vegas *(18419.1)*

5 Star School:

A 5-Star School is among the highest performing schools in Nevada in student proficiency and/or student growth on the State assessments. The school is acknowledged for its achievement with public recognition and has autonomy in school planning and decision-making.

Performance Indicators	Points Earned	Points Eligible	Percentage of Points Earned
Growth Measure of Achievement	26.0	40	65.0%
Status Measure of Achievement	27.0	30	90.0%
Reductions in Achievement Gaps	16.0	20	80.0%
Other Indicator	10.0	10	100.0%
Total Index Score	*[Points Earned(79.00)/Points Eligible(100)] X 100* = **79.00**		
Reading/ELA Test Participation	99.8%	Math Test Participation	99.8%

Whole School Demographics (N = 2218)

IEP	ELL	FRL	Am Indian/ AK Native	Asian	Black/ Afr American	Hispanic/ Latino	Pacific Islander	Two or More Races	White/ Caucasian
6.3%	3.6%	15.5%	1.5%	4.2%	7.5%	15.3%	2.5%	1.7%	67.3%

What do the performance indicators mean?

Growth Measure of Achievement

Student Growth is a measure of performance on the State assessments over time. Students who perform similarly on the first administration of the test are compared to each other after the second. Each student's relative performance to each other is measured as a percentile. This value is called the Student Growth Percentile or SGP. Separate SGP determinations are made for Reading/ELA and Math.

Reductions in Achievement Gaps

Student achievement targets to meet proficiency on the State assessments within three years are determined for each elementary and middle school student. These targets are called Adequate Growth Percentiles or AGP. Reduction in Achievement Gap is based on the percent of IEP, ELL or FRL students who meet their AGP targets. Separate calculations are made for Reading/ELA and Math. Subgroups are identified as students who are on an Individual Education Plan (IEP), are English Language Learners (ELL) or receive Free or Reduced-Price Lunch (FRL).

Test Participation

Schools do not earn additional framework points for Test Participation, but in order for a school to be classified as a 2, 3, 4 or 5 star school, the school must meet the 95% participation rate threshold or have an average of 95% participation or better from the two or three most recent years of testing.

Status Measures of Achievement

Status is a measure of student performance based on a single administration of the State assessment. Cut scores are set that determine the achievement level needed to be proficient on the assessments. Status Measures of Achievement are determined by calculating the percent of students in the school who met or exceeded standards on the State assessments. School-level calculations are made for Reading/ELA and Math.

Other Indicator

Currently, the Other Indicator is a measure of the student average daily attendance or ADA for a school.

Star Rating	Index Score
☆☆☆☆☆	at or above 77
☆☆☆☆☆	at or above 66 and below 77
☆☆☆☆☆	at or above 50 and below 66
☆☆☆☆☆	at or above 32 and below 50
☆☆☆☆☆	below 32

"nd" displays when a point value is not determined due to an insufficient number of students in the group.
"***" displays when data is suppressed because there are less than 10 students in the applicable group.
"N/A" displays when data is either not reported or not applicable.

Nevada Department of Education

Nevada School Performance Framework

School Year: 2013-14

School Performance Report

Somerset Academy of Las Vegas (78419.1)

Growth Measures	Reading/ELA N Count	Reading/ELA Points Earned	Reading/ELA Measure	Reading/ELA State Rate	Math N Count	Math Points Earned	Math Measure	Math State Rate
MGP (Percentile)	591.0	6.0	49.0	51.00	591.0	6.0	57.0	51.00
AGP (Percent Met)	591.0	8.0	70.9	59.01	591.0	6.0	58.2	44.84
Points from Growth			14.0				12.0	
Growth Points Earned (eligible 40)				26.0				

Status Measures	N Count	Points Earned	Measure	State Rate	N Count	Points Earned	Measure	State Rate
Proficiency Rate	999.0	15.0	82.3	67.52	998.0	12.0	81.9	68.54
Proficiency Points Earned (eligible 30)				27.0				

Gap Measures	N Count	Points Earned	Measure	State Subgroup Gap	N Count	Points Earned	Measure	State Subgroup Gap
% FRL Meeting AGP	90.0	3.3	63.3	60.25	90.0	2.0	55.6	36.13
% IEP Meeting AGP	41.0	3.3	51.2	26.51	41.0	2.0	26.8	21.11
% ELL Meeting AGP	27.0	3.3	66.7	29.49	27.0	2.0	48.1	22.00
% Supergroup Meeting AGP	-	-	-	-	-	-	-	-
Points from Gap			10.00				6.00	
Gap Points Earned (eligible 20)				16.00				

Other Indicator	N Count	Points Earned	Measure	State Rate
Average Daily Attendance Rate	N/A	10.0	97.7	95.10
Other Indicator Points Earned (eligible 10)			10.0	
Total Points Earned			79.00	
Index Score [Points Earned(79.00)/Points Eligible(100)] X 100			79.00	
Star Rating		☆☆☆☆☆		

Star Rating	Index Score
☆☆☆☆☆	at or above 77
☆☆☆☆☆	at or above 68 and below 77
☆☆☆☆☆	at or above 50 and below 68
☆☆☆☆☆	at or above 32 and below 50
☆☆☆☆☆	below 32

"nd" displays when a point value is not determined due to an insufficient number of students in the group.
"***" displays when data is suppressed because there are less than 10 students in the applicable group.
"N/A" displays when data is either not reported or not applicable.
"-" displays when calculations are not applicable.

Other Data and Trends

Somerset Academy of Las Vegas (18419.1)

Student Achievement Comparison by School, District, State

School Year	School				District				State			
	% All/Above Proficiency											
	Reading/ELA	Math	Writing	Science	Reading/ELA	Math	Writing	Science	Reading/ELA	Math	Writing	Science
2013-2014	82	82	N/A	N/A	76	72	N/A	N/A	68	69	N/A	N/A
2012-2013	84	79	N/A	86	74	67	N/A	72	67	72	N/A	57
2011-2012	83	86	70	84	70	67	59	71	66	72	45	58

Student Achievement/Growth by Subpopulation

Subpopulation	% All/Above Proficiency						Median Growth Percentile (MGP)					
	Reading/ELA			Mathematics			Reading/ELA			Mathematics		
Year	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
AMO	N/A	68.92	65.83	N/A	70.85	73.56	N/A	N/A	N/A	N/A	N/A	N/A
IEP	58	50	57	61	60	65	49	33	**	43	41	**
ELL	76	80	42	76	73	75	37	44	**	51	62	**
FRL	81	82	81	78	75	75	47	50	**	54	48	**
Am Indian/AK Native	73	77	**	80	69	**	**	**	**	**	**	**
Asian	82	96	**	88	93	**	39	55	**	61	63	**
Black/Afr American	71	65	67	63	53	72	49	40	**	47	44	**
Hispanic/Latino	77	80	74	74	76	74	52	50	65	56	54	54
Pacific Islander	85	67	**	77	67	**	36	**	N/A	65	**	N/A
Two or More Races	77	**	**	85	**	**	**	**	N/A	**	**	N/A
White/Caucasian	85	87	85	86	82	88	52	54	57	57	55	56

Student Participation on the State Assessments by Subpopulation

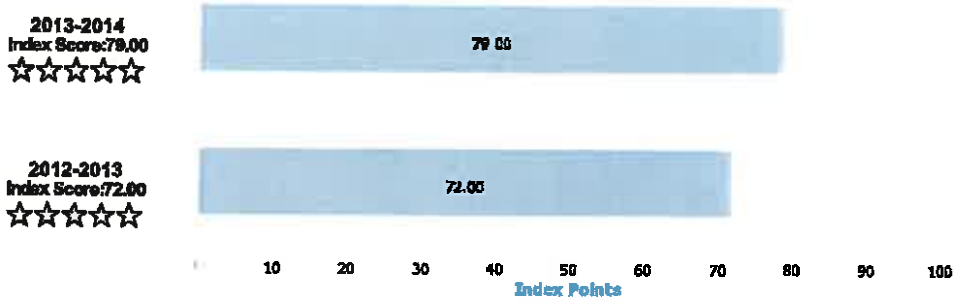
Subpopulation	Reading/ELA			Math		
Year	2014	2013	2012	2014	2013	2012
All Students	✓	✓	✓	✓	✓	✓
IEP	✓	✓	✓	✓	✓	✓
ELL	✓	✓	✓	✓	✓	✓
FRL	✓	✓	✓	✓	✓	✓
Am Indian/AK Native	✓	✓	✓	✓	✓	✓
Asian	✓	✓	✓	✓	✓	✓
Black/Afr American	✓	✓	✓	✓	✓	✓
Hispanic/Latino	✓	✓	✓	✓	✓	✓
Pacific Islander	✓	✓	✓	✓	✓	✓
Two or More Races	✓	✓	✓	✓	✓	✓
White/Caucasian	✓	✓	✓	✓	✓	✓

✓ = Met participation requirement ✗ = Did not meet participation requirement

When a population/subpopulation does not meet the participation goal of 95%, the school will receive a Warning. Subsequent years of not meeting 95% participation will result in a Penalty.

Toggle Graphs

Performance Trend for Somerset Acad ES



The Nevada School Performance Framework (NSPF) Trend displays the amount of index points the school earns across each component of the NSPF and the total index points earned over time.

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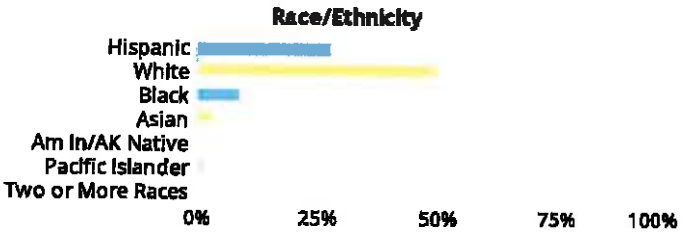
"N/A" displays when data is either not reported or not applicable.

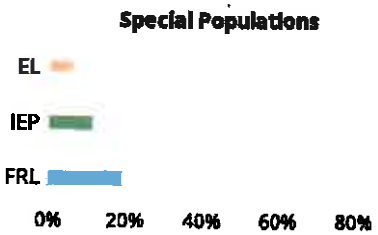
School Year 2016-2017 Nevada School Rating for

Somerset Academy of Las Vegas

Somerset Academy of Las Vegas
John Barlow, Principal
Grade Levels: 0K-12
Website: www.somersetacademyoflasvegas.org
School Level: Elementary School

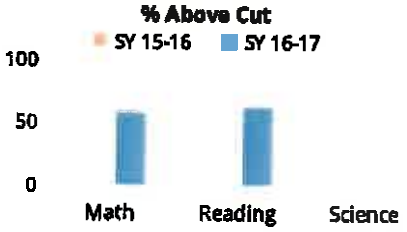
4650 Losee Road
North Las Vegas, NV 89081
Phone: 702-308-2425





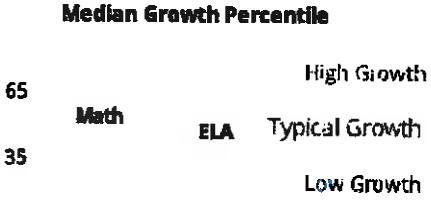
Academic Achievement

	% Above Cut	District
Math CRT	59.4	53.3
ELA CRT	62.6	59.9
Science CRT		
Pooled Average	61.0	56.6
Ready by Grade 3	59.6	56.4



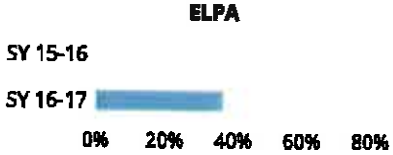
Student Growth

	SY 16-17
Math CRT MGP	54.0
ELA CRT MGP	48.0
Math CRT AGP	50.9
ELA CRT AGP	53.2



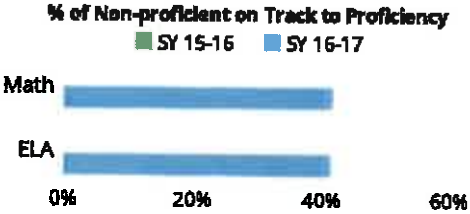
English Language

	% of EL Meeting AGP	District
ELPA	37.5	41.4



Closing Opportunity Gaps

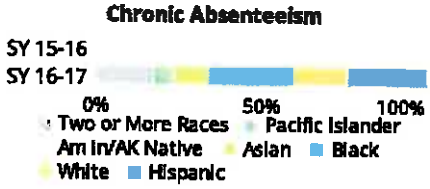
Non-proficient	% Meeting AGP
Math CRT	42.0
ELA CRT	41.6



Student Engagement

*Bonus points included

	% Chronically Absent	District
Chronic Absenteeism	6.8	10.6
	% Participation	**Met Target**
Climate Survey	N/A	No



Student CRT Proficiency

	Percent Above the Cut					
	Math	District	2017 Math MIP	ELA	District	2017 ELA MIP
American Indian/Alaska Native	-	28.2	27.2	-	35.8	36.3
Asian	73.7	69.6	65.4	70.4	73.2	72.8
Black/African American	35.7	32.3	25	45.9	42.7	36.4
Hispanic/Latino	45.8	41.1	33.1	52.5	49.3	42.6
Pacific Islander	67.7	53.9	42.7	77.4	58.2	53.3
Two or More Races	65.6	58.4	50.4	66.2	66.4	60.6
White/Caucasian	69.5	59.7	54.9	70	65.2	63.9
Special Education	37.5	30.8	20.9	37.5	33.3	22.4
English Learners Current + Former	37	42.4	28.8	40.5	44.6	35.1
English Learners Current	29.8	27.8		29.8	26.5	
Economically Disadvantaged	45.2	34.7	32.4	53.1	42.9	41

Grade 3 ELA

	Percent Above the Cut	
	ELA	District
American Indian/Alaska Native	-	26.6
Asian	66.6	68.6
Black/African American	36.7	40.2
Hispanic/Latino	50.3	47
Pacific Islander	72.7	48.8
Two or More Races	61.7	58.2
White/Caucasian	68.5	62.4
Special Education	40.2	36.3
English Learners Current + Former	37.8	42.2
English Learners Current	22.2	23.1
Economically Disadvantaged	48.4	37.5

Student Growth

	Student Growth Percentile			
	Math MGP	ELA MGP	Math AGP	ELA AGP
American Indian/Alaska Native	-	-	-	-
Asian	60.5	58	57.8	73.6
Black/African American	44	50	35.6	49.4
Hispanic/Latino	50	49	42.3	50
Pacific Islander	68	61	58.8	58.8
Two or More Races	58.5	53	54.5	59
White/Caucasian	55.5	44	56.5	53
Special Education	51	48	44.1	42.9
English Learners Current + Former	72	55	50.9	45.4
English Learners Current	76	55	53.1	37.5
Economically Disadvantaged	55	47.5	45.2	48.8

Closing Opportunity Gap

	Percent of non-proficient Students meeting AGP	
	Math AGP	ELA AGP
American Indian/Alaska Native	-	-
Asian	-	-
Black/African American	32.6	36.5
Hispanic/Latino	36.5	39.8
Pacific Islander	-	-
Two or More Races	42.8	43.7
White/Caucasian	48.5	44.1
Special Education	36	37.2
English Learners Current + Former	52.9	34.3
English Learners Current	51.5	32.2
Economically Disadvantaged	8.3	27.2

Chronic Absenteeism

	% Chronically Absent	District
American Indian/Alaska Native	-	18.2
Asian	3.8	4.9
Black/African American	9.4	19.8
Hispanic/Latino	8.5	13.4
Pacific Islander	2.2	11.5
Two or More Races	6.2	9.6
White/Caucasian	5.9	8.4
Special Education	11	13.4
English Learners Current + Former	N/A	N/A
English Learners Current	8.5	15.1
Economically Disadvantaged	7.7	18.5

What does my school rating mean?

4 Star school: Recognizes a **commendable** school that has performed well for all students and subgroups. A four star school demonstrates satisfactory to strong academic performance for all students. Further, the school is successfully promoting academic progress for all student groups as reflected in closing opportunity gaps. The school does not fail to meet expectations for any group on any indicator. Schools identified for targeted support and improvement are not eligible to be classified as four star school or higher.

What do the performance indicators mean?

Academic Achievement—Student Proficiency

Academic Achievement is a measure of student performance based on a single administration of the State assessment. Cut scores are set that determine the achievement level needed to be proficient on the assessment.

Student Proficiency is determined by calculating the percent of students in the school who met (Level 3) and exceed standards (Level 4) on the State assessments.

Points are earned based on a pooled average (total number of students proficient on all three assessments divided by total number of students taking all three assessments).

English Language Proficiency

English Language Proficiency is a measure of English Learners achieving English Language proficiency on the State English Language Proficiency assessment, WIDA. The NSPF includes Adequate Growth Percentiles to determine if English Language Learners are meeting the goal toward English Language proficiency. Students meeting their growth targets should be on track to become English proficient and exit English language status in five years.

Student Engagement

Student Engagement is a measure of Chronic Absenteeism and Climate Survey Participation. Research shows that attendance matters and that chronic absenteeism places students at risk of failure. Chronic absenteeism is defined as missing 10 percent, or more, of school days for any reason, including excused, unexcused or disciplinary absences. Students who are absent due to school sponsored activities are not considered absent for the purposes of this calculation.

Climate Survey

The Climate Survey is a state survey administered to students in certain grades across the state. Schools meeting or exceeding the 55% participation threshold can receive bonus points. Two additional bonus points included within Student Engagement section.

Growth

Student growth is a measure of performance on the state assessments over time.

- Student Growth Percentile (SGP) is a measure of student achievement over time and compares the achievement of similar subgroups of students from one test administration to the next. An SGP from 35 to 65 is considered typical growth.
- Median Growth Percentile (MGP) is a summary of the student growth percentiles (SGP) in a school. A school's Median Growth Percentile (MGP) is determined by rank ordering all the SGPs in the school from lowest to highest and finding the median or middle number.
- Adequate Growth Percentile (AGP) describes the amount of growth a student needs to remain or become proficient on the State assessment in three years.

Closing Opportunity Gaps/Equity

Closing Opportunity Gaps is a measure of non-proficiency. This measure includes students who were non-proficient on the previous year's State assessment and determines if those students in the current assessment administration succeeded in meeting their Adequate Growth Percentile. This is a measure of gap between proficient and non-proficient students.

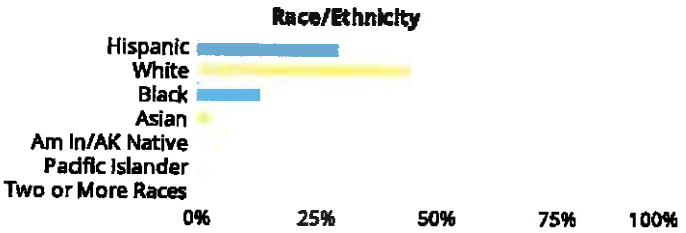
Star Rating	Index Score
★★★★★	at or above 84
★★★★	at or above 67, below 84
★★★	at or above 50, below 67
★★	at or above 27, below 50
★	below 27

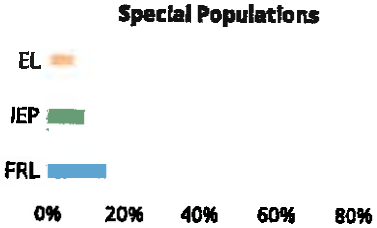
School Year 2016-2017 Nevada School Rating for

Somerset Academy of Las Vegas

Somerset Academy of Las Vegas
John Barlow, Principal
Grade Levels: 0K-12
Website: www.somersetacademyoflasvegas.org
School Level: Middle School

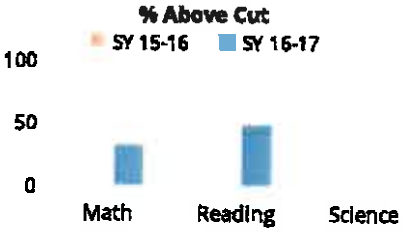
4650 Losee Road
North Las Vegas, NV 89081
Phone: 702-308-2425





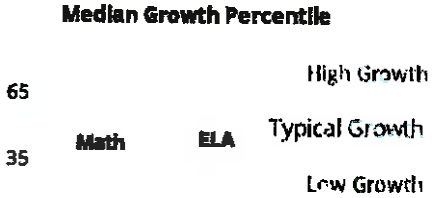
Academic Achievement

	% Above Cut	District
Math CRT	33.5	35.7
ELA CRT	50.5	53.2
Science CRT		
Math I End of Course	98.2	87.7
Pooled Average	43.5	46.5



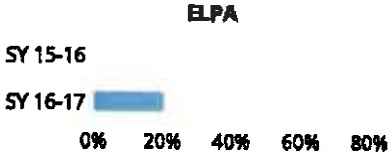
Student Growth

	SY 16-17
Math CRT MGP	42.0
ELA CRT MGP	45.0
Math CRT AGP	28.1
ELA CRT AGP	48.9



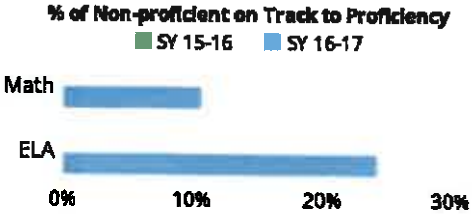
English Language

	% of EL Meeting AGP	District
ELPA	21.2	33.5



Closing Opportunity Gaps

Non-proficient	% Meeting AGP
Math CRT	10.8
ELA CRT	24.5



Student Engagement

*Bonus points included

	School	District
Chronic Absenteeism	7.6	9.6
Academic Learning Plans	100	79.5
NAC 389.445 Requirements	91.8	94.3
	% Participation	Met Target
Climate Survey	N/A	No

Student CRT Proficiency

	Percent Above the Cut					
	Math	District	2017 Math MIP	ELA	District	2017 ELA MIP
American Indian/Alaska Native	-	28.5	27.2	-	57.1	36.3
Asian	52.8	63.5	65.4	70	73.8	72.8
Black/African American	11	16.8	25	27.6	33.7	36.4
Hispanic/Latino	23.1	24.5	33.1	40.7	43.4	42.6
Pacific Islander	-	35.4	42.7	45.8	57.8	53.3
Two or More Races	38.3	39.4	50.4	59.6	55.9	60.6
White/Caucasian	45.1	42.2	54.9	60.7	60.1	63.9
Special Education	12	11.5	20.9	16.5	17.3	22.4
English Learners Current + Former	24.2	26.8	28.8	35.6	36.7	35.1
English Learners Current	13.9	11.8		24.5	18.2	
Economically Disadvantaged	24.4	21.8	32.4	41.9	39.7	41

Student Growth

	Student Growth Percentile			
	Math MGP	ELA MGP	Math AGP	ELA AGP
American Indian/Alaska Native	-	-	-	-
Asian	54	48	50	75
Black/African American	42	37	11.8	30
Hispanic/Latino	40.5	41	21.1	40.5
Pacific Islander	24.5	34.5	16.6	38.8
Two or More Races	43	47.5	32.1	50
White/Caucasian	42	48	35	57.3
Special Education	35.5	41	11.2	16.1
English Learners Current + Former	36	39	20.3	31
English Learners Current	35.5	38.5	10.9	18.7
Economically Disadvantaged	46	46	23.1	41.1

Closing Opportunity Gap

	Percent of non-proficient Students meeting AGP	
	Math AGP	ELA AGP
American Indian/Alaska Native	-	-
Asian	22.2	42.8
Black/African American	4.4	13.7
Hispanic/Latino	9.8	16.6
Pacific Islander	-	-
Two or More Races	15.6	30.4
White/Caucasian	13.3	33.4
Special Education	5	11.1
English Learners Current + Former	11.4	17.3
English Learners Current	9.2	17
Economically Disadvantaged	6	29.6

Chronic Absenteeism

	% Chronically Absent	District
American Indian/Alaska Native	9	12
Asian	2.7	3.9
Black/African American	8.8	13.8
Hispanic/Latino	8.6	11.2
Pacific Islander	10.7	12.3
Two or More Races	9.1	12.4
White/Caucasian	6.6	7.8
Special Education	13	16.2
English Learners Current + Former	N/A	N/A
English Learners Current	8	13.9
Economically Disadvantaged	9.8	13.6

What does my school rating mean?

3 Star school: Identifies an **adequate school** that has met the state's standard for performance. The all-students group has met expectations for academic achievement or growth. Subgroups meet expectations for academic achievement or growth with little exception; however, no group is far below standard. The school must submit an improvement plan that identifies supports tailored to subgroups and indicators that are below standard. Schools identified for comprehensive support and improvement are not eligible to be classified as a three star school or higher. Schools identified for targeted support and improvement are eligible to be classified as three star schools.

What do the performance indicators mean?

Academic Achievement--Student Proficiency

Academic Achievement is a measure of student performance based on a single administration of the State assessment. Cut scores are set that determine the achievement level needed to be proficient on the assessment.

Student Proficiency is determined by calculating the percent of students in the school who met (Level 3) and exceed standards (Level 4) on the State assessments.

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Star Rating	Index Score
★★★★★	at or above 80
★★★★	at or above 70, below 80
★★★	at or above 50, below 70
★★	at or above 29, below 50
★	below 29

Academica Schools - 2017 School Grade and Components

District Number	District Name	Academica	Brand	School Number	School Name	English Language Arts Achievement	English Language Arts Learning Gains	English Language Arts Learning Gains of the Lowest 25%	Mathematics Achievement	Mathematics Learning Gains	Mathematics Learning Gains of the Lowest 25%	Science Achievement	Social Studies Achievement	Middle School Acceleration	Graduation Rate 2015-16	College and Career Acceleration 2015-16	Total Points Earned	Total Components	Percent of Total Possible Points	Percent Tested	Grade 2017	Grade 2016	Informational Baseline Grade 2015	Grade 2014	Title I	Alternative/ESE Center School	School Type	Percent of Minority Students	Percent of Economically Disadvantaged Students	Region
06	BROWARD	AC	SD	5006	SOMERSET PREPARATORY ACADEMY CHARTER HIGH AT NORTH LAUDERDALE	31	31	31	35	36	36	42	64		96	26	428	10	49	99	C	C	C	C	NO	N	3	95.5	85.8	3
06	BROWARD	AC	SD	5007	SOMERSET ACADEMY CHARTER HIGH SCHOOL MIRAMAR CAMPUS	39	44	48	29	49	48	36	60		86	25	488	10	49	99	C	C	C	B	NO	N	3	98.8	67.3	3
06	BROWARD	AC	SD	5221	SOMERSET ACADEMY CHARTER HIGH	78	60	52	59	40	36	84	65		99	40	612	10	61	99	B	B	A	A	NO	N	3	88.3	43.3	3
06	BROWARD	AC	SD	5396	SOMERSET ARTS CONSERVATORY	88	55	47	71	45	40	85	60		100	59	647	10	65	100	A	A	A	A	NO	N	3	82.3	33.1	3
13	DADE	AC	SD	7034	SOMERSET ACADEMY CHARTER HIGH SCHOOL (SOUTH HOMESTEAD)	54	70	68	41	45	53	32	68		90	37	556	10	56	100	B	D	D	C	YES	N	3	89.2	83	3
13	DADE	AC	SD	7042	SOMERSET ACADEMY CHARTER HIGH SCHOOL	72	58	51	57	53	49	80	83		94	59	650	10	65	100	A	B	A	A	YES	N	3	88.2	81.7	3
50	PALM BEACH	AC	SD	4003	SOMERSET ACADEMY CANYONS HIGH SCHOO..	84	55	46	51	41	33	72	85				447	8	56	99	B	B	A	B	NO	N	3	49.2	6.7	3
56	ST. LUCIE	AC	SD	0712	SOMERSET COLLEGE PREPARATORY ACADEMY	71	58	47	71	55	39	83	84		89	44	641	10	64	99	A	B	A	A	NO	N	3	53.8	46.2	3

BRIAN SANDOVAL
Governor
STEVE CANAVERO, Ph.D.
Superintendent of Public Instruction

STATE OF NEVADA

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Carson City, Nevada 89701-5096
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www.doe.nv.gov

February 26, 2018

To: Director C.J. Manthe, Department of Business and Industry

From: Steve Canavero, Superintendent of Public Instruction

Re: Somerset Academy

The Department of Business and Industry (B&I) will be seeking approval from the Board of Finance to issue Charter School Bonds to finance the purchase of the facilities for the Somerset Academy. As part of B&I's due diligence, Findings of Fact must include a confirmation of the school's satisfactory academic performance. Specifically, a charter school seeking approval must receive within the immediately preceding two consecutive school years one of the three highest ratings of performance pursuant to Nevada's rating system or an equivalent rating in another state.

For the purposes of informing the question posed by B&I, the Department considers the Somerset (all campuses) Florida ratings as an equivalent rating from another state.

A complete set of school performance data does not exists for Somerset Nevada due to statewide test irregularity.

The 2014-2015 school year was to be the state's first statewide online administration of the Smarter Balanced assessment in grades 3-8. The state was well prepared to deliver the online assessment having conducted numerous "tests" of district and school bandwidth and compliant devices. However, the state's preparation was not matched by our vendors charged with the delivery of the new assessment. When it became clear that our vendors could not deliver the assessment, then Superintendent of Public Instruction Dale Erquiaga issued guidance in March 2015 to all school districts and the State Public Charter School Authority in Nevada declaring a statewide irregularity in test administration.

The state planned for the transition in assessment and establishment of a new baseline of achievement using the Smarter Balanced Consortium's recommended achievement levels. Indeed, Nevada had requested a "pause" of accountability ratings from the U.S. Department of Education in March 2015. The "pause" was critical given the need for two consecutive years of data in order to derive student achievement gains or growth. The impact of the vendors' inability

to deliver the assessment in 2015 was far reaching, most acutely felt in the state's inability to measure growth in student achievement for purposes of issuing Star Ratings through the Nevada School Performance Framework, resulting in a two year pause in issuing performance ratings.

Informational ratings for the 2016-2017 school year have been issued for all Elementary and Middle Schools in Nevada including Somerset Academy of Las Vegas (available here: http://nevadareportcard.com/DI/nv/state_public_charter_schools/somerset_academy_of_las_vegas)

- Somerset Academy of Las Vegas Informational Ratings 2016-2017
    - Elementary: 4 Stars
    - Middle School: 3 Stars
    - High School: Under development

Given the inability to compile two consecutive years of academic performance for Somerset Las Vegas the Department of Education reviewed performance of the Somerset model in Florida. A review of this kind is not without precedent – the initial approval of the Somerset Nevada charter by the State Public Charter School Authority Board included a review of performance from Florida as a means to demonstrate the model's efficacy in Nevada.

Is the Florida Department of Education school rating system comparable to the Nevada Department of Education school rating system? If yes, are Somerset's ratings for two consecutive years within the three highest ratings?

In order to determine comparability of state ratings, the Department of Education reviewed the following documents and data in order to make a determination of comparability, for the purposes of informing the question posed by B&I:

- 2016-2017 Guide to Calculating School and District Grades issued by the Florida Department of Education, August 2017;
- A review of Somerset campus performance in Broward, Dade, Palm Beach, and St. Lucie Counties; and
- A memo prepared by B&I staff.

Although state schemes to annually rate the performance of their schools vary, there are similarities between Florida and Nevada. Both states include academic achievement (status or proficiency and growth or learning gains) as the most significant factor in rating Elementary and Middle Schools and both states include graduation rates and academic achievement in the majority of point earning attributes in rating their high schools.

On the matter of school performance, the analysis conducted by B&I, which is consistent with the Department's analysis, found:

- For the 2015-2016 and 2016-2017 school years, Somerset Academy had 8 charter schools that received a Florida rating. The average rating of those 8 schools was a C (53.88%) for the 2015-2016 school year and was a B (57.38%) for the 2016-2017 school year.
- This analysis is consistent with the 2016-2017 Informational Ratings earned by Somerset of Las Vegas Elementary and Middle School noted above.
- Somerset High Schools did not have a graduating class at the time of the informational ratings.

A basic "crosswalk" comparing the manner by which Florida and Nevada translate points earned by a school to the annual rating (i.e., A-F in Florida and 1-5 Stars in Nevada) indicate some

differences in how points translate to grades/stars. There are many factors included in a state's calculus in determining how schools distribute across the rating scheme. However, it is reasonable to consider the distribution of schools within a state to approximate a normal distribution allowing a general conclusion that a C school in Florida and 3 Star school in Nevada are average performing schools within their respective states. Therefore, the Department of Education considers the Florida rating system equivalent to the Nevada rating system for charter schools. Somerset Academy satisfies the requirement of achieving one of the three highest ratings for its schools.

EXHIBIT C

DOCUMENT EXTRACTS EVIDENCING THAT ALL MONEY PROVIDED BY THE DIRECTOR WILL BE EXPENDED FOR THE PURPOSES OF THE PROJECTS

Lease Purchase Agreement Section 11.07(a)
Indenture Sections 3.02(b) and 3.09
First Supplemental Indenture Sections 3.5 and 3.6

Extracts from the Lease Purchase Agreement

Section 11.07(a) Tax Covenants.

(a) The Lessee covenants for the benefit of the Registered Owners from time to time that the Lessee (i) shall not make any use of the Leased Property and (ii) shall not take (or omit to take) any other action with respect to the Bonds, the proceeds thereof or otherwise, if such use, action or omission would, under the Internal Revenue Code of 1986, as amended (the "Code"), cause the interest on the Bonds to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations or would cause interest on the Bonds to lose its exclusion from State taxable income under present State law.

Extracts from the Trust Indenture

Section 3.02 Establishment of Funds; Application of Series 2018 Bond Proceeds and Other Moneys

(b) The Director will sell and cause to be delivered to the initial purchasers thereof the Series 2018 Bonds and directs the Trustee to deposit the $_____ proceeds of the Series 2018 Bonds ($_____ par amount plus an original issue premium of $_____, less an Underwriter's discount of $_____) as follows:

(i) into the Bond Proceeds Account of the Project Fund the amount of $_____, from proceeds of the Series 2018A Bonds;

(ii) into the Bond Reserve Fund the amount of $_____ from proceeds of the Series 2018A Bonds; and

(iii) into the Cost of Issuance Fund the amount of $_____, consisting of _____ from proceeds of the Series 2018A Bonds and $_____ from proceeds of the Series 2018B Bonds.

Section 3.06 Bond Reserve Fund. There shall be deposited into the Bond Reserve Fund pursuant to Section 3.02(b) hereof, proceeds from the sale of the Bonds an amount equal

Carson City: 1830 College Parkway, Suite 100 Carson City, Nevada 89706 - Telephone (775) 684-2999 - Fax (775) 684-2998
Las Vegas: 3300 W. Sahara Avenue, Suite 425 Las Vegas, Nevada 89101 - Telephone (702) 486-2750 - Fax (702) 486-2758
www.business.nv.gov

to the Bond Reserve Requirement. There shall be deposited into the Bond Reserve Fund all moneys required to be paid by the Charter School to the Trustee pursuant to Section 6.02(b) of the Lease. In addition, there shall also be deposited into the Bond Reserve Fund (a) all moneys transferred to the Bond Reserve Fund from the Bond Principal Fund or the Bond Interest Fund pursuant to Section 6.04 hereof, (b) all other moneys required to be deposited therein pursuant to the Lease or this Indenture, and (c) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Lease or this Indenture that such moneys are to be paid into the Bond Reserve Fund. There also shall be retained in the Bond Reserve Fund interest and other income received on investments of Bond Reserve Fund moneys to the extent provided in Section 6.04 hereof.

Except as provided in Section 3.16 hereof, moneys in the Bond Reserve Fund shall be used by the Trustee promptly and solely for the payment of the principal of, premium, if any, and interest on the Bonds in the event moneys in the Bond Principal Fund and Bond Interest Fund are insufficient to make such payments when due, whether on an Interest Payment Date, Principal Payment Date, mandatory sinking fund redemption date, maturity date or otherwise in an amount necessary to cure an Event of Default. Upon the occurrence of an Event of Default hereunder and the exercise by the Trustee of the remedy specified in Section 14.02(f) of the Lease and Section 8.02(a) hereof, any moneys in the Bond Reserve Fund shall be transferred by the Trustee to the Bond Interest Fund, and with respect to any moneys in excess of the amount required to be transferred to the Bond Interest Fund, to the Bond Principal Fund and applied in accordance with Section 8.05 hereof. On the final maturity date of the Bonds any moneys in the Bond Reserve Fund may be used upon receipt of written instruction from the Charter School to pay the principal of and interest on the Bonds on such final maturity date. In the event of the redemption of the Bonds in whole, any moneys in the Bond Reserve Fund shall be transferred upon receipt of written instruction from the Charter School to the Bond Principal Fund and applied to the payment of the principal of and premium, if any, on the Bonds. The Trustee shall value the Eligible Investments in the Bond Reserve Fund on each Interest Payment Date at their market value. If on any valuation date the amount in the Bond Reserve Fund (determined pursuant to this Section) is greater than the Bond Reserve Requirement, such excess shall be transferred by the Trustee to the Bond Interest Fund and applied to the payment of the interest on the Bonds; provided, however, that the amount remaining in the Bond Reserve Fund (determined pursuant to this Section) immediately after such transfer shall not be less than the Bond Reserve Requirement on that date. If on any valuation date the amount in the Bond Reserve Fund (determined pursuant to this Section) is less than the Bond Reserve Requirement, the Charter School will, in not more than six (6) equal monthly installments, promptly deposit or cause to be deposited moneys into the Bond Reserve Fund in an amount equal to the amount required to cause the total amount in the Bond Reserve Fund to equal the Bond Reserve Requirement and the Trustee shall notify the Charter School of such obligation.

At such times as moneys are to be transferred out of the Bond Reserve Fund for deposit into the Bond Principal Fund or the Bond Interest Fund pursuant to this Section or to the Rebate Fund pursuant to Section 3.16 hereof, the Trustee shall use cash or Eligible

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www.business.nv.gov

Investments in such order of priority as the Charter School shall direct in writing. If no Charter School direction has been received, the Trustee shall use cash first and Eligible Investments second.

Except for a transfer of excess investment earnings from the Bond Reserve Fund, within five Business Days of any transfer of funds from the Bond Reserve Fund to the Bond Principal Fund or the Bond Interest Fund, the Trustee shall notify the Charter School in writing of such transfer and of the amount of the deficiency, if any, of amounts then on deposit in the Bond Reserve Fund as of such date.

Section 3.5 Payments into and Use of Moneys in the Project Fund; Disbursements. The balance of the proceeds of the issuance and delivery of the Series 2018 Bonds remaining after the deposits required by Sections 3.2, 3.3, 3.4 and 3.6 hereof in the amount of $[_____] shall be deposited in the Series 2018 Project Account of the Project Fund. Each disbursement of moneys on deposit in the Series 2018 Project Account shall only be disbursed to the Charter School upon submission by the Charter School to the Trustee of a requisition signed by the Charter School in the form attached as Exhibit D hereto.

As soon as practicable following the date of completion of the Losee Campus Addition (as such date is certified to the Trustee in writing by the Charter School) and in any event no later than the third anniversary of the Closing Date for of the Series 2018 Bonds (as such date may be extended by delivery to the Trustee of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Series 2018A Bonds from gross income for federal income tax purposes and such extension is permitted by the Act and the Indenture), any balance remaining in the Series 2018 Project Account shall without further authorization be transferred by the Trustee from the Series 2018 Project Account for deposit in the Bond Principal Fund and used to pay the maturing principal on the Series 2018 Bonds or for the redemption of the Series 2018 Bonds.

Section 3.6 Costs of Issuance Account; Payment of Costs of Issuing Series 2018 Bonds. With respect to the Series 2018 Bonds, there shall be deposited into the Cost of Issuance Fund $[_____] consisting of $[_____] from the proceeds of the Series 2018A Bonds and $[_____] from the proceeds of the Series 2018B Bonds. The Trustee is hereby authorized to and directed to disburse funds from the Cost of Issuance Fund for each payment in accordance with Section 3.12 of the Indenture upon submission by the Charter School to the Trustee of a requisition signed by the Charter School in the form attached hereto as Exhibit C. Any moneys remaining in the Cost of Issuance Fund 90 days after the Closing Date shall be transferred to the Bond Interest Fund and such Fund may be terminated.

Carson City: 1830 College Parkway, Suite 100 Carson City, Nevada 89706 - Telephone (775) 684-2999 - Fax (775) 684-2998

Las Vegas: 3300 W. Sahara Avenue, Suite 425 Las Vegas, Nevada 89101 - Telephone (702) 486-2750 - Fax (702) 486-2758
www.business.nv.gov

EXHIBIT D

DOCUMENT EXTRACTS EVIDENCING THE DIRECTOR'S ABILITY TO MONITOR COMPLIANCE WITH THE PROVISIONS OF THE ACT

Indenture Section 11.14

Extract from the Trust Indenture

Section 11.14 Right to Inspect. Following reasonable notice to the Charter School, at any and all reasonable times, the Trustee and the Director and their duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right during regular business hours fully to inspect the Project, including all books and records of the Charter School (excluding records the confidentiality of which may be protected by law), and to make such copies and memoranda from and with regard thereto as may be desired; provided however, that any disclosure to any third party of the results of any such inspection shall be made only if required by law and then only with proper respect and due regard for the confidentiality requests of donors to the Charter School.

Additionally, at the direction of the Charter School, the Director hereby appoints the Trustee to keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts and disbursements received or disbursed according to this Indenture, and such books shall be available for inspections by the Registered Owner of any of the Bonds and by the Charter School during normal business hours of the Trustee and under reasonable conditions.

Carson City: 1830 College Parkway, Suite 100 Carson City, Nevada 89706 - Telephone (775) 684-2999 - Fax (775) 684-2998

Las Vegas: 3300 W. Sahara Avenue, Suite 425 Las Vegas, Nevada 89101 - Telephone (702) 486-2750 - Fax (702) 486-2758
www.business.nv.gov

EXHIBIT E

CERTIFICATE OF THE CHARTER SCHOOL REGARDING FEDERAL, STATE & LOCAL APPROVALS

This certification is made by Somerset Academy of Las Vegas (the "Charter School"), a Nevada charter school and non-profit corporation, in connection with the findings made by the Director of the State of Nevada Department of Business and Industry (the "Director") pursuant to Nevada Revised Statutes 388A.650 relating to the issuance by the Director of the State of Nevada Department of Business and Industry of its Charter School Lease Revenue Bonds (Somerset Academy) Series 2018A and its Charter School Lease Revenue Bonds (Somerset Academy) Series 2018B (Federally Taxable), for the purpose of assisting the Charter School in financing the acquisition of (i) charter school facilities and the related land located at 4650 Losee Road in North Las Vegas, Nevada and (ii) charter school facilities and the related land located at 50 N. Stephanie Street in Henderson, Nevada (collectively, the "Projects").

WE, THE UNDERSIGNED, DO HEREBY CERTIFY THAT the all necessary licenses, approvals, accreditations and permits as may be required under federal, state and local laws pertaining to the acquisition and operation of the Projects have been received by the Charter School and no further licenses, approvals, accreditations or permits are required to enable the Charter School to operate the Projects.

IN WITNESS WHEREOF, I have hereunto set my signatures as an authorized officer of the Charter School this ____ day of February, 2018.

SOMERSET ACADEMY OF LAS VEGAS

By: _____

Its: _____

Carson City: 1830 College Parkway, Suite 100 Carson City, Nevada 89706 - Telephone (775) 684-2999 - Fax (775) 684-2998

Las Vegas: 3300 W. Sahara Avenue, Suite 425 Las Vegas, Nevada 89101 - Telephone (702) 486-2750 - Fax (702) 486-2758
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WE, THE UNDERSIGNED, DO HEREBY CERTIFY THAT the all necessary licenses, approvals, accreditations and permits as may be required under federal, state and local laws pertaining to the acquisition and operation of the Projects have been received by the Charter School and no further licenses, approvals, accreditations or permits are required to enable the Charter School to operate the Projects.

IN WITNESS WHEREOF, I have hereunto set my signatures as an authorized officer of the Charter School this 13 day of February, 2018.

SOMERSET ACADEMY OF LAS VEGAS

By: _____

Its: BOARD CHAIRPERSON

EXHIBIT F

FORM OF GOVERNOR'S CERTIFICATE REGARDING THE ISSUANCE OF THE BONDS, PROOF OF PUBLICATION OF PUBLIC NOTICE AND MINUTES

CERTIFICATE BY THE GOVERNOR
REGARDING THE DEPARTMENT OF BUSINESS AND INDUSTRY'S ISSUANCE OF CHARTER SCHOOL LEASE REVENUE BONDS

I, Brian Sandoval, Governor of the State of Nevada, DO HEREBY CERTIFY:

A public hearing was held on February 12, 2018, at the principal office of the Nevada Department of Business and Industry Director's office located at 1830 E. College Parkway, Suite 200, Carson City, Nevada 89706 and was connected via videoconference at 3300 W. Sahara Avenue, Suite 425, Las Vegas, Nevada 89101 to hear public comment on plans for the issuance and sale of up to $62,000,000 Charter School Lease Revenue Bonds (Somerset Academy) Series 2018A and Series 2018B (the "Bonds") to assist in the financing of charter school facilities located in Clark County, Nevada.

Notice for the hearing was given and the hearing was conducted in accordance with the Report of Hearing. Such Notice and Report of Hearing are attached hereto as Exhibit A. Solely for the purpose of satisfying the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and for no other purpose, I hereby approve the plan of financing for the issuance of the Bonds. This approval is not to be construed as a pledge of the faith and credit of or by the State of Nevada, or of any agency, instrumentality, municipality, or subdivision of the State of Nevada.

IN WITNESS WHEREOF, I have set my hand

This _____ day of _____, 2018.

_____
BRIAN SANDOVAL
Governor, State of Nevada

Carson City: 1830 College Parkway, Suite 100 Carson City, Nevada 89706 - Telephone (775) 684-2999 - Fax (775) 684-2998

Las Vegas: 3300 W. Sahara Avenue, Suite 425 Las Vegas, Nevada 89101 - Telephone (702) 486-2750 - Fax (702) 486-2758
www.business.nv.gov

EXHIBIT A

Notice and Report of Hearing

BRIAN SANDOVAL
Governor

CJ MANTHE
Director

STATE OF NEVADA

DEPARTMENT OF BUSINESS AND INDUSTRY
OFFICE OF THE DIRECTOR

PUBLIC HEARING

A public hearing was called to order on Monday, February 12, 2018, at 9:00 a.m. by the Director of the State of Nevada Department of Business and Industry (the "Director"), or her designee. The purpose of the public hearing was to receive comments from the public on the proposed issuance by the Director of its Charter School Lease Revenue Bonds (Somerset Academy) Series 2018A, in one or more series (the "Bonds"), in an amount not to exceed $62,000,000.

Proceeds of such bonds will be used to finance costs incurred in connection with the acquisition of:

1. Charter school facilities comprised of an approximately 54,821 square-foot school building located on an approximately 4.61 acre site located at 50 North Stephanie Street, Henderson, Nevada (the "Stephanie Facility"). The aggregate principal amount of Bonds to be issued with respect to the Stephanie Facility is not expected to exceed $17,000,000; and

2. Charter school facilities to be comprised of four buildings with a combined square footage of approximately 160,105 located on an approximately 16.91 acre site located at 4650 Losee Road in North Las Vegas, Nevada (the "Losee Facility" and together with the Stephanie Facility, the "Facilities"). The aggregate principal amount of Bonds to be issued with respect to the Losee Facility is not expected to exceed $45,000,000.

The Facilities will be owned on behalf of the Director by ZB, National Association, dba Zions Bank and leased to and operated by Somerset Academy of Las Vegas, a duly organized and validly existing Nevada charter school and a Nevada nonprofit corporation.

Following the commencement of the public hearing, the Director presented written comments received by the Director in connection with the public hearing and invited any person wishing to be heard to speak concerning the Bonds and/or the charter school facilities referenced above. The Director heard from the following persons whose comments are briefly summarized below:

No one from the public was in attendance, and no written or oral comments were presented.

The Public Hearing was adjourned at 9:02 a.m.

Date: February 12, 2018.

C.J. Manthe
Director, State of Nevada Department of
Business and Industry

RENO NEWSPAPERS INC
Publishers of
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GILMORE & BELL, P.C.
15 WEST SOUTH TEMPLE,SUITE 1450
SALT LAKE CITY, UT 84101
Attn:

Customer Acct# 8012582740
PO# 2/12 Public Hearing
Ad# 0002693428
Legal Ad Cost: $419.00

STATE OF NEVADA
COUNTY OF WASHOE

Being first duly sworn, deposes and says: That as the legal clerk of the Reno Gazette-Journal, a daily newspaper of general circulation published in Reno, Washoe County, State of Nevada, that the notice referenced below has published in each regular and entire issue of said newspaper between the date: 01/28/2018 - 01/28/2018, for exact publication dates please see last line of Proof of Publication below.

Subscribed and sworn to before me

Signed: Talicia Stavermun

NOTICE OF PUBLIC HEARING BY THE NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY WITH RESPECT TO AN AMOUNT NOT TO EXCEED $62,000,000 OF DIRECTOR OF THE STATE OF NEVAD

VICKIEMARIE SAYLOR
Notary Public - State of Nevada
Appointment Recorded in Washoe County
No: 04-88907-2 - Expires July 23, 2020

Publish Dates:

01/28/18

NOTICE OF PUBLIC HEARING
BY THE NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY
WITH RESPECT TO AN AMOUNT NOT TO EXCEED
$62,000,000 OF DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY CHARTER SCHOOL REVENUE BONDS
(SOMERSET ACADEMY) SERIES 2018A

Notice is hereby given that on Monday, February 12, 2018, a public hearing, as required by Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), will be held by the Director of the State of Nevada Department of Business and Industry (the "Director") with respect to the proposed issuance by the Director of its Charter School Revenue Bonds (Somerset Academy) Series 2018A, in one or more series (the "Bonds"), in an amount not to exceed $62,000,000. The hearing will commence at 9:00 a.m., or as soon thereafter as the matter can be heard, and will be held at the following offices (and connected via videoconference):

Place of Meeting:	Live Meeting:	Video Conference:
	1830 E. College Pkwy. Suite 200 Carson City, NV 89706	3300 W. Sahara Avenue Suite 425 Las Vegas, NV 89101

The Bonds are expected to be issued pursuant to the Constitution of the State of Nevada and under the Charter School Financing Law, Nevada Revised Statutes Sections 388A.550 through 388A.625, inclusive, as supplemented and amended, and the proceeds from the sale of the Bonds will be used to finance the acquisition of:

1.Charter school facilities comprised of an approximately 54,821 square-foot school building located on an approximately 4.61 acre site located at 50 North Stephanie Street, Henderson, Nevada (the "Stephanie Facility"). The aggregate principal amount of Bonds to be issued with respect to the Stephanie Facility is not expected to exceed $17,000,000.

2.Charter school facilities to be comprised of four buildings with a combined square footage of approximately 160,105 located on an approximately 16.91 acre site located at 4650 Losee Road in North Las Vegas, Nevada (the "Losee Facility"). The aggregate principal amount of Bonds to be issued with respect to the Losee Facility is not expected to exceed $45,000,000.

The Facilities will initially be owned on behalf of the Director by ZB, National Association, dba Zions Bank and leased to and operated by Somerset Academy of Las Vegas, a duly organized and validly existing Nevada charter school (the "Borrower").

THE BONDS AND THE INTEREST DUE THEREON ARE NOT AN OBLIGATION, DEBT OR LIABILITY OF THE STATE OF NEVADA AND DO NOT CONSITTUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OF THE DIRECTOR OR THE CREDIT OR TAXING POWER OF THE STATE OF NEVADA. THE BONDS AND INTEREST DUE THEREON ARE NOT A GENERAL OBLIGATION, DEBT OR LIABILITY OF THE DIRECTOR OR THE STATE OF NEVADA AND DO NOT CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OF THE DIRECTOR OR THE STATE OF NEVADA, BUT ARE A LIMITED OBLIGATION OF THE DIRECTOR PAYABLE SOLELY FROM AND SECURED BY THE "PLEDGED REVENUES," AS DEFINED IN THE INDENTURE, FOR THE EQUAL AND RATABLE BENEFIT OF THE BENEFICIAL OWNERS, FROM TIME TO TIME, OF THE BONDS. THE DIRECTOR HAS NO TAXING POWER.

The hearing will provide a reasonable opportunity to be heard for persons wishing to express their views on the merits of the Facilities, their locations, the issuance of the Bonds or related matters. Written comments will be accepted by the Director at either address shown above but must be received at least 24 hours in advance of the hearing. Subsequent to the public hearing, the Governor of the State of Nevada will consider approving the issue of the Bonds for purposes of the Code.

Reasonable efforts will be made to assist and accommodate persons with special needs desiring to attend the hearing. Those planning to attend the hearing and requiring assistance or having questions should contact the Director in Las Vegas at (702) 486-2750 and in Carson City at (775) 684-2999. A three-minute limitation on comments may be imposed.

Dated: January 28, 2018.

DIRECTOR

STATE OF NEVADA DEPARTMENT OF
BUSINESS AND INDUSTRY

By: /s/ CJ Manthe
CJ Manthe, Director

No. 2693428 January 28, 2018

AFFIDAVIT OF PUBLICATION

STATE OF NEVADA)
COUNTY OF CLARK) SS:

GILMORE & BELL PC
STE 520
15 WEST SOUTH TEMPLE
SALT LAKE CITY UT 84101

Account # 169878
Ad Number 0000963475

Leslie McCormick, being 1st duly sworn, deposes and says: That she is the Legal Clerk for the Las Vegas Review-Journal and the Las Vegas Sun, daily newspapers regularly issued, published and circulated in the City of Las Vegas, County of Clark, State of Nevada, and that the advertisement, a true copy attached for, was continuously published in said Las Vegas Review-Journal and / or Las Vegas Sun in 1 edition(s) of said newspaper issued from 01/28/2018 to 01/28/2018, on the following days:

01 / 28 / 18

/S/ _____
LEGAL ADVERTISEMENT REPRESENTATIVE

Subscribed and sworn to before me on this 29th day of January, 2018

Notary: Roslind R. Robertson

ROSLIND R. ROBERTSON
Notary Public, State of Nevada
Appointment No. 17-1892-1
My Appt. Expires Apr 20, 2021

NOTICE OF PUBLIC HEARING BY THE NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY WITH RESPECT TO AN AMOUNT NOT TO EXCEED $62,000,000 OF DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY CHARTER SCHOOL REVENUE BONDS (SOMERSET ACADEMY) SERIES 2018A

Notice is hereby given that on Monday, February 12, 2018, a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), will be held by the Director of the State of Nevada Department of Business and Industry (the "Director") with respect to the proposed issuance by the Director of its Charter School Revenue Bonds (Somerset Academy) Series 2018A, in one or more series (the "Bonds"), in an amount not to exceed $62,000,000. The hearing will commence at 9:00 a.m., or as soon thereafter as the matter can be heard, and will be held at the following offices (and connected via videoconference)

Place of Meeting:
Live Meeting:
1830 E. College Pkwy.
Suite 200
Carson City, NV 89706

Video Conference:
3300 W. Sahara Avenue
Suite 425
Las Vegas, NV 89101

The Bonds are expected to be issued pursuant to the Constitution of the State of Nevada and under the Charter School Financing Law, Nevada Revised Statutes Sections 388A.550 through 388A.695, inclusive, as supplemented and amended, and the proceeds from the sale of the Bonds will be used to finance the acquisition of:

1. Charter school facilities comprised of an approximately 54,821 square-foot school building located on an approximately 4.61 acre site located at 50 North Stephanie Street, Henderson, Nevada (the "Stephanie Facility") The aggregate principal amount of Bonds to be issued with respect to the Stephanie Facility is not expected to exceed $17,000,000.

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The hearing will provide a reasonable opportunity to be heard for persons wishing to express their views on the merits of the Facilities, their locations, the issuance of the Bonds or related matters. Written comments will be accepted by the Director at either address shown above but must be received at least 24 hours in advance of the hearing. Subsequent to the public hearing, the Governor of the State of Nevada will consider approving the issue of the Bonds for purposes of the Code.

Reasonable efforts will be made to assist and accommodate persons with special needs desiring to attend the hearing. Those planning to attend the hearing and requiring assistance or having questions should contact the Director in Las Vegas at (702) 486-2750 and in Carson City at (775) 684-2999. A three-minute limitation on comments may be imposed

Dated: January 28, 2018

DIRECTOR
STATE OF NEVADA
DEPARTMENT OF
BUSINESS AND INDUSTRY

By: /s/ CJ Manthe
CJ Manthe, Director

PUB: January 28, 2018
LV Review-Journal

EXHIBIT G

FIVE-YEAR OPERATING HISTORY OF THE CHARTER SCHOOL

Carson City: 1830 College Parkway, Suite 100 Carson City, Nevada 89706 - Telephone (775) 684-2999 - Fax (775) 684-2998

Las Vegas: 3300 W. Sahara Avenue, Suite 425 Las Vegas, Nevada 89101 - Telephone (702) 486-2750 - Fax (702) 486-2758

www.business.nv.gov

SOMERSET ACADEMY OF LAS VEGAS

FINANCIAL STATEMENTS

JUNE 30, 2013

(With Report of Independent Certified Public Accountants Thereon)

L.L. Bradford & Company, LLC
Certified Public Accountants & Consultants

SOMERSET ACADEMY OF LAS VEGAS
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JUNE 30, 2013

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L.L. Bradford
Certified Public Accountants & Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the financial statements of the governmental activities, and the aggregate remaining fund information of the Somerset Academy of Las Vegas (the "School"), as of and for the year ended June 30, 2013, listed in the foregoing table of contents.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2013, and the results of its activities for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report October 29, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

702-735-5030 • 8880 West Sunset Road, Third Floor, Las Vegas NV 89148 • www.llbradford.com

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required and not required supplementary information. However, we did not audit the information and express no opinion on it.

L.L. Bradford & Company, LLC

L.L. Bradford & Company, LLC
October 29, 2013
Las Vegas, Nevada

Management's Discussion and Analysis
Somerset Academy of Las Vegas
June 30, 2013

The Board of Directors of Somerset Academy of Las Vegas, submit this narrative overview and analysis of the school's financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

1. The assets of the Charter School exceeded its liabilities at June 30, 2013 by $1,359,772.
2. At year-end, the School had current assets on hand of $2,238,199.
3. The School's current assets less current liabilities of $878,427 resulted in a working capital balance of $1,359,772.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2013 are presented in according with GASB Codifications Section 2200. The financial statements have three components, as defined and explained below.

Government-Wide Financial Statements

The *government-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.

The *Statement of Net Assets* presents information on all of the School's assets and liabilities. The difference between the two is reports as *net assets*. Over time increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets 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 government-wide financial statements can be found on pages 8-9 of the attached Financial Statements.

Fund Financial Statements

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

All of the funds of the School are government funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. 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. Such information may be used to evaluate a government's requirements for near-term financing.

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

The basic governmental fund financial statement can be found on page 11 of the attached Financial Statements.

Notes to Financial Statements

The notes to the financial statement provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 12-17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by $1,359,772 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2013 is found on page 8 of the attached financial statements.

At the end of the fiscal year, the School is able to report positive balances in total net assets. A summary and analysis of the School's revenues and expenses for the years ended June 30, 2013 is found on page 9 of the attached financial statements.

State Funding Levels

Somerset Academy's State appropriated revenues are based on a per student funding amount of $6,296.00 per student for the 2012-2013 school year. Additional funding for students receiving Special Education services was received totaling $303,575.79.

School Location and Lease of Facilities

Somerset Academy leases three facilities for school operations. The North Las Vegas Campus is located at 385 West Centennial Boulevard in North Las Vegas, Nevada. The Emerson Campus is located at 2525 Emerson Avenue in Las Vegas, Nevada. The Oakey Campus is located at 6000 W. Oakey Blvd. Las Vegas, Nevada.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

Accomplishments

In 2012-2013, Somerset Academy of Las Vegas expanded to a total of 3 campuses, and expanded operations to a total enrollment of more than 1,700 students. Somerset Academy accomplished all of this growth while also achieving a 4-Star rating on the State of Nevada's School Accountability Report Card.

Somerset Academy students were given numerous opportunities to learn while travelling and discovering new areas. Younger students participated in trips to the Smith Center for the Performing Arts and Andersen Dairy, while older students participated in trips to Catalina Island, Sea World, Rafting on the Colorado River, and San Francisco.

Somerset Academy participated in various community service projects, benefiting charities such as the American Heart Association, American Cancer Society, the KLUC Toy Drive, St. Jude's Children's Hospital, and various local food banks. In addition, the School community organized numerous school fundraisers including the Fall Festival, Parent Breakfasts, Valentine-gram sales, and Scholastic Book Fairs.

Somerset Academy participated in a highly successful partnership with United Healthcare, whose nutrition and health curriculum sponsorship received local media attention.

Somerset Academy students participated in various clubs, sports and activities, including Art Club, Performance Club, DARE, Cooking Club, Reading Club, Elementary and Middle School Choirs, Yearbook Club, Recycling Club, After School Peer Tutoring, Lacrosse, Flag Football, Soccer and Basketball. Through these activities, Somerset Academy students participated in various performances and competitions, including a city wide Crypto Tournament, Holiday Choir Performance, Student-Written Play performance, and Spring Choir and Guitar Performance.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the Nevada Department of Education through the Distributive School Account (DSA), which uses formulas to distribute state funds and an amount of local property taxes as established by the Nevada Legislature.

At the end of the fiscal year, the School's governmental general fund reported an ending fund balance of $1,359,772. These funds will be available for the School's future ongoing operations.

Capital Assets

Pursuant to the Nevada Department of Education, the capitalization threshold for assets purchased by the School is established at a value of $5,000.00. At this time, the School maintains no capital assets, as all facilities, materials, furniture, fixtures and equipment were obtained through lease agreements and/or do not exceed the $5,000.00 capitalization threshold.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Governmental Funds	
	Final Budget	Actual
REVENUES		
State DSA Revenues	$ 9,919,555.68	$ 10,574,232.00
Tuition-Full Day Kindergarten	220,455.00	216,789.00
Federal Sources	-	-
Program	-	-
SPED Revenue	189,000.00	303,576.00
SGF Revenue	-	391,403.00
Total Revenues	$ 10,329,010.68	$ 11,486,000.00
CURRENT EXPENDITURES		
Instruction	$ 4,706,570.87	$ 4,693,439.09
Instruction Support Services	318,241.16	335,307.21
General Administration	518,144.61	581,021.92
Educational Administration	625,755.68	588,883.55
Operation and Maintenance	2,696,047.18	2,597,748.07
Other Support Services	872,250.12	863,693.35
Food Service Operations	16,000.00	1,788.52
Special Education Services	396,952.04	561,975.29
Student Generated Funds	-	361,233.00
Total Expenditures	$ 10,149,961.66	$ 10,585,090.00
Net Income	$ 179,049.02	$ 900,910.00

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Mr. Ryan Reeves at Academica Nevada, LLC, 8235 South Eastern Ave. Suite 150, Henderson, Nevada 89123.

SOMERSET ACADEMY OF LAS VEGAS
STATEMENT OF NET ASSETS
GOVERNMENT ACTIVITIES - GENERAL
JUNE 30, 2013

ASSETS		
Current assets		
Cash	$	1,209,308
Accounts receivable		984,227
Prepaid expenses		6,372
Refundable deposits		37,155
Other current assets		1,137
Total current assets		2,238,199
Total assets	$	2,238,199
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	$	121,964
Accrued payroll and benefits		738,177
Note payable		18,286
Total current liabilities		878,427
Total liabilities		878,427
Commitments and contingencies		
Net assets		
Unrestricted		1,359,772
Total net assets		1,359,772
Total liabilities and net assets	$	2,238,199

See Accompanying Notes to the Financial Statements

SOMERSET ACADEMY OF LAS VEGAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions	Expenses	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets Total Governmental Activities
Governmental activities			
Program instruction	$ 6,262,801	$ -	$ (6,262,801)
Support services	4,322,289	-	(4,322,289)
Total Governmental Activities	$ 10,585,090	$ -	$ (10,585,090)

General revenues	
State aid not restricted to specific purposes	$ 10,877,808
Local aid not restricted to specific purposes	216,789
Student activities	391,403
Total general revenues	11,486,000
Change in net assets	900,910
Net assets	
Beginning of year	250,895
Restatement of net assets	207,967
Beginning of year (restated)	458,862
End of year	$ 1,359,772

See Accompanying Notes to the Financial Statements

SOMERSET ACADEMY OF LAS VEGAS
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL
JUNE 30, 2013

ASSETS		
Current assets		
Cash	$	1,209,308
Accounts receivable		984,227
Prepaid expenses		6,372
Refundable deposits		37,155
Other current assets		1,137
Total current assets		2,238,199
Total assets	$	2,238,199
LIABILITIES AND FUND BALANCES		
Liabilities		
Current liabilities		
Accounts payable	$	121,964
Accrued payroll and benefits		738,177
Note payable		18,286
Total current liabilities		878,427
Total liabilities		878,427
Fund balance		
Unassigned		1,359,772
Total fund balance		1,359,772
Total liabilities and fund balance	$	2,238,199

See Accompanying Notes to the Financial Statements

SOMERSET ACADEMY OF LAS VEGAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Special Education	Total Governmental Funds	Student Activities	Total Funds
REVENUE					
Local sources	$ 216,789	$ -	$ 216,789	$ 391,403	$ 608,192
State sources	10,574,232	303,576	10,877,808	-	10,877,808
Total Revenue	10,791,021	303,576	11,094,597	391,403	11,486,000
EXPENDITURES					
Programs instruction					
Salaries	3,839,756	211,408	4,051,164	-	4,051,164
Benefits	1,091,773	36,573	1,128,346	-	1,128,346
Purchased services	-	306,141	306,141	-	306,141
Supplies	157,259	7,853	165,112	-	165,112
Other program expenses	250,805	-	250,805	361,233	612,038
Total program expenditures	5,339,593	561,975	5,901,568	361,233	6,262,801
Support services					
Staff support	357,158	-	357,158	-	357,158
Administration support	342,916	-	342,916	-	342,916
Staff benefits	17,059	-	17,059	-	17,059
Administration benefits	59,984	-	59,984	-	59,984
Purchased services	938,440	-	938,440	-	938,440
Supplies	15,890	-	15,890	-	15,890
Operations and maintenance	2,590,842	-	2,590,842	-	2,590,842
Total support services	4,322,289	-	4,322,289	-	4,322,289
Total expenditures	9,661,882	561,975	10,223,857	361,233	10,585,090
Excess of revenue over expenditures	1,129,139	(258,399)	870,740	30,170	900,910
FUND BALANCES, beginning of year	357,781	(120,663)	237,118	13,777	250,895
Restatement of fund balance	207,967				
FUND BALANCE, beginning of year (restated)	565,748				
FUND BALANCES, end of year	$ 1,694,887	$ (379,062)	$ 1,315,825	$ 43,947	$ 1,359,772

See Accompanying Notes to Financial Statements

1. Summary of significant accounting policies

The financial statements of the Somerset Academy of Las Vegas (the "School") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity – Somerset Academy of Las Vegas is a "charter school", established in 2011 under Nevada Revised Statute 386.500. The School had three campus' during the year ended June 30, 2013, North Las Vegas and Emerson. The School's major operation is to offer an educational environment where learning is maximized through individual instruction, interdisciplinary projects and access to a full spectrum of technological resources for kindergarten through eighth grade in Southern Nevada.

The School receives funding from state and government sources and must comply with the requirements of these funding sources. However, the School is not included in any other governmental "reporting entity," as defined in GASB pronouncements, since its Governing Body has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-wide and fund financial statements – the government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus and basis of accounting – The term, "basis of accounting," refers to the method used for revenues and expenditure recognition in the accounts and reporting in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied. Under GAAP, all governmental funds are accounted using a modified accrual basis of accounting under which revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized generally under the modified accrual basis of accounting in use when the related fund liability is incurred.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

1. Summary of significant accounting policies

Measurement focus and basis of accounting (continued)

The School has the following fund categories (further divided by fund type) and account groups:

General Fund – The General Fund is the general operating fund for the School. It is used to account for all financial resources not accounted in other funds.

Special Education Fund – The special education fund is used to account for revenues received and expenditures made to fund special education program. Financing is provided through the Clark County School District funded by the U.S. Department of Education.

Student Activities Fund – The Student Activities Fund is used to account for student fundraising activities.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All governmental and business-type activities and enterprise funds of the School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Cash -- The School considers cash equivalents to be those securities with an original maturity of three months or less.

Capital assets – The School's capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are listed at their estimated fair value at the date of donation. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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 the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation over the assets' useful lives. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

1. Summary of significant accounting policies (continued)

Receivables and payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Compensated Absences – It is the School's policy to permit employees to accumulate an unlimited number of sick days; however, accumulated sick days do not vest under the School's policy, therefore, a liability for unused sick days is not recorded in the financial statements.

Use of Estimates – The School has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Net assets/ Fund balances – In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned.

• Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.

• Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

• Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

• Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.

• Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The School has no restricted fund balances at year ended June 30, 2013.

2. Stewardship, compliance and accountability

Budgetary information – The School is required by the State of Nevada Department of Education (Department) to adopt a final budget no later than June 8 of each year under NAC 386.370.

3. Cash

The Company maintains cash balances at a financial institution with accounts insured by the Federal Deposit Insurance Corporation up to $250,000. As of June 30, 2013, the Company's uninsured cash balance totaled $840,046.

4. Operating leases

The School entered into a lease agreement with Paradise Church in June 2011, to lease classroom and office space for the school for a three year term, expiring on August 1, 2014. Monthly payments are $20,955 for the term of the lease.

The School entered into a lease agreement with SFKF, LLC in May 2012, to lease classroom and office space for the school for a two year term, expiring on July 31, 2014. Monthly payments were $14,500 for the year ended June 30, 2013 increasing the second year by the Consumer Price Index or 3% whichever is greater.

In August 2011, the School entered into a lease for the use of the buildings and related property with School Development Centennial (the "SDC"), to lease space for the North Las Vegas campus for a period of 20 years, expiring in July 31, 2031. Monthly payments were $50,000 for the year ended June 30, 2013, which was net of a monthly discount $8,333. Monthly payments increase to $54,167 for the year ended June 30, 2013, which is net of a discount of $4,167. The payment increases to $58,333 for the year ended June 30, 2014 and increases by the Consumer Price Index thereafter or 3% whichever is greater.

In November 2012, the School entered into a lease for the use of the buildings and related property with Boyer Skypointe Academy, L.C., to lease space for the Skypointe campus for a period of 20 years, expiring in August 31, 2033. Monthly payments are $112,225 for the first two lease years ended June 30, 2015. For the first two months of the first two lease years the School is not required to pay the monthly rent. Beginning in the third lease year ended June 30, 2016, the monthly payment increases by the Consumer Price Index thereafter or 3% whichever is greater.

In December 2011, the School entered into a lease agreement with a financial institution for the use of furniture, equipment, textbooks, software and computers. The lease is payable in 47 monthly payments of $15,997 and in December 2015 a balloon payment of $52,974.

In December 2012, the School entered into a lease agreement with a financial institution for the use of furniture, equipment, textbooks, software and computers. The lease is payable in 47 monthly payments of $13,664 and in December 2016 a balloon payment of $45,012.

The School has entered into various equipment leases with varying monthly payments ranging from $96 to $1,425 monthly having various maturities through June 2017.

Lease expense totaled $1,615,540 for the year ended June 30, 2013.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2014	$ 2,895,214
2015	2,703.939
2016	2,960,997
2017	2,822,185
2018	2,754,127
Thereafter	48,822,328
	$ 62,958,790

5. Management agreement

Academica Nevada, LLC ("Academica"), a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and Academica Corporation calls for a fee of $450 per full time equivalent (FTE) student per year. The agreement is with Somerset Academy of Las Vegas for a period of two years, through July 1, 2013, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. The agreement with Academica Corporation was assigned to Academica Nevada, LLC. During the year ended June 30, 2013, the School incurred $754,110 in management fees. The School also has a note payable due to Academica totaling $18,286, which accrues interest at 5% maturing in December 2013.

6. Net asset and Fund balance restatement

Subsequent to issuance of the School's June 30, 2012 financial statements, information was received by the School's management, which would allow for the reclassification of a capital lease for a long-term property lease for the North Las Vegas campus to an operating lease (see Note 4). The restatement resulted in removal of the capital lease asset and liability balances of $4,099,196 and $4,298,160, respectively. June 30, 2012 year ended amortization expense of $215,747 was removed and lease expense was increased by $7,780 to account for the reclassification of the lease. This resulted in a June 30, 2012 change in Net asset and Fund balance of $207,967.

7. Defined benefit pension plan

The School is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a defined benefit cost-sharing multiple-employer program, and all full-time teachers are covered under the system. The School has no liability for unfunded obligations of the system as provided by NRS 286.110.

Benefits, as required by 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 36 consecutive months. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits, and death benefits.

Monthly benefit allowances for regular members are computed at 2.5% for each year of service earned before July 1, 2001 and 2.67% for each year of service earned after July 1, 2001 of average compensation (36 consecutive months of highest compensation) with a ceiling of not more than 75% of the average compensation. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance payable monthly during the employee's life and various optional monthly payments to a named beneficiary after the employee's death. Regular members are eligible for retirement benefits 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. A member who retires on or after July 1, 1977, or is an active member whose effective date of membership is before July 1, 1977, or is an active member whose effective date of membership is before July 1, 1985, and who has 36 years of service is entitled to a benefit of up to 90% of his/her average compensation. When members are eligible for the earlier retirement due to the increased services years, the ceiling limitation on monthly benefit allowances increases from the normal 75% to a maximum of 90% of average compensation. Regular members become fully vested as to benefits upon completion of 5 years of service. Benefits are established by state statute and provisions may only be amended through legislation.

Member contribution rates, which are actuarially determined, are established by NRS 286.421 for public employees enrolled in the contribution plan. Two contribution plans are offered to eligible employees, the employee/employer contribution plan and the employer-pay contribution plan. The employee/employer plan increases the employee's salary by 13.1097%. A contribution of 12.25% is deducted from the employee and a matching contribution of 12.25% is paid by the employer. The employer-pay contribution plan requires an employer paid contribution rate of 23.75% on a lower salary schedule. The School's contributions to the plan for the year ended June 30, 2012 was $720,953.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by calling 775-687-4200.

8. 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.

L.L. Bradford
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Body
Somerset Academy of Las Vegas
Las Vegas, Nevada

We have audited the financial statements of the governmental activities and each major fund of Somerset Academy of Las Vegas (the "School"), as of and for the year ended June 30, 2013, and have issued our report thereon dated October 29, 2013. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures to express our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and state and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

L.L. Bradford & Company, LLC

L.L. Bradford & Company, LLC
October 29, 2013
Las Vegas, Nevada

702-735-5030 • 8880 West Sunset Road, Third Floor, Las Vegas NV 89148 • www.llbradford.com

SOMERSET ACADEMY OF LAS VEGAS

FINANCIAL STATEMENTS

JUNE 30, 2014

(With Report of Independent Certified Public Accountants Thereon)

L.L. Bradford & Company, LLC
Certified Public Accountants & Consultants

SOMERSET ACADEMY OF LAS VEGAS
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JUNE 30, 2014

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L.L. Bradford
Certified Public Accountants & Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the financial statements of the governmental activities, and the aggregate remaining fund information of the Somerset Academy of Las Vegas (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Somerset Academy of Las Vegas as of June 30, 2014, and the results of its activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of the Somerset Academy of Las Vegas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Budget Comparison is also not a basic financial statement required. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required and not required supplementary information. However, we did not audit the information and express no opinion on it.

L.L. Bradford & Company, LLC

L.L. Bradford & Company, LLC
October 14, 2014
Las Vegas, Nevada

Management's Discussion and Analysis

Somerset Academy of Las Vegas
June 30, 2014

The Board of Directors of Somerset Academy of Las Vegas, submit this narrative overview and analysis of the school's financial activities for the fiscal year ended June 30, 2014.

Financial Highlights

1. The assets of the Charter School exceeded its liabilities at June 30, 2014 by $2,730,929.
2. At year-end, the School had current assets on hand of $3,902,921.
3. The School's current assets less current liabilities of $1,241,017 resulted in a working capital balance of $2,661,904.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2014 are presented in according with GASB Codifications Section 2200. The financial statements have three components, as defined and explained below.

Government-Wide Financial Statements

The *government-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.

The *Statement of Net Assets* presents information on all of the School's assets and liabilities. The difference between the two is reports as *net assets*. Over time increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets 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 government-wide financial statements can be found on pages 7-8 of the attached Financial Statements.

Fund Financial Statements

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

All of the funds of the School are government funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. 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. Such information may be used to evaluate a government's requirements for near-term financing.

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

The basic governmental fund financial statement can be found on page 9 of the attached Financial Statements.

A reconciliation of the balance sheet – government funds to the statement of net assets can be found on page 10 and 12.

Notes to Financial Statements

The notes to the financial statement provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 13-18 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by $2,730,929 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2014 is found on page 8 of the attached financial statements.

At the end of the fiscal year, the School is able to report positive balances in total net assets. A summary and analysis of the School's revenues and expenses for the years ended June 30, 2014 is found on page 11 of the attached financial statements.

State Funding Levels

Somerset Academy's State appropriated revenues are based on a per student funding amount of $6,520 per student for the 2013-2014 school year. Additional funding for students receiving Special Education services was received totaling $357,206.

School Location and Lease of Facilities

In the 2013-2014 school year Somerset Academy leased five facilities for school operations; the North Las Vegas Campus located at 385 West Centennial Boulevard in North Las Vegas; the Emerson Campus located at both 2525 Emerson Avenue (lower grades) and 5220 East Russell Road (upper grades) in Las Vegas; the Oakey Campus located at 6000 West Oakey Boulevard in Las Vegas; and the Sky Pointe Campus located at 7058 Sky Pointe Drive in Las Vegas. During the 2013-2014 school year the Board of Directors entered into new lease agreements which will result in the relocation of the Emerson Campus and the Oakey Campus for the 2014-2015 school year. As such, the agreements for the Emerson Avenue, Russell Road, and Oakey Boulevard campuses expired at or near the conclusion of the 2014 fiscal year and are not being renewed.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

In addition, the School worked with the owner of the North Las Vegas Campus to complete a playground remodel during the 2013-2014 school year which included the installation of artificial turf and new fencing to more than double the recreational area available to students.

Accomplishments

In 2013-2014, Somerset Academy of Las Vegas expanded to a total of 4 campuses, successfully amended the Somerset Academy charter to allow for the opening of a High School on the Sky Pointe Campus (opening 9th grade) and expanded operations to a total enrollment of more than 3,016 students.

Somerset Academy successfully obtained system-wide accreditation from AdvancEd during the 2013-2014 school year. To obtain this important recognition Somerset Academy of Las Vegas administrators and staff worked closely with representatives from affiliated schools in Florida, Texas and Washington, D.C. As a result of the successful process, all of Somerset Academy of Las Vegas' current and future campuses, including the new High School campus, are nationally accredited. The accreditation process will be repeated every six years.

Somerset Academy's expanded enrollment resulted in a more diverse student body. Minority student populations increased from a total of 26% in 2012-2013 to more than 32% in 2013-2014, special education student populations increased from 4.36% to 6.87%, and economically disadvantaged students (measured by Federal government free and reduced lunch program requirements, although Somerset Academy does not currently participate in the National School Lunch program) increased from less than 2% to more than 15% in the 2013-2014 school year.

Remarkably, Somerset Academy has been able to accomplish an increase in academic performance while simultaneously growing and diversifying the student body. Somerset Academy's Elementary and Middle Schools scored 5-stars in the Nevada Department of Education's School Performance Framework, the highest score available. This was an increase from the 4-star score achieved the prior year.

Somerset Academy students were given numerous opportunities to learn while travelling and discovering new areas. Younger students participated in trips to the Smith Center for the Performing Arts and Anderson Dairy, while older students participated in trips to Catalina Island, Sea World, Rafting on the Colorado River, and San Francisco. Somerset Academy participated in various community service projects, benefiting charities such as the American Heart Association, American Cancer Society, the KLUC Toy Drive, St. Jude's Children's Hospital, and various local food banks. In addition, the School community organized numerous school fundraisers including the Fall Festival, Parent Breakfasts, Valentine-gram sales, and Scholastic Book Fairs.

Somerset Academy students participated in various clubs, sports and activities. Notably, Somerset Academy of Las Vegas became the first Charter High School accepted into the Nevada Interscholastic Athletic Association, completing the lengthy application process during the 2013-2014 school year. Somerset Academy High School students will begin competition in NIAA athletic programs in the 2014-2015 school year.

Somerset students also participated in Art Club, Performance Club, DARE, Cooking Club, Reading Club, Elementary and Middle School Choirs, Yearbook Club, Recycling Club, After School Peer Tutoring, Lacrosse, Flag Football, Soccer and Basketball. Through these activities, Somerset Academy students participated in various performances and competitions, including a city wide Crypto Tournament, Holiday Choir Performance, Student-Written Play performance, and Spring Choir and Guitar Performance.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the Nevada Department of Education through the Distributive School Account (DSA), which uses formulas to distribute state funds and an amount of local property taxes as established by the Nevada Legislature.

At the end of the fiscal year, the School's governmental general fund reported an ending fund balance of $2,730,929. These funds will be available for the School's future ongoing operations.

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 maintains no capital assets, as all facilities, materials, furniture, fixtures and equipment were obtained through lease agreements and/or do not exceed the $5,000 capitalization threshold.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

		Governmental Funds	
		Final Budget	Actual
REVENUES			
State DSA Revenues		$ 17,515,349	$ 18,676,821
Tuition-Full Day Kindergarten		294,975	297,658
Federal Sources		-	14,620
Cash Back Program		-	200
SPED Revenue		364,250	342,586
SGF Revenue		-	136,615
	Total Revenues	$ 18,174,574	$ 19,468,500
CURRENT EXPENDITURES			
Instruction		$ 8,247,879	$ 8,550,615
Instruction Support Services		445,517	486,000
General Administration		983,173	966,238
Educational Administration		1,053,360	1,001,485
Operation and Maintenance		6,433,937	6,115,023
Special Education Services		822,985	977,982
	Total Expenditures	$ 17,986,851	$ 18,097,343
	Net Income	$ 187,723	$ 1,371,157

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Mr. Ryan Reeves at Academica Nevada, LLC, 1378 Paseo Verde Parkway, Suite 200, Henderson, Nevada 89012.

SOMERSET ACADEMY OF LAS VEGAS
STATEMENT OF NET ASSETS
GOVERNMENT ACTIVITIES - GENERAL
JUNE 30, 2014

ASSETS		
Current assets		
Cash	$	1,723,783
Accounts receivable		1,960,512
Prepaid expenses		168,190
Refundable deposits		50,338
Other current assets		98
Total current assets		3,902,921
Non-current assets		
Capital assets (net of accumulated depreciation of $6,016)		173,984
Total non-current assets		173,984
Total assets	$	4,076,905
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	$	298,503
Accrued payroll and benefits		885,538
Note payable - current		56,976
Total current liabilities		1,241,017
Long-term liabilities		
Note payable - noncurrent		104,959
Total long-term liabilities		104,959
Total liabilities		1,345,976
Commitments and contingencies		
Net assets		
Unrestricted		2,556,945
Invested in capital assets		173,984
Total net assets		2,730,929
Total liabilities and net assets	$	4,076,905

See Accompanying Notes to the Financial Statements

SOMERSET ACADEMY OF LAS VEGAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions	Expenses	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets Total Governmental Activities
Governmental activities			
Program instruction	$ 10,742,711	$ -	$ (10,742,711)
Support services	7,354,632	-	(7,354,632)
Total Governmental Activities	$ 18,097,343	$ -	$ (18,097,343)

General revenues	
State aid not restricted to specific purposes	$ 19,019,407
Federal aid restricted to specific purposes	14,620
Local aid not restricted to specific purposes	297,858
Student activities	136,615
Total general revenues	19,468,500
Change in net assets	1,371,157
Net assets	
Beginning of year	1,359,772
End of year	$ 2,730,929

See Accompanying Notes to the Financial Statements

SOMERSET ACADEMY OF LAS VEGAS
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL
JUNE 30, 2014

ASSETS		
Current assets		
Cash	$	1,723,783
Accounts receivable		1,960,512
Prepaid expenses		168,190
Refundable deposits		50,338
Other current assets		98
Total current assets		3,902,921
Total assets	$	3,902,921
LIABILITIES AND FUND BALANCES		
Liabilities		
Current liabilities		
Accounts payable	$	298,503
Accrued payroll and benefits		885,538
Total current liabilities		1,184,041
Total liabilities		1,184,041
Fund balance		
Unassigned		2,718,880
Total fund balance		2,718,880
Total liabilities and fund balance	$	3,902,921

See Accompanying Notes to the Financial Statements

SOMERSET ACADEMY OF LAS VEGAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2014

Total governmental funds	$ 3,902,921
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The total cost of capital assets is $180,000 and the related accumulated depreciation is $6,016.	173,984
Total net assets - governmental activities	$ 4,076,905

See Accompanying Notes to the Financial Statements

SOMERSET ACADEMY OF LAS VEGAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	Special Education	Total Governmental Funds	Student Activities	Total Funds
REVENUE					
Local sources	$ 297,858	$ -	$ 297,858	$ 136,615	$ 434,473
State sources	18,676,821	357,206	19,034,027	-	19,034,027
Total Revenue	18,974,679	357,206	19,331,885	136,615	19,468,500
EXPENDITURES					
Programs instruction					
Salaries	6,939,453	327,309	7,266,762	-	7,266,762
Benefits	1,932,351	88,116	2,020,467	-	2,020,467
Purchased services	-	574,810	574,810	-	574,810
Supplies	316,512	7,746	324,258	-	324,258
Other program expenses	556,414	-	556,414	-	556,414
Total program expenditures	9,764,730	977,981	10,742,711	-	10,742,711
Support services					
Staff support	574,211	-	574,211	-	574,211
Administration support	596,322	-	596,322	-	596,322
Staff benefits	29,359	-	29,359	-	29,359
Administration benefits	119,235	-	119,235	-	119,235
Purchased services	1,460,948	-	1,460,948	-	1,460,948
Supplies	22,749	-	22,749	-	22,749
Operations and maintenance	4,563,857	-	4,563,857	-	4,563,857
Total support services	7,366,681	-	7,366,681	-	7,366,681
Total expenditures	17,131,411	977,981	18,109,392	-	18,109,392
Excess of revenue over expenditures	1,843,268	(620,775)	1,222,493	136,615	1,359,108
FUND BALANCES, beginning of year	1,694,887	(379,062)	1,315,825	43,947	1,359,772
FUND BALANCES, end of year	$ 3,538,155	$ (999,837)	$ 2,538,318	$ 180,562	$ 2,718,880

See Accompanying Notes to Financial Statements

SOMERSET ACADEMY OF LAS VEGAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2014

Net change in net assets -- total governmental funds	$ 1,359,108
Amounts reported for governmental activities in the statement of activities are different because:	
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of the current year's depreciation	(6,016)
The incurring of debt liabilities are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as current and non-current liabilities in the statement of net assets and amortized over the life of the loan in the statement of activities. This is the amount of the current year's principal payments	18,065
Total change in net assets - governmental activities	$ 1,371,157

See Accompanying Notes to the Financial Statements

1. Summary of significant accounting policies

The financial statements of the Somerset Academy of Las Vegas (the "School") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity – Somerset Academy of Las Vegas is a "charter school", established in 2011 under Nevada Revised Statute 386.500. The School had four campus' during the year ended June 30, 2014, North Las Vegas, Sky Point, Stephanie and Emerson. The School's major operation is to offer an educational environment where learning is maximized through individual instruction, interdisciplinary projects and access to a full spectrum of technological resources for kindergarten through eighth grade in Southern Nevada.

The School receives funding from state and government sources and must comply with the requirements of these funding sources. However, the School is not included in any other governmental "reporting entity," as defined in GASB pronouncements, since its Governing Body has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-wide and fund financial statements – the government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus and basis of accounting – The term, "basis of accounting," refers to the method used for revenues and expenditure recognition in the accounts and reporting in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied. Under GAAP, all governmental funds are accounted using a modified accrual basis of accounting under which revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized generally under the modified accrual basis of accounting in use when the related fund liability is incurred.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

1. Summary of significant accounting policies

Measurement focus and basis of accounting (continued)

The School has the following fund categories (further divided by fund type) and account groups:

General Fund – The General Fund is the general operating fund for the School. It is used to account for all financial resources not accounted in other funds.

Special Education Fund – The special education fund is used to account for revenues received and expenditures made to fund special education program. Financing is provided through the Clark County School District funded by the U.S. Department of Education.

Student Activities Fund – The Student Activities Fund is used to account for student fundraising activities.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All governmental and business-type activities and enterprise funds of the School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Cash – The School considers cash equivalents to be those securities with an original maturity of three months or less.

Capital assets – The School's capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are listed at their estimated fair value at the date of donation. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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 the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation over the assets' useful lives. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Receivables and payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Accounts receivable that have stipulations on how the money is spent are reported separately as restricted accounts receivable and are designated as temporarily restricted net assets until used.

1. Summary of significant accounting policies (continued)

Compensated absences – It is the School's policy to permit licensed teachers to accumulate paid time off ("PTO"); however, accumulated PTO days do not vest under the School's policy; therefore, a liability for unused PTO is not recorded in the financial statements.

Use of estimates – The School has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Net assets/ Fund balances – In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned.

• Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.

• Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

• Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

• Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.

• Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The School has no restricted fund balances at year ended June 30, 2014.

2. Stewardship, compliance and accountability

Budgetary information – The School is required by the State of Nevada Department of Education (Department) to adopt a final budget no later than June 8 of each year under NAC 386.370.

3. Cash

The School maintains cash balances at a financial institution with accounts insured by the Federal Deposit Insurance Corporation up to $250,000. The cash balances are included in the Nevada State Pooled Collateral program that ensures the funds are protected. As of June 30, 2014, the School's has not incurred any losses in these accounts.

4. Operating leases

The School entered into a lease agreement with Paradise Church in June 2011, to lease classroom and office space for the school for a three year term, expiring on August 1, 2014. Monthly payments are $20,955 for the term of the lease.

The School entered into a lease agreement with SFKF, LLC in May 2012, to lease classroom and office space for the school for a two year term, expiring on July 31, 2014. Monthly payments were $14,500 for the year ended June 30, 2012, increasing the second year by the Consumer Price Index or 3% whichever is greater.

In August 2011, the School entered into a lease for the use of the buildings and related property with School Development Centennial (the "SDC"), to lease space for the Aliante Campus for a period of 20 years, expiring in July 31, 2031. Monthly payments were $50,000 for the year ended June 30, 2012, which was net of a monthly discount $8,333. Monthly payments increase to $54,167 for the year ended June 30, 2013, which is net of a discount of $4,167. The payment increases to $58,333 for the year ended June 30, 2014 and increases by the Consumer Price Index thereafter or 3% whichever is greater.

In November 2012, the School entered into a lease for the use of the buildings and related property with Boyer Skypointe Academy, L.C., to lease space for the Skypointe Campus for a period of 20 years, expiring in August 31, 2033. Monthly payments are $112,225 for the first two lease years ended June 30, 2015. For the first two months of the first two lease years the School is not required to pay the monthly rent. Beginning in the third lease year ended June 30, 2016, the monthly payment increases by the Consumer Price Index thereafter or 3% whichever is greater. In January 2014, the School amended the lease to obtain additional space for the Skypointe Campus for the remaining period of the original November 2012 lease, expiring in August 31, 2033. Monthly payments as part of the amendment are $39,601 for the first lease year ended June 30, 2015. Beginning in the second lease year ended June 30, 2016, the monthly payment increases by the Consumer Price Index thereafter or 3% whichever is greater.

In December 2011, the School entered into a lease agreement with a financial institution for the use of furniture, equipment, textbooks, software and computers. The lease is payable in 47 monthly payments of $15,997 and in December 2015 a balloon payment of $52,974.

In December 2012, the School entered into a lease agreement with a financial institution for the use of furniture, equipment, textbooks, software and computers. The lease is payable in 47 monthly payments of $13,664 and in December 2016 a balloon payment of $45,012.

In October 2013, the School entered into a lease agreement with a financial institution for the use of furniture, equipment, textbooks, software and computers. The lease is payable in 47 monthly payments of $26,153 and matures in October 2017.

The School entered into a lease agreement in November 2013, to lease classroom and office space for the Losee Campus for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, which is the date work is substantially complete, and expiring on June 30, 2043. Monthly payments are $75,375 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $285,434 in the twenty-ninth year.

The School entered into a lease agreement in December 2013, to lease classroom and office space for the Stephanie Campus for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, which is the date work is substantially complete, and expiring on June 30, 2043. Monthly payments are $53,250 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $143,524 in the twenty-ninth year.

4. Operating leases (continued)

The School has entered into various equipment leases with varying monthly payments ranging from $96 to $5,227 monthly having various maturities through June 2018.

Lease expense totaled $2,694,430 for the year ended June 30, 2014.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2015	$ 5,078,237
2016	5,672,434
2017	5,900,362
2018	5,790,215
2019	6,299,276
Thereafter	161,690,806
	$ 190,431,330

5. Management agreement

Academica Nevada, LLC ("Academica"), a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and Academica Corporation calls for a fee of $450 per full time equivalent (FTE) student per year. The agreement is with Somerset Academy of Las Vegas and was amended in July 2013 and extended for the duration of the new charter agreement which is expected to be for a period of six years, through July 31, 2019, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. The agreement with Academica Corporation was assigned to Academica Nevada, LLC. During the year ended June 30, 2014, the School incurred $1,289,430 in management fees.

6. Defined benefit pension plan

The School is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a defined benefit cost-sharing multiple-employer program, and all full-time teachers are covered under the system. The School has no liability for unfunded obligations of the system as provided by NRS 286.110.

Benefits, as required by 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 36 consecutive months. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits, and death benefits.

6. Defined benefit pension plan (continued)

Monthly benefit allowances for regular members are computed at 2.5% for each year of service earned before July 1, 2001 and 2.67% for each year of service earned after July 1, 2001 of average compensation (36 consecutive months of highest compensation) with a ceiling of not more than 75% of the average compensation. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance payable monthly during the employee's life and various optional monthly payments to a named beneficiary after the employee's death. Regular members are eligible for retirement benefits 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. A member who retires on or after July 1, 1977, or is an active member whose effective date of membership is before July 1, 1977, or is an active member whose effective date of membership is before July 1, 1985, and who has 36 years of service is entitled to a benefit of up to 90% of his/her average compensation. When members are eligible for the earlier retirement due to the increased services years, the ceiling limitation on monthly benefit allowances increases from the normal 75% to a maximum of 90% of average compensation. Regular members become fully vested as to benefits upon completion of 5 years of service. Benefits are established by state statute and provisions may only be amended through legislation.

Member contribution rates, which are actuarially determined, are established by NRS 286.421 for public employees enrolled in the contribution plan. Two contribution plans are offered to eligible employees, the employee/employer contribution plan and the employer-pay contribution plan. The employee/employer plan increases the employee's salary by 13.1097%. A contribution of 13.25% is deducted from the employee and a matching contribution of 13.25% is paid by the employer. The employer-pay contribution plan requires an employer paid contribution rate of 25.75% on a lower salary schedule. The School's contributions to the plan for the year ended June 30, 2014 was $1,325,037.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by calling 775-687-4200.

7. 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.

8. Subsequent events

The School has evaluated subsequent events through October 14, 2014, the date which the financial statements were issued or available to be issued.

L.L. Bradford
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S 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*

Governing Body
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 Somerset Academy of Las Vegas (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2014, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 determination of financial statement amounts. 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*.

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 the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

L.L. Bradford & Company, LLC

L.L. Bradford & Company, LLC
October 14, 2014
Las Vegas, Nevada

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Somerset Academy of Las Vegas

Basic Financial Statements
As of and for the Year Ended June 30, 2015

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

BDO

Somerset Academy of Las Vegas

Basic Financial Statements

As of and For the Years Ended
June 30, 2015

Somerset Academy of Las Vegas

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Las Vegas, NV 89119

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy of Las Vegas (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements 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 the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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Opinions

In our opinion, the financial statements referred to above 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, 2015, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Em*phasis of Matters*

As discussed in Note 10 to the financial statements, the School implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 11 to the financial statements, the School recorded a prior period adjustment in regards to their capital leases. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 9 and the Schedule of the School's Proportionate Share of the Net Pension Liability and Schedule of the School's Contributions on pages 36 thorough 38 be presented to supplement the basic financial statements. Such information, 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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 25, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 School's internal control over financial reporting and compliance.

BDO USA, LLP

November 25, 2015

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, 2015. It should be read in conjunction with the financial statements, which immediately follow this section.

For the year ended June 30, 2015, The School implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These changes are significant at the School-wide level.

These new financial reporting standards require participants in a multi-employer cost sharing plan to:

1. Record a proportionate share of the net pension liability on our statement of net position.
2. Record a proportionate share of pension expenses as defined by GASB on our statement of activities.
3. Report additional note disclosures and required supplementary information.

These changes will not result in any changes at the fund level.

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 three components: 1) management's discussion and analysis (this section) financial statements, 2) the basic financial statements, and 3) required 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 finance, in a manner similar to a private-sector business.

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 of 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.

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 government-wide financial statements. Government 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. Such information may be used to evaluate a government's requirements for near-term financing.

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

Government-Wide Financial Analysis

The Statement of Net Position provides the perspective of the School as a whole. The table below provides a summary of the Schools net position as of June 30:

	2015	2014
Current assets	$ 19,406,000	$ 3,902,921
Capital assets, net	32,421,280	1,849,095
Total Assets	51,827,280	5,752,016
Deferred resources of outflows	2,330,327	-
Liabilities - current	3,529,571	1,358,024
Liabilities - long term	56,026,029	14,236,573
Total Liabilities	59,555,600	15,594,597
Deferred resources of inflows	2,989,730	-
Net position:		
Net investment in capital assets	(13,198,800)	159,385
Restricted assets	12,375,409	-
Unrestricted	(7,564,332)	(10,001,966)
Total Net (Deficit) Position	$ (8,387,723)	$ (9,842,581)

The unrestricted net position of governmental activities represent the accumulated results of life-to-date operation. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. 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 the net position was due to the adoption of GASB No. 68. The deferred outflows/inflows were also a result of the GASB No. 68.

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

	2015	2014
Revenues		
State DSA	$ 28,766,318	$ 18,676,821
Kindergarten tuition	375,918	297,658
Special education	634,089	342,586
Student generated funds	1,783,422	136,615
Federal sources	-	14,620
Other	1,077	200
Total Revenues	31,560,824	19,468,500
Expenses		
Instruction	13,073,600	9,528,597
Support services	17,032,362	8,568,746
Total Expenses	30,105,962	18,097,343
Change in net position	$ 1,454,862	$ 1,371,157

A reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities appear on page 17.

Capital Assets

Pursuant to the Nevada Department of Education, the capitalization threshold for asses purchased by the School is established at a value of $5,000. At this time, the School has equipment net of accumulated depreciation of $32,421,280.

Governmental Fund Budget Analysis and Highlights

The Board of Directors of Somerset Academy of Las Vegas adopted an annual budget for the School. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Final Budget	Actual
Revenues		
State DSA	$ 26,792,098	$ 28,766,318
Kindergarten tuition	348,071	375,918
Special education	634,089	634,089
Student generated funds	-	1,783,422
Other	-	1,077
Total revenues	27,774,258	31,560,824
Expenditures		
Instruction	14,702,606	14,785,382
Support services	12,250,264	45,502,418
Total expenditures	26,952,870	60,287,800
Excess (deficiency) of Revenues over Expenditures	$ 821,388	$ (28,726,976)

Requests for Information

This financial report is intended to provide a general overview of the finances of the School. Request for additional information to the Chief Financial Officer of Academica Nevada, LLC, 1378 Paseo Verde Pkwy, Henderson, Nevada 89012.

Basic Financial Statements

School Wide

Somerset Academy of Las Vegas
School-Wide Financial Statements
Statement of Net Position

June 30,	2015
Assets	
Current Assets:	
Cash	$ 3,955,036
Restricted cash	12,375,409
Accounts receivable	3,054,550
Prepaid expenses and other assets	21,005
Total current assets	19,406,000
Non-Current Assets:	
Capital assets, net	32,421,280
Total Assets	$ 51,827,280
Deferred Outflows of Resources	$ 2,330,327
Liabilities, Deferred Inflows and Net Position	
Current Liabilities:	
Accounts payable and accrued expenses	$ 2,342,765
Current portion of bond payable	252,500
Current portion of capital leases	934,306
Total current liabilities	3,529,571
Long-Term Liabilities:	
Bond premium	148,416
Capital leases	1,457,358
Net pension liability	11,592,755
Bonds payable	42,827,500
Total Liabilities	59,555,600
Deferred Inflows of Resources	2,989,730
Net Position	
Unrestricted	(7,564,332)
Restricted assets	12,375,409
Net Investment in capital assets	(13,198,800)
Net Position (Deficit)	$ (8,387,723)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas
School-Wide Financial Statements
Statement of Activities

Year Ended June 30,2015

	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs Governmental activities			
Instruction	$ (13,073,600)	$ 375,918	$(12,697,682)
Support services	(17,032,362)	-	(17,032,362)
Total governmental activities	$ (30,105,962)	$ 375,918	(29,730,044)
General purpose revenues:			
State unrestricted revenues			29,400,407
Student generated funds			1,783,422
Other revenues			1,077
Total general revenues			31,184,906
Change in net position			1,454,862
Net Position, beginning of year			2,730,925
GASB No. 68 Adjustment (Note 10)			(12,546,863)
Net Position (Deficit) as restated before prior period adjustment			(9,815,938)
Prior Period Adjustment - Long-term obligation (Note 11)			(26,647)
Restated Net Position, beginning of year			(9,842,585)
Net Position (Deficit), End of Year			$ (8,387,723)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas

Balance Sheet Governmental Funds

June 30, 2015	General	Student Activities	Total Governmental Funds
Assets			
Cash	$ 3,528,818	$ 426,218	$ 3,955,036
Restricted cash	12,375,409		12,375,409
Accounts receivable	3,054,549	-	3,054,549
Other assets	21,005	-	21,005
Total Assets	$ 18,979,781	$ 426,218	$ 19,405,999
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued expenses	$ 2,255,308	-	$ 2,255,308
Total Liabilities	2,255,308	-	2,255,308
Fund Balance	$ 16,724,473	$ 426,218	$ 17,150,691
Total Liabilities and Fund Balance	$ 18,979,781	$ 426,218	$ 19,405,999

See accompanying independent auditor's report and 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 Position

Year Ended June 30,		2015
Net Position - Total Governmental Funds		$ 17,150,691
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	$ 34,265,797	
Accumulated depreciation	(1,844,517)	
Net capital assets		32,421,280
Other long-term assets not available to pay for current period expenditures and, therefore are unearned in the funds. These assets consist of:		
Deferred outflow of pension plan changes		2,330,327
Long-term liabilities, including note payable, are not due and payable in the current period and therefore are not reported in the funds. These consist of		
Accrued interest		(87,456)
Capital Lease		(2,391,664)
Bond payable		(43,080,000)
Bond premium		(148,416)
Pension liability		(11,592,755)
Deferred inflow of pension plan changes		(2,989,730)
Net Position of Governmental Activities		$ (8,387,723)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2015	General	Student Activities	Total Governmental Funds
Revenues			
State sources	$ 29,400,407	$ 1,783,422	$ 31,183,829
Other Sources	376,995		376,995
Total revenues	29,777,402	1,783,422	31,560,824
Expenditures			
Instruction			
Salaries	10,062,464	-	10,062,464
Supplies	194,069	-	194,069
Benefits	3,261,421	-	3,261,421
Purchased services	632,518	-	632,518
Other	634,910	-	634,910
Total instruction expenditures	14,785,382	-	14,785,382
Support services			
Operations	5,803,836	-	5,803,336
Capital outfay	31,523,657	-	31,523,657
Salaries	2,512,170	-	2,512,170
Purchased services	2,629,006	-	2,629,006
Benefits	660,600	-	660,600
Other	798,381	-	798,382
Student activities	-	1,540,057	1,540,057
Supplies	34,711	-	34,712
Total support services expenditures	43,962,361	1,540,057	45,502,418
Total expenditures	58,747,743	1,540,057	60,287,800
Excess (deficiency) of Revenues over Expenditures	(28,970,341)	243,365	(28,726,976)
Other financing Sources:			
Bond Issuance	43,228,416	-	43,228,416
Capital Lease	1,552,995	-	1,552,995
	44,781,411	-	44,781,411
Changes in Fund Balances	15,811,070	243,365	16,054,435
Fund balance, beginning of year	913,403	182,853	1,096,256
Fund balance, end of year	$ 16,724,473	$ 426,218	$ 17,150,691

See accompanying independent auditor's report and 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

Year ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds (from Page 16)		**$ 16,054,435**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful live as depreciation expense.		
Capital outlay	31,523,657	
Capital disposal	(40,037)	
Depreciation expense	(971,741)	
Net effect of capital asset activity		30,511,879
Issuance of bond and note obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond note principal or accrued interest is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal payments	851,041	
Bonds	(43,228,416)	
Bond issuance cost	(905,289)	
Financing lease	(1,552,995)	
Interest payments	(483,045)	
Net effect of debt issuance and repayment		(45,318,704)
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 Governmental Funds.		
Accrued interest	(87,456)	
Pension expense, net	294,708	
Net effect of accrued interest and pension expense		207,252
Change in Net Position of Governmental Activities (from Page 13)		**$ 1,454,862**

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual

	Final and Amended Budget	Actual	Variance
Revenues:			
State DSA	$ 26,792,098	$ 28,766,318	$ 1,974,220
Kindergarten tuition	348,071	375,918	27,847
Special education	634,089	634,089	-
Student generated funds	-	1,783,422	1,783,422
Other	-	1,077	1,077
Total revenues	27,774,258	31,560,824	3,786,566
Expenditures:			
Instruction	14,702,606	14,785,382	82,776
Support services	12,250,264	45,502,418	33,252,154
Total expenditures	26,952,870	60,287,800	33,334,930
Excess (deficiency) of Revenues over Expenditures	821,388	(28,726,976)	(29,548,364)
Other financing Sources:			
Bond Issuance	-	43,228,416	43,228,416
Capital Lease	-	1,552,995	1,552,995
	-	44,781,411	44,781,411
Changes in Fund Balances	$ 821,388	$ 16,054,435	$ 15,233,047

See accompanying independent auditor's report and 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 386.500. The School's major operation is to offer an educational environment integrated with the arts where 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. In 2014 - 2015 school year the School expanded from four campuses to six campuses.

The School receives funding from the state and government sources and must comply with the requirements of these funding sources. However, the School is not included in any other governmental reporting entity as defined in Governmental Accounting Standards Board (GASB) pronouncements.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses 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 Accounting

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

Basis of Presentation

The School-wide financial statements report information on all of the nonfiduciary actives of the School. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to significant extent on fees and charges for support. 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 instead as general revenue.

The effect of inter-fund activity has been eliminated from the School-wide financial statements.

When an expense 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 expense 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.

Fund Based Statements

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.

Fund Classification

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, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Cash and Cash Equivalents

Cash and cash equivalents principally consist of demand deposits with financial institutions and highly liquid investments having maturities of three months or less when purchased. The Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules provide $250,000 of insurance per account. The School's cash balances may at times exceed federally insured limits. The Organization has never experienced any losses related to these balances. At June 30, 2015 the School's bank balances exceeded this limit by $14,674,538.

Receivables

At times, the School has amounts receivable from various sources. As of June 30, 2015, the School had accounts receivable of $3,054,550.

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 invoice. The School has not recorded any allowance against outstanding accounts receivable for the school year ending June 30, 2015.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 30 years. The cost of repairs and maintenance is charged to expense as incurred. 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. All depreciable assets are depreciated using straight-line method of depreciation over the assets useful life. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of depreciable asset, cost and accumulated depreciation 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 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. GASB 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, 2015.

Restricted Assets

Assets, which are restricted for specified uses by bond debt requirements, grant provisions, or other external requirements are classified as restricted assets.

Deferred Outflows/Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School has three items that qualify for reporting in this category. They are the pension contributions, change in pension actuarial assumptions, and the change in proportionate share of pension contribution, reported in the School-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plans measurement date, but before the fiscal year end and future expenditures yet to be recognized in relation to the pension actuarial calculation. The amount is amortized in the plan year in which it applies.

Deferred Inflows - In addition to liabilities, the statement of net position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a five year period.

Revenue Recognition and Contributions

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.

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

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).

Long-term Obligations

In the School-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds issued are unearned and amortized over the life of the related bonds. Bond issue costs are expensed.

In the 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.

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 teachers daily rate of pay. No more than eleven days may be cashed out per year. PTO benefits are accrued as a liability in the Government wide financial statements.

Net Position and Fund Balance

The difference between assets and liabilities 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 — Consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for notes, and other debt that are attributed to the acquisition, construction or improvements of those assets.

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

Operating Net Position/Unassigned Fund Balance—Unrestricted (deficit) net position/fund balance consists of net position that does not meet the definition of the two preceding categories.

Contributions

Contributions are recognized when the donor makes a written promise to give to the School that is, in substance, unconditional. All contributions received recognized as revenue upon being pledged. Contributions received are recorded as are unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net position if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net position or permanently restricted net position, depending on the nature of the restriction. The expiration of the donor imposed restriction on a contribution is recognized in the period in which the restriction expires and the related resources are classified as unrestricted net position

Subsequent events

Management has evaluated subsequent events through November 25, 2015, the date the financial statements were available to be issued. Based on that evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

Recent Accounting Pronouncements

The GASB has issued the following statements that have been recently implemented by the School:

Statement No. 68, Accounting and Financial Reporting for Pensions -An Amendment of GASB Statement No. 27, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for non-employer governments that have a legal obligation to contribute to those plans. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The School implemented Statement 68 and there was a material impact to the financial statements as a result of this Statement.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68, improves accounting and financial reporting by addressing an issue in Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and non-employer contributing entities. The primary objective of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expenses in the first year of implementation of Statement 68 of employers and non-employer contributing entities. The School implemented Statement 71 and there was a material impact to the financial statements as a result of this Statement.

2. Capital Assets

Capital assets consist of the following as of June 30, 2015:

	June 30, 2014 (*as restated*)	Additions	Deletions	June 30, 2015
Capital assets being depreciated:				
Buildings and improvements	$ -	$ 24,700,662	$ -	$ 24,700,662
Land and improvements	180,000	5,450,000	(180,000)	5,450,000
Furniture, equipment and other	2,562,140	1,552,995	-	4,115,135
Totals at historical cost	2,742,140	31,703,657	(180,000)	34,265,797
Less accumulated depreciation for:				
Buildings and improvements	-	153,631	-	153,631
Land and improvements	6,016	14,253	(20,269)	-
Furniture, equipment and other	887,029	803,857	-	1,690,886
Total accumulated depreciation	893,045	971,741	(20,269)	1,844,517
Net Capital Assets	$ 1,849,095	$ 30,731,916	$ (159,731)	$ 32,421,280

Depreciation expense was $971,741 for the year ended June 30, 2015. As of June 30, 2015.

3.Long-Term Obligations

Long-term obligations consist of the following as of June 30, 2015:

	Balance June 30,2014 (restated)	Additions	Deductions	Balance, June 30,2015	Due Within One Year
Somerset Academy Revenue. Bonds, Series 2015A	$ -	$ 42,995,000	$ -	$ 42,995,000	$ -
Somerset Academy Revenue. Bonds, Series 2015A	-	85,000	-	85,000	-
	$ -	$ 43,080,000	$ -	$ 43,080,000	$ -
Bond premium	-	148,416	-	148,416	4,947
Capital leases	1,689,710	1,552,995	851,041	2,391,664	934,306
	$ 1,689,710	$ 44,781,411	$ 851,041	$ 45,620,080	$ 939,253

In April 2015, the School obtained financing of $43,080,000 through the issuance of Series 2015A and 2015B bonds (the "Bonds"). These Bonds were sold at a premium of $148,416 and have an interest rates of 4.0% to 5.125%, which are collateralized with pledged gross revenues. The School expensed $905,289 in debt issuance cost that was incurred in conjunction with the issuance of the Series 2015A and 2015B bonds. 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; (iii) pay the cost of issuing the 2015A and 2015B bonds. As of June 30, 2015, the School was compliant with all covenants of the Bonds. As of June 30, 2015, minimum future payments under the B are as follows

Year ending June 30,	*Principal*	*Interest*	*Total*
2016	$ -	$ 2,098,963	$ 2,098,963
2017	505,000	3,144,194	3,649,194
2018	735,000	4,172,625	4,907,625
2019	765,000	4,143,225	4,908,225
2020	795,000	4,112,625	4,907,625
2021-2046	40,280,000	24,872,252	65,152,252
	$ 43,080,000	$ 42,543,884	$ 85,623,884

Capital Leases

The School also entered into a several financing lease agreement in 2013 with a financial institution for the use of furniture, equipment, textbooks, software and computers. As of June 30, 2015, minimum future payments under the capital lease agreements are as follows:

Years ending June 30,		
2016	$	991,188
2017		813,224
2018		517,664
2019 Thereafter		171,199
Total minimum lease payments		2,493,275
Less: amount representing interest		(101,611)
Present value of minimum lease payments		2,391,664
Less: current maturities of capital lease obligations		934,306
Capital lease obligations, less current maturities	$	1,457,358

4.Operating Leases

The School entered into a lease agreement with SFKF, LLC in May 2012, to lease classroom and office space for the school for a two year term, expiring on July 31, 2014. Monthly payments were $14,500 for the year ended June 30, 2012, increasing the second year by the Consumer Price Index or 3% whichever is greater. In August 2011, the School entered into a lease for the use of the buildings and related property with School Development Centennial (the "SDC"), to lease space for the Aliante Campus for a period of 20 years, expiring in July 31, 2031. Monthly payments were $50,000 for the year ended June 30, 2012, which was net of a monthly discount $8,333. Monthly payments increase to $54,167 for the year ended June 30, 2013, which is net of a discount of $4,167. The payment increases to $58,333 for the year ended June 30, 2014 and increases by the Consumer Price Index thereafter or 3% whichever is greater.

In November 2012, the School entered into a lease for the use of the buildings and related property with Boyer Skypointe Academy, L.C., to lease space for the Skypointe Campus for a period of 20 years, expiring in August 31, 2033. Monthly payments are $112,225 for the first two lease years ended June 30, 2015. For the first two months of the first two lease years the School is not required to pay the monthly rent. Beginning in the third lease year ended June 30, 2016, the monthly payment increases by the Consumer Price Index thereafter or 3% whichever is greater. In January 2014, the School amended the lease to obtain additional space for the Skypointe Campus for the remaining period of the original November 2012 lease, expiring in August 31, 2033. Monthly payments as part of the amendment are $39,601 for the first lease year ended June 30, 2015. Beginning in the second lease year ended June 30, 2016, the monthly payment increases by the Consumer Price Index thereafter or 3% whichever is greater.In December 2011, the School entered into a lease agreement with a financial institution for the use of furniture, equipment, textbooks, software and computers. The lease is payable in 48 monthly payments of $15,997.

In December 2012, the School entered into a lease agreement with a financial institution for the use of furniture, equipment, textbooks, software and computers. The lease is payable in 48 monthly payments of $13,664.

In October 2013, the School entered into a lease agreement with a financial institution for the use of furniture, equipment, textbooks, software and computers. The lease is payable in 48 monthly payments of $26,697 and matures in October 2017.

In November 2014 the School entered into a lease agreement with a financial institution for the use of furniture, equipment, textbooks, software and computers. The lease is payable in 48 monthly payments of $34,240.

The School entered into a lease agreement in November 2013, to lease classroom and office space for the Losee Campus for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, which is the date work is substantially complete, and expiring on June 30, 2043. Monthly payments are $75,375 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $285,434 in the twenty-ninth year.

The School entered into a lease agreement in December 2013, to lease classroom and office space for the Stephanie Campus for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, which is the date work is substantially complete, and expiring on June 30, 2043. Monthly payments are $53,250 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $143,524 in the twenty-ninth year.

The School has entered into various equipment leases with varying monthly payments ranging from $96 to $5,227 monthly having various maturities through June 2018.

Lease expense totaled $3,534,439 for the year ended June 30, 2015.

The School entered into a lease agreement for the Stephanie campus in December 2013, to lease classroom and office space for the School for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, and expiring on June 30, 2043. Rent expense for the year ending June 30, 2015 totaled approximately $555,000.

The School entered into a lease agreement for the Losee campus in November 2013, to lease classroom and office space for the School for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, and expiring on June 30, 2043. Rent expense for the year ending June 30, 2015 totaled approximately $768,000.

As of June 30, 2015, minimum future payments under the operating lease agreements are as follows:

Year ending June 30,	
2016	$ 2,325,547
2017	2,684,286
2018	2,844,695
2019	3,437,206
2020	3,645,331
2021 and thereafter	98,086,234
	$ 113,023,299

5.Unrestricted Net Position

The unrestricted net position on the statement of net position consists of two parts, normal school operations and pension related expenditures. The normal school operations resulted in an excess of revenues over expenditures of $3,240,335, while the pension related expenditures totaled $1,785,475. The unrestricted net position reconciles as follows:

	Normal School Operations	Pension related Expenditures	Total
Beginning balance, as restated	$ 2,704,278	$ (12,546,863)	$ (9,842,585)
Excess (deficiency) of revenues over expenditures	3,240,337	(1,785,475)	1,454,862
Ending balance	$ 5,944,615	$ (14,332,338)	$ (8,387,723)

6.Public Employees' Retirement System of Nevada (PERS)

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.

Basis of Accounting

Employers participating in PERS cost sharing multiple-employer defined benefit plans are required to report pension information in their financial statement 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 Schedule of Employer Allocations and Schedule of Pension Amount 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 accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

Contributions for employer pay dates that fall with PERS fiscal year ending June 30, 2014, 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 Schools employer allocation percentage for the fiscal year ending June 30, 2014, was 0.11123%.

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

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.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at 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. 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 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 - .579.

Vesting

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty 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. 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 stature. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selectin one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

The Systems 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 actually 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 actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2014 and 2015, the Statutory Employer/employee matching rate was 13.25% for Regular employees. The Employer-pay contribution (EPC) rate was 25.75% for Regular employers.

Investment Policy

The System 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, 2014:

Investment Category	*Target Allocation*	*Long-Term Expected Real Rate of Return**
Domestic Equity Pools	42.00%	5.50%
International Equity	18.00%	5.25%
Domestic Fixed Income Pools	30.00%	0.25%
Private Markets	10.00%	6.80%
Total	100.0%	

*As of June 20, 2014, PERS long-term inflation assumption was 3.5%

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2014.

Pension Liability Discount Rate Sensitivity

The following presents the School's net pension liability of the PERS as of June 30, 2014, calculated using the discount rate of 8.00%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current discount rate:

	1% Lower (7.0%)	*Discount Rate (8.0%)*	*1% Higher (9.0%)*
School's proportionate share of the net pension liability	$ 18,027,399	$ 11,592,367	$ 6,243,217

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.

Actuarial Assumptions

The PERS net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50%
Payroll growth	5.00, including inflation
Investment rate of return	8.00%
Productivity pay increase	0.75%
Projected salary increase	Regular 4.60% to 9.75%, depending on service rates including inflation and productivity increases
Consumer price index	3.50%
Other assumptions	Same as those used in the June 30, 2014 funding of actuarial valuation

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014 and June 30, 2013. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. 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, 2014 and June 30, 2013.

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

As of June 30, 2014, the total employer pension expense is $1,518,232. At June 30, 2014, the measurement date, PERS reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 554,777
Changes of assumptions	250,147	-
Net difference between projected and actual earnings on pension plan investments	-	2,434,953
Contributions made subsequent to the measurement date	2,080,180	-
Total	$ 2,330,327	$ 2,989,730

Average expected remaining service lives: 6.70 years.

Deferred outflows and inflows of resources related to pension will be recognized as follows:

Year ended June 30,	
2016	$ 662,182
2017	662,182
2018	662,182
2019	662,182
2020 and thereafter	90,855
	$ 2,739,583

7.Related Parties

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 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.

Management fees incurred under this agreement for the year ended June 30, 2015, was $1,951,470.

8.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.

9.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 will be immaterial. No provision has been made in the accompanying financial statements for the refund of grants monies.

10.Implementation of GASB No. 68 and No. 71

For the year ended June 30, 2015, the School implemented the following new pronouncements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

The restatement of the beginning of the year net position is as follows:

		Governmental Activities
Net position as previously stated June 30, 2014	$	2,730,929
Adoption of GASB Statement 68 & 71		
Net Pension Liability		(14,627,043)
Deferred outflows		2,080,180
Net Deficit as Restated Before Prior Period Adjustment, June 30, 2014	$	(9,815,934)

11.Prior Period Adjustment - Capital Leases

Since 2011 the School has entered into lease agreements for the financing of certain equipment and text books. These leases were accounted for as operating leases. During the year ended June 30, 2015 it was determined that these leases were actually a financing activity and qualified as capital leases. Therefore, the balance sheet was corrected to properly reflect capital assets of $2,502,140, net of accumulated depreciation of $887,029 and capital leases payable of $1,689,710. The net beginning net position was corrected by$(26,647) which was the net difference of amounts that were consider rent expense offset by amounts that would reflect depreciation expense and interest expense.

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)

	2015
School's proportion of net pension liability (%)	0.11123%
School's proportionate share of net pension liability	$ 11,592,755
School's covered-employee payroll	$ 12,574,634
School's proportionate share of net pension liability as a percentage of its covered-employee payroll	92.19%
Plan fiduciary net pension as a percentage of total pension liability	76.3%

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

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)

	2015
Statutorily required contributions	**$ 1,785,475**
Contributions in relation to statutorily required contributions	2,029,033
Contribution deficiency (excess)	$ (243,558)
School's covered-employee payroll	**$ 12,574,634**
Contribution as a percentage of covered employee payroll	15.61%

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

Changes of benefit terms - There were no changes of benefit terms in 2015.

Changes of assumptions - There were no changes of benefit assumptions in 2015.

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Independent Auditor's 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 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 governmental activities, each major fund, and the aggregate remaining fund information of the Somerset Academy of Las Vegas (the "School") as of and for the year end June 30,2015 and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report therein dated November 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 significant deficiencies or material weaknesses and therefore, significant deficiencies, or material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that which we consider to be material weaknesses.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2015-001)

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 determination of financial statement amounts. 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*.

The School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

November 25, 2015

Somerset Academy of Las Vegas

Summary of Auditor's Results and Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Somerset Academy of Las Vegas

Summary of Auditor's Results and Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section II: Financial Statement Findings

2015-001: Restatement (Material Weakness)

Finding and Recommendation:

During our audit of Somerset Academy of Las Vegas it was determined that leases that have been previously reported as operating leases for the year ended June 30, 2014 and prior should have been classified as capital leases and therefore beginning balances of Capital Position and Long Term Obligation needed to be restated.

To remedy the deficiency, we suggest Somerset Academy of Las Vegas restate the beginning balances of the Capital Position, Long Term Obligations and Net Position that were reported in the June 30, 2014, financial statements.

Views of Responsible Officials and Planned Corrective Actions:

1. The beginning balances of the capital position, long term obligation and net position that were reported in the June 30, 2014 financial statements have been restated.

2. A review of all lease agreement's has been performed in order to ensure proper classification of the leases has been made as of June 30, 2015.

Somerset Academy of Las Vegas

Basic Financial Statements
As of and for the Year Ended June 30, 2016

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

BDO

Somerset Academy of Las Vegas

Basic Financial Statements
As of and For the Years Ended
June 30, 2016

Somerset Academy of Las Vegas

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6671 Las Vegas Blvd. South, Suite 200
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy of Las Vegas (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements 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 the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above 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, 2016, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the School implemented Governmental Accounting Standards Board Statement No. 72, Fair Value measurement and Application.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 9 and the Schedule of the School's Proportionate Share of the Net Pension Liability and Schedule of the School's Contributions on pages 36 thorough 38 be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 6, 2016 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 School's internal control over financial reporting and compliance.

BDO USA, LLP

December 6, 2016

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, 2016. It should be read in conjunction with the financial statements, which immediately follow this section.

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 three components: 1) management's discussion and analysis (this section) financial statements, 2) the basic financial statements, and 3) required 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 finance, in a manner similar to a private-sector business.

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 of 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.

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 government-wide financial statements. Government 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. Such information may be used to evaluate a government's requirements for near-term financing.

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

Government-Wide Financial Analysis

The Statement of Net Position provides the perspective of the School as a whole. The table below provides a summary of the Schools net position as of June 30:

	2016	2015
Current assets	$ 18,817,850	$ 19,406,000
Capital assets, net	34,828,815	32,421,280
Total Assets	53,646,665	51,827,280
Deferred Outflows of Resources	8,843,443	2,330,327
Liabilities - current	4,552,047	3,529,571
Liabilities - long term	62,872,574	56,026,029
Total Liabilities	67,474,621	59,555,600
Deferred Inflows of Resources	3,170,230	2,989,730
Net position:		
Net investment in capital assets	(10,838,183)	(13,198,800)
Restricted assets	9,375,969	12,375,409
Unrestricted	(6,642,529)	(7,564,332)
Total Net (Deficit) Position	$ (8,104,743)	$ (8,387,723)

The unrestricted net position of governmental activities represent the accumulated results of life-to-date operation. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. 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 the net position was due to the adoption of GASB No. 68. The deferred outflows/inflows were also a result of the GASB No. 68.

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

	2016	2015
Revenues		
State DSA	$ 36,823,655	$ 28,766,318
Kindergarten tuition	2,028	375,918
Special education	725,908	634,089
Student generated funds	1,689,498	1,783,422
Other	424,629	1,077
Total Revenues	39,665,718	31,560,824
Expenses		
Instruction	22,147,710	13,073,600
Support services	17,235,028	17,032,362
Total Expenses	39,382,738	30,105,962
Change in Net Position	$ 282,980	$ 1,454,862

A reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities appear on page 17.

Capital Assets

Pursuant to the Nevada Department of Education, the capitalization threshold for asses purchased by the School is established at a value of $5,000. At this time, the School has equipment net of accumulated depreciation of $34,828,815.

Governmental Fund Budget Analysis and Highlights

The Board of Directors of Somerset Academy of Las Vegas adopted an annual budget for the School. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Final Budget	Actual
Revenues		
State DSA	$ 34,265,801	$ 36,823,655
Kindergarten tuition	-	2,028
Special education	736,610	725,908
Student generated funds	-	1,689,498
Other	537,041	424,629
Total revenues	35,539,452	39,665,718
Expenditures		
Instruction	22,216,595	21,998,413
Support services	13,736,169	20,128,421
Total expenditures	35,952,764	42,126,834
Excess (deficiency) of revenues over expenditures	$ (413,312)	$ (2,461,116)

Requests for Information

This financial report is intended to provide a general overview of the finances of the School. Request for additional information to the Chief Financial Officer of Academica Nevada, LLC, 1378 Paseo Verde Pkwy, Henderson, Nevada 89012.

Basic Financial Statements

School-Wide

Somerset Academy of Las Vegas
School-Wide Financial Statements
Statement of Net Position

June 30,		2016
Assets		
Current Assets:		
Cash	$	6,205,237
Restricted cash		9,375,969
Accounts receivable		3,219,029
Prepaid expenses and other assets		17,615
Total Current Assets		18,817,850
Non-Current Assets:		
Capital assets, net		34,828,815
Total Assets		53,646,665
Deferred Outflows of Resources		8,843,443
Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts payable and accrued expenses		2,931,875
Current portion of bond payable		505,000
Current portion of capital leases		1,115,172
Total Current Liabilities		4,552,047
Long-Term Liabilities:		
Capital leases		1,471,826
Net pension liability		18,825,748
Bonds payable		42,575,000
Total Liabilities		67,424,621
Deferred Inflows of Resources		3,170,230
Net Position		
Unrestricted		(6,642,529)
Restricted assets		9,375,969
Net investment in capital assets		(10,838,183)
Net Position (Deficit)	$	(8,104,743)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas
School-Wide Financial Statements
Statement of Activities

Year Ended June 30,2016	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs Governmental activities			
Instruction	$ 22,147,710	$ 3,088	$ (22,144,622)
Support services	17,235,028	-	(17,135,028)
Total Governmental Activities	$ 39,382,738	$ 3,088	$ (39,379,650)
General Revenues:			
State unrestricted revenues			**37,972,640**
Student generated funds			**1,689,498**
Other revenues			492
Total General Revenues			39,662,630
Change in Net Position			282,980
Net Position (Deficit), beginning of year			(8,387,723)
Net Position (Deficit), End of Year			$ (8,104,743)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas

Balance Sheet Governmental Funds

June 30, 2016	General	Student Activities	Total Governmental Funds
Assets			
Current Assets:			
Cash	$ 5,629,228	$ 576,009	$ 6,205,237
Restricted cash	9,375,969	-	9,375,969
Accounts receivable	3,219,029	-	3,219,029
Other assets	22,563	-	22,563
Total Assets	$ 18,246,789	$ 576,009	$ 18,822,798
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued expenses	$ 2,844,418	-	$ 2,844,418
Total Liabilities			
Total Fund Balance	$ 15,402,371	$ 576,009	$ 15,978,380
Total Liabilities and Fund Balance	$ 18,246,789	$ 576,009	$ 18,822,798

See accompanying independent auditor's report and 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 Position

Year Ended June 30,			2016
Net Position - Total Governmental Funds	$	$	15,978,380
Amount reported for governmental activities in the statement of net position are different because:			
Prepaid expenses			(4,947)
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	$ 38,597,518		
Accumulated depreciation	(3,768,703)		
Net capital assets			34,828,815
Other long-term assets not available to pay for current period expenditures and, therefore are unearned in the funds. These assets consist of:			
Deferred outflow of pension plan changes			8,843,443
Long-term liabilities, including note payable, are not due and payable in the current period and therefore are not reported in the funds. These consist of			
Accrued interest	(87,457)		
Capital Lease	(2,586,998)		
Bond payable	(43,080,000)		
Pension liability	(18,825,748)		
Deferred inflow of pension plan changes	(3,021,815)		
Deferred inflow of bond premium	(148,416)		
			(67,540,434)
Net Position of Governmental Activities		$	(8,104,743)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2016	General	Student Activities	Total Governmental Funds
Revenues			
State sources	$ 37,972,640	$ -	$ 37,972,640
Other Sources	3,580	1,689,498	1,693,078
Total Revenues	37,976,220	1,689,498	39,665,718
Expenditures			
Instruction			
Salaries	14,365,912	-	14,365,912
Supplies	3,105,201	-	3,105,201
Benefits	2,222,563	-	2,222,563
Purchased services	1,041,586	-	1,041,586
Other	1,263,151	-	1,263,151
Total instruction expenditures	21,998,413	-	21,998,413
Support services			
Operations	8,049,133	-	8,049,133
Capital outlay	4,331,721	-	4,331,721
Salaries	2,383,642	-	2,383,642
Purchased services	3,095,805	-	3,095,805
Benefits	168,190	-	168,190
Other	473,519	-	473,519
Student activities	-	1,539,707	1,539,707
Supplies	86,704	-	86,704
Total support services expenditures	18,588,714	1,539,707	20,128,421
Total Expenditures	40,587,127	1,539,707	42,126,834
Excess (deficiency) of Revenues over Expenditures	(2,610,907)	149,791	(2,461,116)
Other financing Sources:			
Capital Lease	1,288,805	-	1,288,805
Changes in Fund Balances	(1,322,102)	149,791	(1,172,311)
Fund balance, beginning of year	16,724,473	426,218	17,150,691
Fund balance, end of year	$ 15,402,371	$ 576,009	$ 15,978,380

See accompanying independent auditor's report and 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

Year ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds (from Page 16)		$ (1,172,311)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful live as depreciation expense.		
Capital outlay	4,331,721	
Depreciation expense	(1,924,186)	
Net effect of capital asset activity		2,407,535
Issuance of bond and note obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond note principal or accrued interest is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Lease payments	1,093,469	
Bond issuance cost	(4,947)	
Financing lease	(1,288,805)	
Net effect of debt issuance and repayment		(200,283)
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 Governmental Funds.		
Pension expense, net	(751,961)	
Net effect of pension expense		(751,961)
Change in Net Position of Governmental Activities (from Page 13)		$ 282,980

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual

	Final and Amended Budget	Actual	Variance Over (Under)
Revenues:			
State DSA	$ 34,265,801	$ 36,823,655	$ 2,557,854
Kindergarten tuition	-	2,028	2,028
Special education	736,610	725,908	(10,702)
Student generated funds	-	1,689,498	1,689,498
Other	537,041	424,629	(112,412)
Total revenues	35,539,452	39,665,718	4,126,266
Expenditures			
Instruction	22,216,595	21,998,413	(218,182)
Support services	13,736,169	20,128,421	6,392,252
Total expenditures	35,952,764	42,126,834	6,174,070
Excess (deficiency) of Revenues over Expenditures	**(413,312)**	**(2,461,116)**	**2,047,804**
Other financing Sources:			
Capital Lease	-	1,288,805	1,288,805
Changes in Fund Balances	$ (413,312)	$ (1,172,311)	$ 758,999

See accompanying independent auditor's report and 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 386.500. The School's major operation is to offer an educational environment integrated with the arts where 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. In 2015 - 2016 school year the School operated six campuses.

The School receives funding from the state and government sources and must comply with the requirements of these funding sources. However, the School is not included in any other governmental reporting entity as defined in Governmental Accounting Standards Board (GASB) pronouncements.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses 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 Accounting

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

Basis of Presentation

The School-wide financial statements report information on all of the nonfiduciary actives of the School. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to significant extent on fees and charges for support. 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 instead as general revenue.

The effect of inter-fund activity has been eliminated from the School-wide financial statements.

When an expense 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 expense 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.

Fund Based Statements

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.

Fund Classification

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, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Cash and Cash Equivalents

Cash and cash equivalents principally consist of demand deposits with financial institutions and highly liquid investments having maturities of three months or less when purchased. The Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules provide $250,000 of insurance per account. The School's cash balances may at times exceed federally insured limits. The Organization has never experienced any losses related to these balances. At June 30, 2016 the School's bank balances exceeded this limit by $13,876,637.

Receivables

At times, the School has amounts receivable from various sources. As of June 30, 2016, the School had accounts receivable of $3,219,029.

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 invoice. The School has not recorded any allowance against outstanding accounts receivable for the school year ending June 30, 2016.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 30 years. The cost of repairs and maintenance is charged to expense as incurred. 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. All depreciable assets are depreciated using straight-line method of depreciation over the assets useful life. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of depreciable asset, cost and accumulated depreciation 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 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. GASB 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, 2016.

Restricted Assets

Assets, which are restricted for specified uses by bond debt requirements, grant provisions, or other external requirements are classified as restricted assets.

Deferred Outflows/Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School has three items that qualify for reporting in this category. They are the pension contributions, change in pension actuarial assumptions, and the change in proportionate share of pension contribution, reported in the School-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plans measurement date, but before the fiscal year end and future expenditures yet to be recognized in relation to the pension actuarial calculation. The amount is amortized in the plan year in which it applies.

Deferred Inflows - In addition to liabilities, the statement of net position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a five year period.

Revenue Recognition and Contributions

***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.*

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

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).

Long-term Obligations

In the School-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds issued are unearned and amortized over the life of the related bonds. Bond issue costs are expensed.

In the 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.

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 teachers daily rate of pay. No more than eleven days may be cashed out per year. PTO benefits are accrued as a liability in the Government wide financial statements.

Net Position and Fund Balance

The difference between assets and liabilities 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 – Consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for notes, and other debt that are attributed to the acquisition, construction or improvements of those assets.

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

Operating Net Position/Unassigned Fund Balance—Unrestricted (deficit) net position/fund balance consists of net position that does not meet the definition of the two preceding categories.

Contributions

Contributions are recognized when the donor makes a written promise to give to the School that is, in substance, unconditional. All contributions received recognized as revenue upon being pledged. Contributions received are recorded as are unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net position if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net position or permanently restricted net position, depending on the nature of the restriction. The expiration of the donor imposed restriction on a contribution is recognized in the period in which the restriction expires and the related resources are classified as unrestricted net position

Subsequent events

Management has evaluated subsequent events through December 6, 2016, the date the financial statements were available to be issued. Based on that evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

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Recent Accounting Pronouncements

The GASB has issued the following statements that have been recently implemented by the School:

Governmental Accounting Standards Board Standard No. 72, *Fair Value Measurement and Application.*

Summary

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

For the year ended June 30, 2016, the School implemented GASB Standard No. 72, *Fair Value Measurement and Application.*

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2. Capital Assets

Capital assets consist of the following as of June 30, 2016:

	June 30, 2015	Additions	Deletions	June 30, 2016
Capital assets being depreciated:				
Buildings and improvements	$ 24,700,662	$ 3,042,916	$ -	$ 27,743,578
Land and improvements	5,450,000	-	-	5,450,000
Furniture, equipment and other	4,115,135	1,288,805	-	5,403,940
Totals at historical cost	34,265,797	4,331,721	-	38,597,518
Less accumulated depreciation for:				
Buildings and improvements	153,631	889,735	-	1,043,366
Land and improvements	-	-	-	-
Furniture, equipment and other	1,690,886	1,034,451	-	2,725,337
Total accumulated depreciation	1,844,517	1,924,186	-	3,768,703
Net Capital Assets	$ 32,421,280	$ 2,407,535	$ -	$ 34,828,815

Depreciation expense was $1,924,186 for the year ended June 30, 2016.

3. Long-Term Obligations

Long-term obligations consist of the following as of June 30, 2016:

	Balance June 30, 2015	Additions	Deductions	Balance, June 30, 2016	Due Within One Year
Somerset Academy Revenue. Bonds, Series 2015A	$ 42,995,000	$ -	$ -	$ 42,995,000	$ 420,000
Somerset Academy Revenue. Bonds, Series 2015A	85,000	-	-	85,000	85,000
	$ 43,080,000	$ -	$ -	$ 43,080,000	$ 505,000
Deferred inflow-Bond premium	148,416	-	-	148,416	4,947
Capital leases	2,391,664	1,288,805	(1,093,471)	2,586,998	1,115,172
	$ 45,620,080	$ 1,288,805	$ (1,093,471)	$ 45,815,414	$ 1,625,119

In April 2015, the School obtained financing of $43,080,000 through the issuance of Series 2015A and 2015B bonds (the "Bonds"). These Bonds were sold at a premium of $148,416 and have an 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; (iii) pay the cost of issuing the 2015A and 2015B bonds. As of June 30, 2016, the School was compliant with all covenants of the Bonds. As of June 30, 2016, minimum future payments under the B are as follows

Year ending June 30,	Principal	Interest	Total
2017	$ 505,000	$ 3,144,194	$ 3,649,194
2018	735,000	4,172,625	4,907,625
2019	765,000	4,143,225	4,908,225
2020	795,000	4,112,625	4,907,625
2021-2046	40,280,000	24,872,252	65,152,252
	$ 43,080,000	$ 40,444,921	$ 83,524,921

Capital Leases

The School also entered into a several financing lease agreement since 2013 with a financial institution for the use of furniture, equipment, textbooks, software and computers. As of June 30, 2016, minimum future payments under the capital lease agreements are as follows:

Years ending June 30,	
2017	$ 1,172,390
2018	876,830
2019	517,015
2020	116,275
Total minimum lease payments	2,682,510
Less: amount representing interest	(95,512)
Present value of minimum lease payments	2,586,998
Less: current maturities of capital lease obligations	1,115,172
Capital lease obligations, less current maturities	$ 1,471,826

4. Operating Leases

The School entered into a lease agreement in August 2011 to lease classroom and office space for the North Las Vegas Campus for a twenty-nine year term, starting on the later of September 1, 2012 or the commencement date, which is the date work is substantially complete, and expiring on June 30, 2041. Monthly payments are $58,333 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $125,801 in the twenty-ninth year.

The School entered into a lease agreement in November 2013, to lease classroom and office space for the Losee Campus for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, which is the date work is substantially complete, and expiring on June 30, 2043. Monthly payments are $75,375 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $285,434 in the twenty-ninth year.

The School entered into a lease agreement in December 2013, to lease classroom and office space for the Stephanie Campus for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, which is the date work is substantially complete, and expiring on June 30, 2043. Monthly payments are $53,250 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $143,524 in the twenty-ninth year.

The School entered into a lease agreement for the Loan Mountain campus in August 2014, to lease classroom and office space for the School for a twenty-nine year term, starting on the later of September 1, 2015 or the commencement date, and expiring on June 30, 2044. Monthly payments are $53,250 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $146,730 in the twenty-ninth year.

The School has entered into various equipment leases with varying monthly payments ranging from $96 to $5,227 monthly having various maturities through June 2018.

Lease expense totaled $2,898,632 for the year ended June 30, 2016.

As of June 30, 2016, minimum future payments under the operating lease agreements are as follows:

Year ending June 30,	
2017	$ 3,033,636
2018	3,259,242
2019	3,913,325
2020	4,199,493
2021	4,326,220
2022 and thereafter	122,758,611
	$ 141,490,527

5. Unrestricted Net Position

The unrestricted net position on the statement of net position consists of two parts, normal school operations and pension related expenditures. The normal school operations resulted in an excess of revenues over expenditures of $3,317,121, while the pension related expenditures totaled $3,034,141. The unrestricted net position reconciles as follows:

	Normal School Operations	Pension related Expenditures	Total
Beginning balance, as restated	$ 5,944,615	$ (14,332,338)	$ (8,387,723)
Excess (deficiency) of revenues over expenditures	3,317,121	(3,034,141)	282,980
Ending balance	$ 9,261,736	$ (17,366,479)	$ (8,104,743)

6. Public Employees' Retirement System of Nevada (PERS)

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.

Basis of Accounting

Employers participating in PERS cost sharing multiple-employer defined benefit plans are required to report pension information in their financial statement 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 Schedule of Employer Allocations and Schedule of Pension Amount 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 accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

Contributions for employer pay dates that fall with PERS fiscal year ending June 30, 2015, 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 Schools employer allocation percentage for the fiscal year ending June 30, 2016, was 0.16428%.

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

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.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at 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. 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 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 - .579.

Vesting

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty 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. 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 stature. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selectin one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

The Systems 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 position 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 actually 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 actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2015 and 2016, the Statutory Employer/employee matching rate was 13.25% for Regular employees. The Employer-pay contribution (EPC) rate was 25.75% for Regular employers.

Investment Policy

The System 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, 2015:

Investment Category	*Target Allocation*	*Long-Term Expected Real Rate of Return**
Domestic Equity Pools	42.00%	5.50%
International Equity	18.00%	5.75%
Domestic Fixed Income Pools	30.00%	0.25%
Private Markets	10.00%	6.80%
Total	100.0%	

*As of June 20, 2015, PERS long-term inflation assumption was 3.5%

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2016.

Pension Liability Discount Rate Sensitivity

The following presents the School's net pension liability of the PERS as of June 30, 2016, calculated using the discount rate of 8.00%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current discount rate:

	1% Lower (7.00%)	*Discount Rate (8.00%)*	*1% Higher (9.00%)*
School's proportionate share of the net pension liability	$ 28,686,388	$ 18,825,563	$ 10,625,598

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.

Actuarial Assumptions

The PERS net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	*3.50%*
Payroll growth	*5.00, including inflation*
Investment rate of return	*8.00%*
Productivity pay increase	*0.75%*
Projected salary increase	*Regular 4.60% to 9.75%, depending on service rates including inflation and productivity increases*
Consumer price index	*3.50%*
Other assumptions	*Same as those used in the June 30, 2014 funding of actuarial valuation*

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015 and June 30, 2014. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. 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, 2015 and June 30, 2014.

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

As of June 30, 2016, the total employer pension expense is $3,034,141. At June 30, 2016, the measurement date, PERS reported deferred outflows of resources and deferred inflows of resources related to pension 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	$ 5,892,709	$ 586,064
Differences between expected and actual experience	-	1,416,023
Net difference between projected and actual earnings on pension plan investments	-	1,019,727
Contributions subsequent to the measurement date	2,950,734	-
Total	$ 8,843,443	$ 3,021,814

Average expected remaining service lives: 5.70 years.

Deferred outflows and inflows of resources related to pension will be recognized as follows:

Year ended June 30,	
2017	$ 530,452
2018	530,452
2019	530,452
2020	530,452
2021 and thereafter	1,335,153
	$ 3,456,961

7. Fair Value Measurement

Fair Value Measurement

The Resort is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level within the fair value hierarchy the School's investment assets at fair value, as of June 30, 2016.

	June 30, 2016			
	Fair value measurements using			Assets
(In thousands)	Level 1	Level 2	Level 3	at fair value
Assets:				
Cash and Restricted Cash	$ 15,581,207	$ -	$ -	$ 15,581,207
Total	$ 15,581,207	$ -	$ -	$ 15,581,207

8. Related Parties

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 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.

Management fees incurred under this agreement for the year ended June 30, 2016, was $2,515,748.

9. 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.

10. 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 will be immaterial. No provision has been made in the accompanying financial statements for the refund of grants monies.

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)

		2016
School's proportion of net pension liability (%)		0.16428%
School's proportionate share of net pension liability	$	18,825,748
School's covered-employee payroll	$	16,749,551
School's proportionate share of net pension liability as a percentage of its covered-employee payroll		1.1240%
Plan fiduciary net position as a percentage of total pension liability		75.1%

		2015
School's proportion of net pension liability (%)		0.11123%
School's proportionate share of net pension liability	$	11,592,755
School's covered-employee payroll	$	12,574,634
School's proportionate share of net pension liability as a percentage of its covered-employee payroll		92.19%
Plan fiduciary net position as a percentage of total pension liability		76.3%

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

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)

		2016
Statutorily required contributions	$	**3,034,141**
Contributions in relation to statutorily required contributions		2,950,734
Contribution deficiency (excess)	$	83,407
School's covered-employee payroll	$	**16,749,555**
Contribution as a percentage of covered employee payroll		17.62%
		2015
Statutorily required contributions	$	**1,785,475**
Contributions in relation to statutorily required contributions		2,029,033
Contribution deficiency (excess)	$	(243,558)
School's covered-employee payroll	$	**12,574,634**
Contribution as a percentage of covered employee payroll		15.61%

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

Changes of benefit terms - There were no changes of benefit terms in 2016.

Changes of assumptions - There were no changes of benefit assumptions in 2016.

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Independent Auditor's 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 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 governmental activities, each major fund, and the aggregate remaining fund information of the Somerset Academy of Las Vegas (the "School") as of and for the year end June 30,2016 and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report therein dated December 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 determination of financial statement amounts. 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*.

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 the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

December 6, 2016

Somerset Academy of Las Vegas

Summary of Auditor's Results and Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Section II: Financial Statement Findings

No matters were reported.

Somerset Academy of Las Vegas

Basic Financial Statements
As of and For the Year Ended June 30, 2017

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

BDO

Somerset Academy of Las Vegas

Basic Financial Statements
As of and For the Year Ended
June 30, 2017

Somerset Academy of Las Vegas

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy of Las Vegas (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements 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 the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above 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, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 9 and the Schedule of the School's Proportionate Share of the Net Pension Liability and Schedule of the School's Contributions on pages 36 thorough 38 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards 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. Such 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 information 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, 2017 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 the School's internal control over financial reporting and compliance.

BDO USA, LLP

November 30, 2017

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, 2017. It should be read in conjunction with the financial statements, which immediately follow this section.

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 three components: 1) management's discussion and analysis (this section) financial statements, 2) the basic financial statements, and 3) required 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 finance, in a manner similar to a private-sector business.

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.

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. Such information may be used to evaluate a government's requirements for near-term financing.

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

School-Wide Financial Analysis

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

	2017	2016
Current assets	$ 15,299,189	$ 18,817,850
Capital assets, net	39,409,597	34,828,815
Total Assets	54,708,786	53,646,665
Deferred Outflows of Resources	19,036,393	8,843,443
Liabilities - current	5,979,923	4,552,047
Liabilities - long term	73,904,866	62,872,574
Total Liabilities	79,884,789	67,474,621
Deferred Inflows of Resources	3,284,058	3,170,230
Net position:		
Net investment in capital assets	(5,232,910)	(10,838,183)
Restricted assets	4,084,989	9,375,969
Unrestricted	(8,275,747)	(6,642,529)
Total Net (Deficit) Position	$ (9,423,668)	$ (8,104,743)

The unrestricted net position of governmental activities represent the accumulated results of life-to-date operation. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. 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 the net position was due to the adoption of GASB No. 68, pension liability. The deferred outflows/inflows were also a result of the GASB No. 68.

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

		2017		2016
Revenues				
Operating grants	$	4,086,333	$	478,884
General revenue:				
State unrestricted		40,712,957		36,979,116
Student generated funds		2,207,269		1,689,498
Other		9,090		518,220
Total Revenues		47,015,649		39,665,718
Expenses				
Instruction		20,189,426		22,147,710
Support services		28,145,148		17,235,028
Total Expenses		48,334,574		39,382,738
Change in Net Position	$	(1,318,925)	$	282,980

A reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities appear on page 17.

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 equipment net of accumulated depreciation of $39,409,597.

Governmental Fund Budget Analysis and Highlights

The Board of Directors of Somerset Academy of Las Vegas adopted an annual budget for the School. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Final Budget	Actual
Revenues		
State DSA	$ 38,755,026	$ 43,283,613
Special education	1,943,500	1,487,074
Student generated funds	-	2,207,269
Other	849,736	37,693
Total revenues	41,548,262	47,015,649
Expenditures		
Instruction	26,378,259	23,202,146
Support services	9,188,189	29,554,054
Total expenditures	35,566,448	52,756,200
Excess (deficiency) of revenues over expenditures	$ 5,981,814	$ (5,740,551)

Requests for Information

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

Basic Financial Statements

School-Wide

Somerset Academy of Las Vegas
School-Wide Financial Statements
Statement of Net Position

June 30,		2017
Assets		
Current Assets:		
Cash	$	6,797,555
Restricted cash		4,084,989
Accounts receivable		4,256,213
Prepaid expenses and other assets		160,432
Total Current Assets		15,299,189
Non-Current Assets:		
Capital assets, net		39,409,597
Total Assets	$	54,708,786
Deferred Outflows of Resources	$	19,036,393
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities:		
Accounts payable and accrued expenses	$	4,138,571
Current portion of bond payable		750,000
Current portion of capital leases		1,091,352
Total Current Liabilities		5,979,923
Long-Term Liabilities:		
Capital leases		1,205,133
Net pension liability		31,242,233
Bonds payable		41,457,500
Total Long-Term Liabilities		73,904,866
Total Liabilities		79,884,789
Deferred Inflows of Resources		3,284,058
Net Position (Deficit)		
Net investment in capital assets		(5,232,910)
Restricted assets		4,084,989
Unrestricted		(8,275,747)
Net Position (Deficit)	$	(9,423,668)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas
School-Wide Financial Statements
Statement of Activities

Year Ended June 30,2017	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs Governmental activities			
Instruction	$ (20,189,426)	$ 4,086,333	$ (16,103,093)
Support services	(28,145,148)	-	(28,145,148)
Total Governmental Activities	$ (48,334,574)	$ 4,086,333	(44,248,241)
General Revenues:			
State unrestricted revenues			40,712,957
Student generated funds			2,207,269
Other revenues			9,090
Total General Revenues			42,929,316
Change in Net Position			(1,318,925)
Net Deficit, beginning of year			(8,104,743)
Net Deficit, End of Year			$ (9,423,668)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas

Balance Sheet Governmental Funds

June 30, 2017	General	Student Activities	Total Governmental Funds
Assets			
Current Assets:			
Cash	$ 6,075,635	$ 721,920	$ 6,797,555
Restricted cash	4,084,989	-	4,084,989
Accounts receivable	4,228,969	27,244	4,256,213
Other assets	160,432	-	160,432
Total Assets	$ 14,550,025	$ 749,164	$ 15,299,189
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued expenses	$ 4,135,669	$ 2,902	$ 4,138,571
Total Liabilities	4,135,669	2,902	4,138,571
Total Fund Balance	10,414,356	746,262	11,160,618
Total Liabilities and Fund Balance	$ 14,550,025	$ 749,164	$ 15,299,189

See accompanying independent auditor's report and 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 Position

Year Ended June 30,		2017
Fund Balance - Total Governmental Funds		$ 11,160,618
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	$ 45,165,105	
Accumulated depreciation	(5,755,508)	
Net capital assets		39,409,597
Other long-term assets not available to pay for current period expenditures and, therefore are unearned in the funds. These assets consist of:		
Deferred outflow of pension plan changes		19,036,393
Long-term liabilities, including note payable, are not due and payable in the current period and therefore are not reported in the funds. These consist of:		
Capital Lease	(2,296,485)	
Bonds payable	(42,207,500)	
Pension liability	(31,242,233)	
Deferred inflow of pension plan changes	(3,145,536)	
Deferred inflow of bond premium	(138,522)	
		(79,030,276)
Net Position of Governmental Activities		$ (9,423,668)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017	General	Student Activities	Total Governmental Funds
Revenues			
State sources	$ 44,808,380	$ -	$ 44,808,380
Other Sources	-	2,207,269	2,207,269
Total Revenues	44,808,380	2,207,269	47,015,649
Expenditures			
Instruction			
Salaries	15,847,822	-	15,847,822
Supplies	238,024	-	238,024
Benefits	5,478,745	-	5,478,745
Purchased services	884,558	-	884,558
Other	752,997	-	752,997
Total instruction expenditures	23,202,146	-	23,202,146
Support services			
Operations	7,664,329	-	7,664,329
Salaries	4,385,676	-	4,385,676
Purchased services	4,018,359	-	4,018,359
Benefits	1,342,570	-	1,342,570
Other	1,281,229	-	1,281,229
Student Activites	-	2,033,611	2,033,611
Supplies	87,431	-	87,431
Capital outlay	6,567,587	-	6,567,587
Debt Service	2,713,262	-	2,713,262
Total support services expenditures	27,520,443	2,033,611	29,554,054
Total Expenditures	50,722,589	2,033,611	52,756,200
Excess (deficiency) of Revenues over Expenditures	(5,914,209)	173,658	(5,740,551)
Other financing Sources:			
Capital Lease	922,789	-	922,789
Changes in Fund Balances	(4,991,420)	173,658	(4,817,762)
Fund balance, beginning of year	15,402,371	576,009	15,978,380
Fund balance, end of year	$ 10,410,951	$ 749,667	$ 11,160,618

See accompanying independent auditor's report and 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

Year ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds (from Page 16)		$ (4,817,762)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful live as depreciation expense.		
Capital outlay	6,567,587	
Depreciation expense	(1,986,804)	
Net effect of capital asset activity		4,580,783
Issuance of bond and note obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond note principal or accrued interest is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Lease payments	1,213,305	
Bond payments	872,500	
Financing lease	(922,789)	
Net effect of debt issuance and repayment		1,163,016
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 Governmental Funds.		
Bond Premium Amortiztion	14,842	
Accrued Interest	87,453	
Pension expense, net	(2,347,257)	
Net effect		(2,244,962)
Change in Net Position of Governmental Activities (from Page 13)		$ (1,318,925)

See accompanying independent auditor's report and notes to financial statements.

Somerset Academy of Las Vegas

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual

	Final and Amended Budget	Actual	Variance Over (Under)
Revenues:			
State DSA	$ 38,755,026	$ 43,283,613	$ 4,528,587
Special education	1,943,500	1,487,074	(456,426)
Student generated funds	-	2,207,269	2,207,269
Other	849,736	37,693	(812,043)
Total revenues	41,548,262	47,015,649	5,467,387
Expenditures			
Instruction	26,378,259	23,202,146	(3,176,113)
Support services	15,350,627	29,554,054	14,203,427
Total expenditures	41,728,886	52,756,200	11,027,314
Excess (deficiency) of Revenues over Expenditures	(180,624)	(5,740,551)	(5,559,927)
Other financing Sources:			
Capital Lease	-	922,789	922,789
Changes in Fund Balances	$ (180,624)	$ (4,817,762)	$ (4,637,138)

See accompanying independent auditor's report and 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 386.500. The School's major operation is to offer an educational environment integrated with the arts where 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. In 2016 - 2017 school year the School operated seven campuses.

The School receives funding from the state and government sources and must comply with the requirements of these funding sources. However, the School is not included in any other governmental reporting entity as defined in Governmental Accounting Standards Board (GASB) pronouncements.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses 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 Accounting

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

Basis of Presentation

The School-wide financial statements report information on all of the nonfiduciary actives of the School. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to significant extent on fees and charges for support. 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 instead as general revenue.

The effect of inter-fund activity has been eliminated from the School-wide financial statements.

When an expense 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 expense 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.

Fund Based Statements

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.

Fund Classification

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, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Cash and Cash Equivalents

Cash and cash equivalents principally consist of demand deposits with financial institutions and highly liquid investments having maturities of three months or less when purchased. The Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules provide $250,000 of insurance per account. The School's cash balances may at times exceed federally insured limits. The Organization has never experienced any losses related to these balances. At June 30, 2017 the School's bank balances exceeded this limit by $11,000,044.

Receivables

At times, the School has amounts receivable from various sources. As of June 30, 2017, the School had accounts receivable of $4,256,213.

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 invoice. The School has not recorded any allowance against outstanding accounts receivable for the school year ending June 30, 2017.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 30 years. The cost of repairs and maintenance is charged to expense as incurred. 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. All depreciable assets are depreciated using straight-line method of depreciation over the assets useful life. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of depreciable asset, cost and accumulated depreciation 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 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. GASB 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, 2017.

Restricted Assets

Assets, which are restricted for specified uses by bond debt requirements, grant provisions, or other external requirements are classified as restricted assets.

Deferred Outflows/Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School has three items that qualify for reporting in this category. They are the pension contributions, change in pension actuarial assumptions, and the change in proportionate share of pension contribution, reported in the School-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plans measurement date, but before the fiscal year end and future expenditures yet to be recognized in relation to the pension actuarial calculation. The amount is amortized in the plan year in which it applies.

Deferred Inflows - In addition to liabilities, the statement of net position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a five year period.

Revenue Recognition and Contributions

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.

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

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).

Long-term Obligations

In the School-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds issued are unearned and amortized over the life of the related bonds. Bond issue costs are expensed.

In the 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.

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 teachers daily rate of pay. No more than eleven days may be cashed out per year. PTO benefits are accrued as a liability in the School-wide financial statements.

Net Position and Fund Balance

The difference between assets and liabilities 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 – Consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for notes, and other debt that are attributed to the acquisition, construction or improvements of those assets.

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

Operating Net Position/Unassigned Fund Balance—Unrestricted (deficit) net position/fund balance consists of net position that does not meet the definition of the two preceding categories.

Contributions

Contributions are recognized when the donor makes a written promise to give to the School that is, in substance, unconditional. All contributions received are recognized as revenue upon being pledged. Contributions received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net position if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net position or permanently restricted net position, depending on the nature of the restriction. The expiration of the donor imposed restriction on a contribution is recognized in the period in which the restriction expires and the related resources are classified as unrestricted net position.

Subsequent events

Management has evaluated subsequent events through November 30, 2017, the date the financial statements were available to be issued. Based on that evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

Recent Accounting Pronouncements

The GASB has recently issued the following statements, which the School is assessing the impact of the implementation, if any, on its financial statements:

Statement No. 82, Pension Issue, addresses three issues that arose during implementation of GASB 67 and 68. a)The first relates to the definition of covered payroll included in Required Supplementary Information. Covered payroll is compensation paid to employees on which contributions are based. b) The pronouncement also clarifies that a deviation from actuarial standards is not considered to be in conformity with the requirements of GASB 67 or 68 for selection of assumptions in determining the total pension liability. c) The last issue relates to employer-paid member contributions, commonly referred to as employer "pick-up". When an employer pays contributions on behalf of members they should be classified as member contributions for GASB 67 plan statements and as employee contributions for GASB 68 reporting and included in salary expense. The School is required to implement this Statement for fiscal year ending June 30, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, provides guidance for reporting in-substance defeasance of debt for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also enhances consistency in financial reporting of prepaid insurance related to debt that has been extinguished. The Statement also enhances information in notes to financial statements regarding debt that has been defeased in substance. The School is required to implement this Statement for fiscal year ending June 30, 2018.

Statement No. 87, Leases, requires that a government recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement enhances the consistency and relevance of a governments' leasing activities by requiring a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by required notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The School is required to implement this Statement for fiscal year ending June 30, 2020.

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2. Capital Assets

Capital assets consist of the following as of June 30, 2017:

	June 30, 2016	Additions	Deletions	June 30, 2017
Capital assets being depreciated:				
Buildings and improvements	$ 27,743,578	$ 5,644,798	$ -	$ 33,388,376
Land and improvements	5,450,000	-	-	5,450,000
Furniture, equipment and other	5,403,940	922,789	-	6,326,729
Totals at historical cost	38,597,518	6,567,587	-	45,165,105
Less accumulated depreciation for:				
Buildings and improvements	1,043,366	842,090	-	1,885,456
Land and improvements	-	-	-	-
Furniture, equipment and other	2,725,337	1,144,715	-	3,870,052
Total accumulated depreciation	3,768,703	1,986,805	-	5,755,508
Net Capital Assets	$ 34,828,815	$ 4,580,782	$ -	$ 39,409,597

Depreciation expense was $1,986,805 for the year ended June 30, 2017.

3. Long-Term Obligations

Long-term obligations consist of the following as of June 30, 2017:

	Balance June 30, 2016	Additions	Payments/ Deductions	Balance, June 30, 2017	Due Within One Year
Somerset Academy Revenue. Bonds, Series 2015AB	$ 43,080,000	$ -	$ 872,500	$ 42,207,500	$ 750,000
Deferred inflow-Bond premium	148,416	-	9,894	138,522	4,947
Capital leases	2,586,998	922,789	1,213,305	2,296,482	1,091,352
	$ 45,815,414	$ 922,789	$ 2,095,699	$ 44,642,504	$ 1,846,299

In April 2015, the School obtained financing of $43,080,000 through the issuance of 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; (iii) pay the cost of issuing the 2015A and 2015B bonds. As of June 30, 2017, the School was compliant with all covenants of the Bonds. As of June 30, 2017, minimum future payments under the bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2018	$ 750,000	$ 2,063,213	$ 2,813,213
2019	780,000	2,033,213	2,813,213
2020	812,500	2,002,013	2,814,513
2021	845,000	1,969,513	2,814,513
2022-2046	39,020,000	29,944,538	68,964,538
	$ 42,207,500	$ 38,012,488	$ 80,219,988

Capital Leases

The School also entered into several financing lease agreements since 2013 with a financial institution for the use of furniture, equipment, textbooks, software and computers. As of June 30, 2017, minimum future payments under the capital lease agreements are as follows:

Years ending June 30,	Principal	Interest	Total
2018	$ 1,091,352	$ 42,006	$ 1,133,358
2019	755,454	18,089	773,543
2020	356,322	5,023	361,345
2021 Thereafter	93,354	524	93,878
Total minimum lease payments	$ 2,296,482	$ 65,642	$ 2,362,124

4. Operating Leases

The School entered into a lease agreement in August 2011 to lease classroom and office space for the North Las Vegas Campus for a twenty-nine year term, starting on the later of September 1, 2012 or the commencement date, which is the date the classroom and office space is substantially complete, and expiring on June 30, 2041. Monthly payments are $58,333 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $125,801 in the twenty-ninth year. Rent expense for the year ending June 30, 2017 totaled approximately $505,000.

The School entered into a lease agreement in November 2013, to lease classroom and office space for the Losee Campus for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, which is the date the classroom and office space is substantially complete, and expiring on June 30, 2043. Monthly payments are $75,375 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $285,434 in the twenty-ninth year. Rent expense for the year ending June 30, 2017 totaled approximately $1,376,000.

The School entered into a lease agreement in December 2013, to lease classroom and office space for the Stephanie Campus for a twenty-nine year term, starting on the later of September 1, 2014 or the commencement date, which is the date the classroom and office space is substantially complete, and expiring on June 30, 2043. Monthly payments are $53,250 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $143,524 in the twenty-ninth year. Rent expense for the year ending June 30, 2017 totaled approximately $825,000.

The School entered into a lease agreement for the Loan Mountain campus in August 2014, to lease classroom and office space for the School for a twenty-nine year term, starting on the later of September 1, 2015 or the commencement date, and expiring on June 30, 2044. Monthly payments are $53,250 for the commencement year increasing annually on July 1st incrementally to a monthly payment of $146,730 in the twenty-ninth year. Rent expense for the year ending June 30, 2017 totaled approximately $766,000.

Classroom and office rent expense totaled approximately $3,472,000 for the year ended June 30, 2017.

Future classroom and office rent payments are as follows:

For they Year ended June 30,	
2018	$ 3,717,516
2019	4,385,347
2020	4,685,676
2021	4,826,988
2022	4,937,745
2023 and thereafter	123,733,836
	$ 146,287,108

The school leases various office equipment under an operating lease. Lease expense for office equipment in 2017 totalled $331,000.

Total operating lease expense for the period ended June 30, 2017 was $3,803,000.

5. Unrestricted Net Position

The unrestricted net position on the statement of net position consists of two parts, normal school operations and pension related expenses. The normal school operations resulted in an excess of revenue over expenses of $473,218, while the pension related expenses totaled $(2,106,436). The unrestricted net position reconciles as follows:

	Normal School Operations	Pension related Expenditures	Total
Beginning balance, as restated	$ 6,602,411	$ (13,244,940)	$ (6,642,529)
Change in unrestricted net position	473,218	(2,106,436)	(1,633,218)
Ending balance	$ 7,075,629	$ (15,351,376)	$ (8,275,747)

6. Public Employees' Retirement System of Nevada (PERS)

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.

Basis of Accounting

Employers participating in PERS cost sharing multiple-employer defined benefit plans are required to report pension information in their financial statement 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 Schedule of Employer Allocations and Schedule of Pension Amount 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 accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

Contributions for employer pay dates that fall with PERS fiscal year ending June 30, 2016, 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 Schools employer allocation percentage for the fiscal year ending June 30, 2017, was 0.23216%.

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

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.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at 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. 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 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 - .579.

Vesting

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty 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. 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 stature. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selectin one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

The Systems 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 position 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 actually 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 actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2017, the Statutory Employer/employee matching rate was 14.5% for Regular employees. The Employer-pay contribution (EPC) rate was 28% for Regular employers.

Investment Policy

The System 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, 2016:

Investment Category	*Target Allocation*	*Long-Term Expected Real Rate of Return**
Domestic Equity Pools	42.00%	5.50%
International Equity	18.00%	5.75%
Domestic Fixed Income Pools	30.00%	0.25%
Private Markets	10.00%	6.80%
Total	100.0%	

*As of June 30, 2016, PERS long-term inflation assumption was 3.5%

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2016.

Pension Liability Discount Rate Sensitivity

The following presents the School's net pension liability of the PERS as of June 30, 2017, calculated using the discount rate of 8.00%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current discount rate:

	1% Lower (7.00%)	*Discount Rate (8.00%)*	*1% Higher (9.00%)*
School's proportionate share of the net pension liability	$ 45,794,785	$ 31,242,233	$ 19,134,407

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.

Actuarial Assumptions

The PERS net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50%
Payroll growth	5.00%, including inflation
Investment rate of return	8.00%
Productivity pay increase	0.75%
Projected salary increase	Regular 4.60% to 9.75%, depending on service rates including inflation and productivity increases
Consumer price index	3.50%
Other assumptions	Same as those used in the June 30, 2016 funding of actuarial valuation

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2016, was projected to be available to make all projected future benefit payments of current active and inactive employees. 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, 2016.

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

As of June 30, 2017, the total employer pension expense is $6,227,017. At June 30, 2017, the measurement date, PERS reported deferred outflows of resources and deferred inflows of resources related to pension 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	$ 12,160,282	$ 1,053,475
Differences between expected and actual experience	-	2,092,061
Net difference between projected and actual earnings on pension plan investments	2,904,354	-
Contributions subsequent to the measurement date	3,871,757	-
Total	$ 19,036,393	$ 3,145,536

Average expected remaining service lives: 6.48 years.

Deferred outflows and inflows of resources related to pension will be recognized as follows:

Year ended June 30,	
2018	$ (240,758)
2019	(240,758)
2020	1,029,762
2021	498,079
2022 and thereafter	(191,761)
	$ 854,563

7. Related Parties

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 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.

Management fees incurred under this agreement for the year ended June 30, 2017, was $2,766,198.

8. 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.

9. 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 will be immaterial. No provision has been made in the accompanying financial statements for the refund of grants monies.

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)

		2017
School's proportion of net pension liability (%)		0.023216%
School's proportionate share of net pension liability	$	31,242,233
School's covered-employee payroll	$	13,605,645
School's proportionate share of net pension liability as a percentage of its covered-employee payroll		229.6270%
Plan fiduciary net position as a percentage of total pension liability		75.23%

		2016
School's proportion of net pension liability (%)		0.16428%
School's proportionate share of net pension liability	$	18,825,748
School's covered-employee payroll	$	16,749,551
School's proportionate share of net pension liability as a percentage of its covered-employee payroll		1.1240%
Plan fiduciary net position as a percentage of total pension liability		75.1%

Ultimately, 10 fiscal years will be displayed (which may be built prospectively starting from 2016).

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)

		2017
Statutorily required contributions	**$**	**3,871,757**
Contributions in relation to statutorily required contributions		3,871,757
Contribution deficiency (excess)	$	-
School's covered-employee payroll	**$**	**13,605,645**
Contribution as a percentage of covered employee payroll		28.46%
		2016
Statutorily required contributions	**$**	**3,034,141**
Contributions in relation to statutorily required contributions		2,950,734
Contribution deficiency (excess)	$	83,407
School's covered-employee payroll	**$**	**16,749,551**
Contribution as a percentage of covered employee payroll		17.62%

Ultimately, 10 fiscal years will be displayed (which may be built prospectively starting from 2016).

Changes of benefit terms - There were no changes of benefit terms in 2017.

Changes of assumptions - There were no changes of benefit assumptions in 2017.

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Independent Auditor's 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 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 governmental activities, each major fund, and the aggregate remaining fund information of the Somerset Academy of Las Vegas (the "School") as of and for the year ended June 30,2017 and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report therein dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 determination of financial statement amounts. 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.*

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 the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

November 30, 2017

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Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Somerset Academy of Nevada (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

November 30, 2017

Somerset Academy of Las Vegas

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Passed-through State Public Charter School Authority:				
Title II - Supporting Effective Instruction State Grant	84.367		-	28,603
Educate Students with Disabilities (IDEA)	84.027		-	749,667
Early Childhood	84.173			11,769
Total U.S. Department of Education			-	**790,039**
Total Expenditures of Federal Awards			$ -	$ **790,039**

See accompanying notes to the Schedule of Expenditures of Federal Awards

1. *Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position of changes in net position of the School.

2. *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the School's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Somerset Academy of Nevada

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

CFDA Number	*Name of Federal Program or Cluster*
84.027 & 84.173	IDEA Cluster

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Somerset Academy of Las Vegas

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

EXHIBIT H

FINANCIAL ADVISOR MEMORANDUM

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LEWIS YOUNG
ROBERTSON & BURNINGHAM, INC.
AN INDEPENDENT MUNICIPAL FINANCIAL ADVISORY
AND CONSULTING FIRM

February 26, 2018

CJ Manthe
Director
Nevada Department of Business & Industry
1830 College Pkwy Suite #100
Carson City, NV 89706

Re: Somerset Academy Financing

Director Manthe:

Acting in its capacity as Financial Advisor (FA) to the Nevada Department of Business & Industry (B&I), Lewis Young Robertson & Burningham, Inc. (LYRB) provides this letter to complement your Findings to be submitted to the Board of Finance addressing the Somerset Academy (Somerset) financing application to issue up to $62,000,000 of Charter School Revenue Bonds to finance the Project, as more fully described below, in Clark County.

Introduction

Somerset approached the B&I to be the conduit issuer of charter school revenues bonds to access tax-exempt financing for its Project summarized below. LYRB was tasked, along with Gilmore & Bell, P.C. as Bond Counsel, to review Somerset's application and related materials on the validity of the application in concert with your Findings. This letter highlights segments of the review process.

Summary of Somerset Academy

Somerset Academy ("Somerset") is a Nevada public charter school and Nevada nonprofit corporation. Somerset is governed by a 7-member Board of Directors comprised of professionals and teachers. The day-to-day operations are overseen by an Executive Director. The total enrollment of Somerset, for the 2017-2018 school year, is approximately 5,350 spread across 5-campuses as outlined below.

Somerset currently operates the following school campuses in Las Vegas, Nevada area. The schools highlighted in green are included as the Project of the 2018 financing application.

Campus Name	Address	Grade Configuration	2017-18 Enrollment	Total Waitlist
Lone Mountain	4491 North Rainbow Boulevard in Las Vegas	K-8	960	1,437
Losee	4650 Losee Road in North Las Vegas	K-12	1,765	1,591
North Las Vegas	385 West Centennial Parkway and 375 West Centennial Parkway, both in North Las Vegas	K-8	1,200	768
Sky Pointe	7038 Sky Pointe Drive in Las Vegas	K-12	1,911	2,811
Stephanie	50 North Stephanie Street in Henderson	K-6	914	910

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Somerset currently operates under a charter contract effective as of August 12, 2011, as amended. Nevada's charter schools, including Somerset, receive charter contracts for terms of six years. The current Charter is effective through June 30, 2022, unless terminated earlier in accordance with its terms. Somerset received its 501(c)(3) determination letter from the IRS on April 13, 2015.

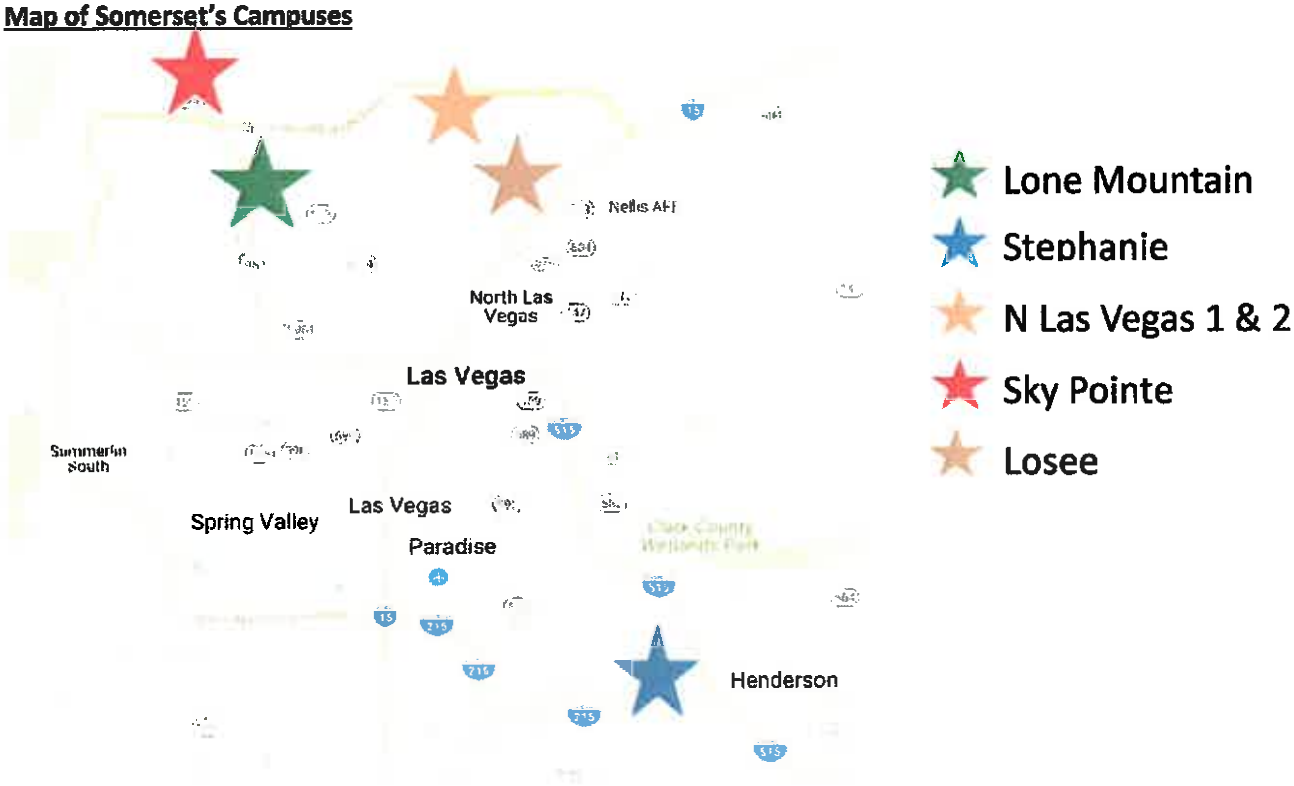
Somerset contracts with Academica Nevada LLC pursuant to a Borrower Services and Support Agreement to provide a variety of management and support services.

All of Somerset's schools are accredited with AdvancED with the next review scheduled for April 2019.

Mission

Somerset's mission is to prepare students to excel in academics and attain knowledge through life-long learning by dedicating themselves to providing equitable, high-quality education for all students. Somerset's mission is also to promote a culture that maximizes student achievement and fosters the development of accountable 21st century learners in a safe and enriching environment.

Map of Somerset's Campuses



Summary of Proposed Project

The issuance of the Series 2018 Bonds will enable Somerset to purchase 2 of its campuses, Losee and Stephanie. The campuses were originally financed with a developer who constructed the facilities and leased them back to Somerset. Somerset is now exercising its purchase options under the leases. The NLV1 and Sky Pointe campuses were purchased with the Series 2015 Bonds and will be on parity with the Series 2018 Bonds. These 4 campuses will be a part of the Obligated Group as security for the bonds. The Lone Mountain campus will continue to operate under its lease outside of the Obligated Group.

The **Losee Campus** facilities are on approximately 17 acres of land consisting of approximately 158,000 square-feet in a 2-story building for a total capacity of 2,400 students in grades K-12. The facilities include classrooms, office space, student laboratories, a cafeteria, teacher lounge and play areas for the students.

A portion of the Series 2018 Proceeds will be utilized to purchase the Losee Campus as well as to acquire lighting for the school's athletic field along with sports flooring for the middle school multi-purpose room. The improvements will be completed by year-end 2018.

The **Stephanie Campus** facility are on approximately 4.61 acres consists of an approximately 55,000 square-foot 2-story building for a total of 960 students in grades K-8. The facilities include classrooms, office space, student laboratories, a cafeteria, teacher lounge and play areas for the students.

Enrollment and Waitlists:

Somerset has demonstrated a strong ability to maintain steady enrollment, retain students and sustain a healthy waitlist as follows:

Losee Campus Enrollment

Losee	2016/17	2017/18	Waitlist	% of Enrollment	Retention Rate (%) 2017 - 2018	2018/19	2019/20	2020/21
K	119	125	270	216%	n/a	125	125	125
1	125	125	193	154%	84.87	125	125	125
2	123	125	226	181%	91.20	125	125	125
3	122	125	188	150%	94.31	125	125	125
4	124	125	203	162%	86.89	125	125	125
5	121	125	227	182%	88.71	125	125	125
6	179	180	84	47%	83.47	180	180	180
7	184	184	129	70%	87.15	180	180	180
8	178	180	38	21%	85.33	180	180	180
9	132	203	0	0%	66.85	210	210	240
10	91	140	9	6%	84.85	180	210	210
11	55	78	12	15%	78.02	120	180	210
12	–	50	12	24%	83.64	60	120	180
Total	1,553	1,765	1,591	90%		1,860	2,010	2,130

Stephanie Campus Enrollment

Stephanie	2016/17	2017/18	Waitlist	% of Enrollment	Retention Rate (%) 2017 – 2018	2018/19	2019/20	2020/21
K	100	99	318	321%	n/a	100	100	100
1	97	100	199	199%	90.00	100	100	100
2	100	100	143	143%	86.60	100	100	100
3	98	100	107	107%	90.00	100	100	100
4	121	125	16	13%	88.78	125	100	100
5	125	124	111	90%	90.91	125	125	100
6	94	117	0	0%	60.00	120	120	120
7	66	89	0	0%	73.40	120	120	120
8	53	60	16	27%	80.30	90	120	120
Total	854	914	910	100%		980	985	960

Somerset Grade from the Nevada Department of Education

In 2015 school, the Nevada Department of Education was poised to deliver a revised school accountability grading system. When its vendors failed to deliver in a timely manner, the US Department of Education granted a "pause" in issuing Star Ratings through the Nevada School Performance Framework. As a result, the Nevada Department of Education did not rate schools for 2 consecutive years and only rated elementary and middle school grades for 2016-17. There was a practice to use the previous ratings from prior years for years without a rating as needed.

For the 2016-2017 school year, Somerset received the following ratings:

- Elementary: 4 Stars
- Middle School: 3 Stars
- High School: Under development

In order to receive a rating at the high school level, Somerset Las Vegas is utilizing its Somerset Florida model for a comparative rating. In analyzing, the Florida system, that system uses a school grading system which differs from the Nevada system. Generally, the following table compares the 2 systems:

Florida Grading System			Nevada Grading System	
Grade	Allocation		Grade	Allocation
"A"	62% of points or greater		Five stars	80-102
"B"	54% to 61% of points		Four stars	70-79
"C"	41% to 53% of points		Three stars	50-69
"D"	32% to 40% of points		Two stars	29-49
"F"	31% of points or less		One star	0-28

Between the various components that comprise the grading systems and allocations, comparing the two systems on an even basis can be challenging. Florida and Nevada did share comparable performance indicators in Achievement, Learning Gains and Graduation. While other categories paralleled each other, they didn't exactly match-up.

For the 2015-2016 and 2016-2017 school years, Somerset Florida had 8 charter high schools that received a Florida rating. The average rating of those 8 high schools was a C (53.88%) for the 2015-2016 school year and was a B (57.38%) for the 2016-2017 school year.

As such, in the practice of continuity in ratings between the rated years and non-rated years along with interpolating the Florida grading system, Somerset Las Vegas achieves the grading prerequisite.

Revenues and Expenditures Summary

Somerset is considered one entity with 5 various campuses. Though the finances all flow through to Somerset, it recognizes the five campuses separately and accounts for them individually to verify fiscal solvency at each campus. As such, there is accountability at each campus to be responsible for its respective costs and portion of bonds outstanding.

To retain parity amongst the Somerset bond financings and in concert in obtaining a rating, an Obligated Group was created as security for the bonds comprising the campuses being financed with bonds. As such, the 4 campuses' cash flows are mingled together to show a singular debt service coverage. The following table projects the aggregate debt service coverage for all Somerset transactions. At the issuance of the Bonds, there will be 2 series outstanding, the Series 2015 & 2018 Bonds.

Fiscal year	2018	2019	2020	2021	2022
Revenue					
Budgeted Revenues	$35,958,390	$37,987,400	$40,460,844	$42,157,057	$43,510,586
Special Ed Funding (Part B)	$680,358	$522,050	$522,050	$549,188	$549,188
SPED Discretionary Unit	$1,631,966	$1,792,694	$1,792,694	$1,877,676	$1,877,676
Read by 3 Grant / Other	$172,005	$89,744	$89,537	$89,352	$89,366
Total Gross Revenues	**$38,442,719**	**$40,391,888**	**$42,865,125**	**$44,673,273**	**$46,026,816**
Expenses					
Salary and Wages	$15,979,933	$15,779,200	$16,675,190	$17,384,364	$17,846,448
Benefits and Related	$7,341,180	$7,404,888	$7,863,742	$8,203,670	$8,462,896
Operations	$6,729,785	$7,222,896	$7,369,135	$7,395,185	$7,318,955
Facilities	$1,498,865	$1,720,252	$1,801,316	$1,870,628	$1,899,183
Total Operating Expenses	**$31,549,763**	**$32,127,236**	**$33,709,383**	**$34,853,847**	**$35,527,482**
Net Available for Debt Service	**$6,892,956**	**$8,264,652**	**$9,155,742**	**$9,819,426**	**$10,499,334**
Debt Service					
Series 2015	$2,798,213	$2,798,213	$2,797,013	$2,799,513	$2,795,713
Series 2018	$0	$2,951,979	$3,354,550	$3,337,894	$3,355,881
Facilities Lease Financings	$2,198,750	$0	$0	$0	$0
Less: Capitalized Interest	$0	$0	$0	$0	$0
Total Debt Service	$4,996,963	$5,750,192	$6,151,563	$6,137,407	$6,151,594
Debt Service Coverage	**1.38**	**1.44**	**1.49**	**1.60**	**1.71**

To demonstrate operational integrity, the following tables illustrate that each campus has sufficient cash flow to support its allocable portion of the Bonds. For the Series 2018 Bonds, the Losee and Stephanie projections are highlighted below.

Losee Campus – 5-yr Projection

Fiscal year	2018	2019	2020	2021	2022
Enrollment	1,766	1,840	2,010	2,130	2,190
Revenue					
Budgeted Revenues	$11,885,180	$12,685,200	$13,913,823	$14,891,299	$15,494,013
Special Ed Funding (Part B)	$237,100	$37,500	$37,500	$37,500	$37,500
SPED Discretionary Unit	$574,240	$645,280	$645,280	$666,000	$666,000
Read by 3 Grant / Other	$40,800	$40,000	$40,000	$37,500	$40,000
Total Gross Revenues	**$12,737,320**	**$13,407,980**	**$14,636,603**	**$15,632,299**	**$16,237,513**
Expenses					
Salary and Wages	$5,200,871	$5,140,595	$5,637,006	$6,033,544	$6,236,133
Benefits and Related	$2,387,684	$2,415,963	$2,662,468	$2,846,117	$2,955,548
Operations	$2,340,653	$2,506,645	$2,544,445	$2,580,295	$2,536,395
Facilities	$479,147	$646,530	$686,800	$718,900	$730,400
Total Operating Expenses	**$10,408,355**	**$10,709,733**	**$11,530,719**	**$12,178,856**	**$12,458,476**
Net Available for Debt Service	**$2,328,965**	**$2,698,247**	**$3,105,884**	**$3,453,443**	**$3,779,037**
Debt Service					
Series 2015	$0	$0	$0	$0	$0
Series 2018	$0	$2,199,224	$2,499,140	$2,486,731	$2,500,132
Facilities Lease Financings	$1,448,750	$0	$0	$0	$0
Total Debt Service	$1,448,750	$2,199,224	$2,499,140	$2,486,731	$2,500,132
Debt Service Coverage	**1.61**	**1.23**	**1.24**	**1.39**	**1.51**

Stephanie Campus – 5-yr Projection

Fiscal year	2018	2019	2020	2021	2022
Enrollment	514	580	585	560	560
Revenue					
Budgeted Revenues	$6,151,220	$6,683,600	$6,818,466	$6,711,571	$6,791,896
Special Ed Funding (Part B)	$101,250	$123,750	$123,750	$123,750	$123,750
SPED Discretionary Unit	$239,760	$293,040	$293,040	$293,040	$293,040
Read by 3 Grant / Other	$40,800	$20,000	$20,000	$20,000	$20,000
Total Gross Revenues	**$6,533,030**	**$7,120,390**	**$7,255,256**	**$7,148,361**	**$7,228,686**
Expenses					
Salary and Wages	$2,756,221	$2,820,963	$2,865,861	$2,848,613	$2,874,844
Benefits and Related	$1,253,859	$1,324,526	$1,351,558	$1,349,504	$1,368,430
Operations	$1,164,061	$1,246,390	$1,263,357	$1,264,359	$1,268,267
Facilities	$237,120	$259,530	$264,619	$270,874	$273,482
Total Operating Expenses	**$5,411,261**	**$5,651,409**	**$5,745,395**	**$5,733,350**	**$5,785,023**
Net Available for Debt Service	**$1,121,769**	**$1,468,981**	**$1,509,861**	**$1,415,011**	**$1,443,663**
Debt Service					
Series 2015	$0	$0	$0	$0	$0
Series 2018	$0	$752,755	$855,410	$851,163	$855,750
Facilities Lease Financings	$750,000	$0	$0	$0	$0
Total Debt Service	$750,000	$752,755	$855,410	$851,163	$855,750
Debt Service Coverage	**1.50**	**1.95**	**1.77**	**1.66**	**1.69**

Financing Summary

The Bonds will comprise 100% of sources of funds to purchase the facilities. The Bonds will be secured by both the facilities and revenues generated by the Obligated Group's respective campuses. The Bonds' new debt service payments are anticipated to realize a lower annual facility expense as compared to the current lease structure for both the Losee and Stephanie Campuses. The Bonds are being sold via a negotiated offering with 2 underwriters; DA Davidson Companies will serve as the lead underwriter with RW Baird & Co. as the co-manager. The Bonds will be fixed-rate bonds, with an optional redemption option, amortizing over 30-yrs to be utilized as follows (approximate values, subject to change):

- Purchase the Losee Campus and related improvements: $34.6MM
- Purchase the Stephanie Campus: $11.8MM
- Fund a debt service reserve fund equal to maximum annual debt service: $3.4MM
- Other real estate related expenses: $115,000
- Pay associated costs of issuance: $1.35MM
- Total par amount of bonds: $51.2M

Conclusion

Wherein Somerset Academy provides a sound educational atmosphere for its students, maintaining strong enrollment numbers while being fiscally solvent, we recommend approval of the application and issuance of the Bonds to purchase the facilities. The financing will significantly reduce the annual facilities costs which will provide more resources for the classroom and create additional financial stability for Somerset.

LYRB concurs with the B&I and Bond Counsel that the Somerset Project meets the requisite Nevada Revised Statutes and should be presented to the Board of Finance for its ultimate approval.

We welcome the opportunity to discuss the Somerset financing application. Please contact either me directly at (801) 456-3903 or by cell (801) 647-4823 or by e-mail david@lewisyoung.com.

Sincerely,

David Robertson
Vice President

EXHIBIT I

CERTIFICATE OF APPROVAL BY THE STATE BOARD OF FINANCE

The undersigned duly qualified Chief Deputy Treasurer and Ex-Officio Secretary of the State Board of Finance of the State of Nevada (the "Board of Finance"), does hereby certify as follows:

1. The Board of Finance met on March 13, 2018, in a duly noticed open meeting at which a quorum of the members of the State Board of Finance were in attendance.

2. At such meeting the State Board of Finance approved the Findings of the Director of the Department of Business and Industry of the State of Nevada (the "Director") dated as of February 21, 2018 relating to its Charter School Lease Revenue Bonds (Somerset Academy) Series 2018A and its Charter School Lease Revenue Bonds (Somerset Academy) Series 2018B (Federally Taxable) (the "Bonds") and reviewed the Additional Considerations contained therein.

3. The foregoing actions have not been amended, modified, rescinded and are now in full force and effect.

IN WITNESS WHEREOF, I have executed and delivery this Certificate on the date set forth below.

Dated this _____ day of _____, 2018.

STATE BOARD OF FINANCE

By:_____
Tara Hagan
Chief Deputy Treasurer
Ex-Officio Secretary

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www.business.nv.gov

Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Kim Shafer, Deputy Treasurer - Investments

SUBJECT: 03_13_18 BoF Agenda Item #6- Bond Expenditure Report

DATE: March 3, 2018

Agenda Item #6

Receive report on bond expenditures as of December 31, 2017.

BACKGROUND:

The State's Debt Management Policy, which was revised and approved in calendar year 2014, requires that a report on the expenditures of bond proceeds shall be presented to the Board of Finance. This report helps to ensure compliance with federal regulations which require 85% of bond proceeds to be spent within three years of issuance and bonds are issued when proceeds are needed which helps reduce the State's financing costs over time.

SUMMARY OF REPORT RESULTS

Attachment A summarizes the unspent bond proceeds by department and calendar year. Excluding 2017 issuances, there is $51.29 million of unspent bond proceeds, which can be categorized as follows:

- A number of bond issuances were executed in CY 2016, so there is $27.99 million of unspent proceeds from issuances in 2016, most of it received by Public Works. Public Works earmarks the funds for general capital improvement projects.
- CY 2015 issuances have approximately $10.08 million (6.5%) remaining. The majority of the funds remaining are Public Works and Nevada System of Higher Education. Both entities have spent the majority of the funds prior to the 3-year deadline fulfilling the requirement.

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555 E. Washington Avenue, Suite 4600
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Internet: NevadaTreasurer.gov E-mail: StateTreasurer@NevadaTreasurer.gov

- The remaining CY 2014 issuances have met the 3-year/85% spenddown requirement with approximately $9.25 million (5.6%) remaining. The remaining funds belong primarily to Public Works. The majority of the funds have been reallocated to current projects by the 2017 Legislative Session.
- Finally, there remain unspent proceeds, $2.61 million (0.12%) from bonds sold in 2008-2010 approximately 10-7 years ago. There is also $1.37 million remaining from bond issues dated in 2011.
- Seven entities have not spent all of their proceeds from these years:
    - Department of Administration - $39.66 million
    - Conservation and Natural Resources - $3.00 million
    - Division of Environmental Protection - $260,394
    - State Historic Preservation Office - $814,713
    - State Lands - $2.73 million
    - Nevada System of Higher Education - $4.71 million
    - Department of Transportation - $101,414

A discussion of each situation follows. Overall, the State has expended 98.15% of bond proceeds received from state bond issuances excluding bonds sold in 2017.

Department of Administration (Public Works)

The Department of Administration is reporting that it has the following balance of unspent proceeds remaining:

Series	Amount Remaining as of 6.30.2017	Amount Remaining as of 12.31.2017
2016C G.O. Capital Improvement and Cultural Centers Bonds	$37,551,042	$24,714,676
2015C G.O. Natural Resources Refunding Bonds	$1,176	$0
2015D G.O. Capital Improvement and Refunding Bonds	$11,404,852	$3,095,122
2015E G.O. Capital Improvement and Refunding Bonds	$545	$545
2014A G.O. Capital Improvement and Cultural Affairs	$10,804,351	$8,745,727
2013F-1 G.O. Nature Resources Bonds	$28	$28
2011A G.O. Capital Improvement & Cultural Affairs Bonds	$1,370,306	$1,365,634
2010C G.O. Capital Improvement Bonds	$133,559	$0
2009A G.O. Capital Improvement Bonds (Build America Bonds)	$825,130	$804,780
2008C G.O. Capital Improvement & Cultural Affairs Bonds	$1,160,336	$908,502
2006E Capital Improvement Bonds	$606,189	$24,735
Total	**$63,857,514**	**$39,659,749**

The following table shows the remaining proceeds and projected spending through June 30, 2018.

Series	Amount remaining as of 12.31.2017	Projected Amount remaining 06.30.2018
2016C G.O. Capital Improvement and Cultural Centers Bonds	$24,714,676	$9,919,344
2015C G.O. Natural Resources Refunding Bonds	$0	$0
2015D G.O. Capital Improvement and Refunding Bonds	$3,095,122	$1,005,122
2015E G.O. Capital Improvement and Refunding Bonds	$545	$0
2014A G.O. Capital Improvement and Cultural Affairs	$8,745,727	$3,115,531
2013F-1 G.O. Nature Resources Bonds	$28	$0
2011A G.O. Capital Improvement & Cultural Affairs Bonds	$1,365,634	$1,365,634
2010C G.O. Capital Improvement Bonds	$0	$0
2009A G.O. Capital Improvement Bonds (Build America Bonds)	$804,780	$667,573
2008C G.O. Capital Improvement & Cultural Affairs Bonds	$908,502	$449,037
2006E Capital Improvement Bonds	$24,735	$0
Total	**$39,659,749**	**$16,522,241**

Public Works staff has, in the past cited, "typical project delays" and the assumption that non-state funding sources should be spent before bond proceeds as the general reasons for delays in spending the above proceeds, which date back seven years or more. Public Works has noted that approximately $12.11 million from 2014 and prior bond issues have been repurposed by the Legislature in 2017. The majority of this amount, $8.4 million (15.13% of the original issuance) can be attributed to the 2014 bond issuance. Public works has noted that the majority of the 2009A, 2008C and 2006E proceeds have been reallocated by the Legislature in 2017 and it expects to spend down these balances by the end of June 2019.

Department of Conservation and Natural Resources (DCNR)
DCNR is reporting that it has the following balance of unspent proceeds remaining:

Series	Amount Remaining as of 6.30.2017	Amount Remaining as of 12.31.2017
2016B G.O. Open Space, Parks, and Natural Resource and Refunding Bonds	$902,614	$853,800
2015G G.O. Open Space, Parks, and Natural Resource and Refunding Bonds	$2,007,921	$2,007,921
2014C G.O. Open Space, Parks, and Natural Resources Bonds	$910,649	$88,418
2009D G.O. Open Space, Parks and Cultural Resources Bonds	$53,745	$53,745
2009E G.O. Open Space, Parks and Natural Resources Bonds	$352,914	$0
Total	**$4,227,843**	**$3,003,884**

New bond funds from the 2016B issuance are specific to the Department of Wildlife. The agency indicated that the funds are currently being spent on the Lake Mead Fish Hatchery and other projects. The agency is on track to spend the funds in a timely manner and should

expend the total prior to the end of 2018. The remaining funds from the 2015G issue are specific to the Division of State Parks and the Division of State Lands. State Lands completed the portion of the Lake Tahoe Bike Path related to the 2015G issuance and has spent $1 million since the 12/31 date of the report. The Division of State Parks is in the planning phases of the Walker River State Recreation Area and various other projects and has plans to spend the remaining $1 million by June 30, 2019.

For the 2014C issue, remaining funds from this series are for the Division of State Lands with the majority obligated to the Lake Tahoe path system, specifically the bike path between Incline Village and Sand Harbor. The construction for the bike path is currently in progress. State Lands expects to fully expend the proceeds by the end of June 30, 2018.

DCNR has explained that the 2009D issue can only be used for land/water acquisitions. Land acquisition opportunities do not usually occur for this small of an amount; therefore, the agency does not anticipate any expenditures at this time. Funds can be expended promptly once additional bonds are sold in this category.

For the 2009E bond issue has been fully expended.

Division of Environmental Protection (NDEP)
NDEP has $206,394 remaining of the 2015E bond issuance. The agency has plans in place to spend the remaining funds by June 30, 2018.

State Historic Preservation Office (SHPO)
SHPO has $814,713 remaining of the initial $1 million distributed in November 2016. The agency indicated they have projects underway and intend to spend the balance by December 31, 2018.

State Lands
State Lands is reporting that it has the following balance of unspent proceeds remaining:

Series	Amount Remaining as of 6.30.2017	Amount Remaining as of 12.31.2017
2016D G.O. Natural Resources and Refunding Bonds	$1,502,842	$1,502,842
2014B G.O. Natural Resources and Refunding Bonds	$1,248,883	$411,900
2010A G.O. Natural Resources Bonds (Private Placement)	$644,048	$220,000
2009C G.O. Natural Resources & Refunding Bonds	$367,823	$172,860
2004B G.O. Natural Resources & Refunding Bonds	$100,033	$100,033
Aggregated interest for all Bond Series (2004 – 2010)	$331,899	$325,228
Total	**$4,195,528**	**$2,732,863**

State Lands explained that all of the 2016D issuance is encumbered for water quality projects and the Asian Clam project at Sand Harbor. These are currently in design and construction to be completed within calendar year 2018. All of the 2014B issue has been spent on a large water quality project as of January 2018. A small amount of the 2010A series funds remain at the time of this report encumbered for forest restoration projects in the fall of 2018. The Nevada Division of Forestry burn moratorium has slowed expenditures. The 2009C funds remaining

are encumbered for forest restoration projects as well and the intent is to complete the expenditures in fall 2018. The 2004B funds were not spent and have been repurposed for the Asian Clam project at Sand Harbor that is currently in construction and will be expended by June 2018 in conjunction with the 2016D issuance. Finally, the intent by State Lands is to use the aggregated interest earnings as a contingency for project implementation to ensure projects are implemented as designed and in a timely manner.

Nevada System of Higher Education (NSHE)
NSHE has approximately $4.71 million (5.7%) remaining of the initial proceeds of $86.23 million distributed in 2015. The 2015A issuance is projected to be depleted by December 30, 2018.

Department of Transportation (NDOT)
NDOT has $101,414 remaining of the 2016 Highway Revenue Improvement and Refunding Bonds remaining. The agency is on track to expend all 2016 funds by June 2018.

Conclusion

After nearly three years of reporting post issuance expenditures to the Board of Finance, the Treasurer's Office along with other using agencies believes the formal process of reporting and monitoring bond expenditures is a successful and worthwhile exercise. The process has encouraged the State to re-purpose bond proceeds when possible for other projects which reduces the total amount of new bond issuances, allowed the Debt Division to utilize custodian accounts to better manage each project's cash flows and funding; and helped to ensure issuances are meeting the IRS 3 year/85% requirement particularly for issuances after 2014. These reports and activities have helped the State save monies with fewer new bond issuances and helped to ensure bond proceeds are spent timely.

ATTACHMENT A

Summary of Bond Expenditures
By Year of Issuance and Department

Effective Date: 12/31/17

Year of Issuance: **2017**

Department	Amount of Proceeds Received	Amount Remaining	% Unspent	Projected Expenditures: Spent by 6/30/18	Spent by 12/31/18	Spent by 6/30/19	Total Spent thru 6/30/19
Administration - Public Works	$ 91,141,062	$ 90,055,779	98.8%	$ 23,412,139	$ 46,692,175	$ 11,846,238	$ 81,950,552
Colorado River Commission (CRC)	$ -	$ -	N/A				$ -
Conservation and Nat'l. Resources (DCNR)	$ 4,740,675	$ 4,740,675	100.0%	$ 783,866	$ 300,000	$ 1,000,000	$ 2,083,866
Division of Environmental Protection	$ 11,605,001	$ 2,836,762	24.4%	$ 1,836,297	$ 1,000,465		$ 2,836,762
State Historic Preservation Office	$ -	$ -	N/A				$ -
State Lands	$ 2,506,694	$ 2,506,695	100.0%	$ 100,000	$ 1,400,000	$ 500,000	$ 2,000,000
System of Higher Education (NSHE)	$ -	$ -	N/A				$ -
Transportation (NDOT)	$ 185,478,478	$ 105,688,409	57.0%	$ 91,418,586	$ 14,269,823		$ 105,688,409
Wildlife (NDOW)	$ -	$ -	N/A				$ -
Total	**$ 295,471,910**	**$ 205,828,320**	**69.7%**	**$ 117,550,888**	**$ 63,662,463**	**$ 13,346,238**	**$ 194,559,589**

Year of Issuance: **2016**

Department	Amount of Proceeds Received	Amount Remaining	% Unspent	Projected Expenditures: Spent by 6/30/18	Spent by 12/31/18	Spent by 6/30/19	Total Spent thru 6/30/19
Administration - Public Works	$ 37,551,042	$ 24,714,676	65.8%	$ 14,795,332	$ 9,919,344		$ 24,714,676
Colorado River Commission (CRC)	$ -	$ -	N/A				$ -
Conservation and Nat'l. Resources (DCNR)	$ 998,977	$ 853,801	85.5%	$ 502,489	$ 351,312		$ 853,801
Division of Environmental Protection	$ 4,000,500	$ -	0.0%				$ -
State Historic Preservation Office	$ 1,000,000	$ 814,713	81.5%	$ 149,402	$ 665,311		$ 814,713
State Lands	$ 1,502,842	$ 1,502,842	100.0%	$ 400,000	$ 1,102,842		$ 1,502,842
System of Higher Education (NSHE)	$ -	$ -	N/A				$ -
Transportation (NDOT)	$ 200,007,547	$ 101,414	0.1%	$ 101,414			$ 101,414
Wildlife (NDOW)	$ -	$ -	N/A				$ -
Total	**$ 245,060,908**	**$ 27,987,446**	**11.4%**	**$ 15,948,637**	**$ 12,038,809**	**$ -**	**$ 27,987,446**

ATTACHMENT A

Summary of Bond Expenditures
By Year of Issuance and Department

Effective Date: 12/31/17

Year of Issuance: **2015**

Department	Amount of Proceeds Received	Amount Remaining	% Unspent	Projected Expenditures: Spent by 6/30/18	Projected Expenditures: Spent by 12/31/18	Projected Expenditures: Spent by 6/30/19	Projected Expenditures: Total Spent thru 6/30/19
Administration - Public Works	$ 62,209,030	$ 3,095,667	5.0%	$ 2,090,545	$ 1,005,122		$ 3,095,667
Colorado River Commission (CRC)	$ -	$ -	N/A				$ -
Conservation and Nat'l. Resources (DCNR)	$ 3,182,812	$ 2,007,921	63.1%	$ 1,207,921	$ 400,000	$ 400,000	$ 2,007,921
Division of Environmental Protection	$ 7,708,282	$ 260,394	3.4%	$ 260,394			$ 260,394
State Historic Preservation Office	$ -	$ -	N/A				$ -
State Lands	$ -	$ -	N/A				$ -
System of Higher Education (NSHE)	$ 82,229,984	$ 4,712,198	5.7%	$ 4,712,198			$ 4,712,198
Transportation (NDOT)	$ -	$ -	N/A				$ -
Wildlife (NDOW)	$ -	$ -	N/A				$ -
Total	**$ 155,330,108**	**$ 10,076,180**	**6.5%**	**$ 8,271,058**	**$ 1,405,122**	**$ 400,000**	**$ 10,076,180**

Year of Issuance: **2014**

Department	Amount of Proceeds Received	Amount Remaining	% Unspent	Projected Expenditures: Spent by 6/30/18	Projected Expenditures: Spent by 12/31/18	Projected Expenditures: Spent by 6/30/19	Projected Expenditures: Total Spent thru 6/30/19
Administration - Public Works	$ 55,505,257	$ 8,745,727	15.8%	$ 5,630,196	$ 2,296,808	$ 492,893	$ 8,419,897
Colorado River Commission (CRC)	$ 397,683	$ -	0.0%				$ -
Conservation and Nat'l. Resources (DCNR)	$ 3,445,264	$ 88,419	2.6%	$ 88,418			$ 88,418
Division of Environmental Protection	$ 3,008,048	$ -	0.0%				$ -
State Historic Preservation Office	$ 1,000,000	$ -	0.0%				$ -
State Lands	$ 1,502,091	$ 411,900	27.4%	$ 411,900			$ 411,900
System of Higher Education (NSHE)	$ -	$ -	N/A				$ -
Transportation (NDOT)	$ 100,018,664	$ -	0.0%				$ -
Wildlife (NDOW)	$ -	$ -	N/A				$ -
Total	**$ 164,877,007**	**$ 9,246,046**	**5.6%**	**$ 6,130,514**	**$ 2,296,808**	**$ 492,893**	**$ 8,920,215**

ATTACHMENT A

Summary of Bond Expenditures
By Year of Issuance and Department

Effective Date: 12/31/17

Year of Issuance: **2013**

Department	Amount of Proceeds Received	Amount Remaining	% Unspent	Projected Expenditures: Spent by 6/30/18	Projected Expenditures: Spent by 12/31/18	Projected Expenditures: Spent by 6/30/19	Projected Expenditures: Total Spent thru 6/30/19
Administration - Public Works	$ 695	$ 28	4.0%	$ 28	$ -	$ -	$ 28
Colorado River Commission (CRC)	$ -	$ -	N/A				$ -
Conservation and Nat'l. Resources (DCNR)	$ -	$ -	N/A				$ -
Division of Environmental Protection	$ 30,531	$ -	0.0%				$ -
State Historic Preservation Office	$ -	$ -	N/A				$ -
State Lands	$ -	$ -	N/A				$ -
System of Higher Education (NSHE)	$ -	$ -	N/A				$ -
Transportation (NDOT)	$ 29,429	$ -	0.0%				$ -
Wildlife (NDOW)	$ -	$ -	N/A				$ -
Total	**$ 60,655**	**$ 28**	**0.0%**	**$ 28**	**$ -**	**$ -**	**$ 28**

Year of Issuance: **2012**

Department	Amount of Proceeds Received	Amount Remaining	% Unspent	Projected Expenditures: Spent by 6/30/18	Projected Expenditures: Spent by 12/31/18	Projected Expenditures: Spent by 6/30/19	Projected Expenditures: Total Spent thru 6/30/19
Administration - Public Works	$ -	$ -	N/A	$ -	$ -	$ -	$ -
Colorado River Commission (CRC)	$ 22,007	$ -	0.0%				$ -
Conservation and Nat'l. Resources (DCNR)	$ -	$ -	N/A				$ -
Division of Environmental Protection	$ -	$ -	N/A				$ -
State Historic Preservation Office	$ -	$ -	N/A				$ -
State Lands	$ -	$ -	N/A				$ -
System of Higher Education (NSHE)	$ -	$ -	N/A				$ -
Transportation (NDOT)	$ 16,434	$ -	0.0%				$ -
Wildlife (NDOW)	$ -	$ -	N/A				$ -
Total	**$ 38,441**	**$ -**	**0.0%**	**$ -**	**$ -**	**$ -**	**$ -**

ATTACHMENT A

Summary of Bond Expenditures
By Year of Issuance and Department

Effective Date: 12/31/17

Year of Issuance: **2011**

Department	Amount of Proceeds Received	Amount Remaining	% Unspent	Projected Expenditures: Spent by 6/30/18	Spent by 12/31/18	Spent by 6/30/19	Total Spent thru 6/30/19
Administration - Public Works	$ 28,510,000	$ 1,365,634	4.8%	$ -	$ -	$ 875,672	$ 875,672
Colorado River Commission (CRC)	$ 6,188	$ -	0.0%				$ -
Conservation and Nat'l. Resources (DCNR)	$ -	$ -	N/A				$ -
Division of Environmental Protection	$ 2,931,389	$ -	0.0%				$ -
State Historic Preservation Office	$ 490,000	$ -	0.0%				$ -
State Lands	$ -	$ -	N/A				$ -
System of Higher Education (NSHE)	$ -	$ -	N/A				$ -
Transportation (NDOT)	$ -	$ -	N/A				$ -
Wildlife (NDOW)	$ -	$ -	N/A				$ -
Total	**$ 31,937,577**	**$ 1,365,634**	**4.3%**	**$ -**	**$ -**	**$ 875,672**	**$ 875,672**

Year of Issuance: **2010 & Prior**

Department	Amount of Proceeds Received	Amount Remaining	% Unspent	Projected Expenditures: Spent by 6/30/18	Spent by 12/31/18	Spent by 6/30/19	Total Spent thru 6/30/19
Administration - Public Works	$ 1,014,930,690	$ 1,738,017	0.2%	$ 621,407	$ 268,625	$ 789,017	$ 1,679,049
Colorado River Commission (CRC)	$ 72,775	$ -	0.0%				$ -
Conservation and Nat'l. Resources (DCNR)	$ 166,086,445	$ 53,743	0.0%				$ -
Division of Environmental Protection	$ 172,229,715	$ -	0.0%				$ -
State Historic Preservation Office	$ 19,100,294	$ -	0.0%				$ -
State Lands	$ 50,401,639	$ 818,121	1.6%	$ 150,033	$ 467,860	$ 50,000	$ 667,893
System of Higher Education (NSHE)	$ 42,548	$ -	0.0%				$ -
Transportation (NDOT)	$ 742,110,603	$ -	0.0%				$ -
Wildlife (NDOW)	$ 16,735,734	$ -	0.0%				$ -
Total	**$ 2,181,710,444**	**$ 2,609,881**	**0.1%**	**$ 771,440**	**$ 736,485**	**$ 839,017**	**$ 2,346,942**

ATTACHMENT A

Summary of Bond Expenditures
By Year of Issuance and Department

Effective Date: 12/31/17

Summary by Year of Issuance	Amount of Proceeds Received	Amount Remaining	% Unspent
2017	$ 295,471,910	$ 205,828,320	69.7%
2016	$ 245,060,908	$ 27,987,446	11.4%
2015	$ 155,330,108	$ 10,076,180	6.5%
2014	$ 164,877,007	$ 9,246,046	5.6%
2013	$ 60,655	$ 28	0.0%
2012	$ 38,441	$ -	0.0%
2011	$ 31,937,577	$ 1,365,634	4.3%
2010 & Prior	$ 2,181,710,444	$ 2,609,881	0.1%
Total	**$ 3,074,487,049**	**$ 257,113,534**	**8.4%**

TO: Board of Finance (BoF) Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: 3_13_18 BoF Agenda Item #7 - Discussion and possible action on Carson City Treasurer's request for approval of Government Portfolio Advisers, L.L.C. as an approved investment advisor pursuant to NRS 355.171, subsection 3.

DATE: March 1, 2017

Agenda Item #7
For possible action - Discussion and possible action on Carson City Treasurer's request for approval of Government Portfolio Advisers, L.L.C. as an approved investment advisor pursuant to NRS 355.171, subsection 3.

Please find attached the written request from the Carson City Treasurer.

Recommendation:
I respectfully request consideration and approval of this request.

CARSON CITY, NEVADA

CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

Tara R. Hagan
Chief Deputy Treasurer
Nevada State Treasurer's Office

Via email trhagan@nevadatreasurer.gov

Dear Ms. Hagan,

Carson City's current investment policy allows us to invest in the additional authorized investments outlined in Nevada Revised Statute (NRS) 355.171. However, because Carson City has a population of less than 100,000, these purchases must be effected by an investment adviser who is registered with the Securities and Exchange Commission (SEC) and approved by the State Board of Finance (NRS 351.171(3)(a)(1)).

Please accept this letter as a request to put an item on the agenda of the next available meeting of the State Board of Finance to approve Government Portfolio Advisors, L.L.C to purchase the securities outlined in NRS 355.171.

Government Portfolio Advisors, L.L.C. has been registered as an investment adviser with the SEC since 2014. The firm focuses primarily on providing investment advisory services to public funds. As of November 2017, they manage approximately $8.6 billion in non-discretionary assets and consult on another $6 billion in assets.

The firm's contact information is:

Government Portfolio Advisors, L.L.C.
2188 SW Park Place, Suite 100
Portland, OR 97205
(503) 248-9973
www.gpafixedincome.com

Deanne Woodring, President
Susan Munson, Managing Director

Please let me know if you have any questions or need additional information from me. Thank you for your consideration of this request.

Sincerely,

Gayle Robertson

Gayle Robertson, C.P.A.
Carson City Treasurer
201 N. Carson Street #5
Carson City, NV 89701
775-283-7434

Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Tara Hagan, Chief Deputy Treasurer

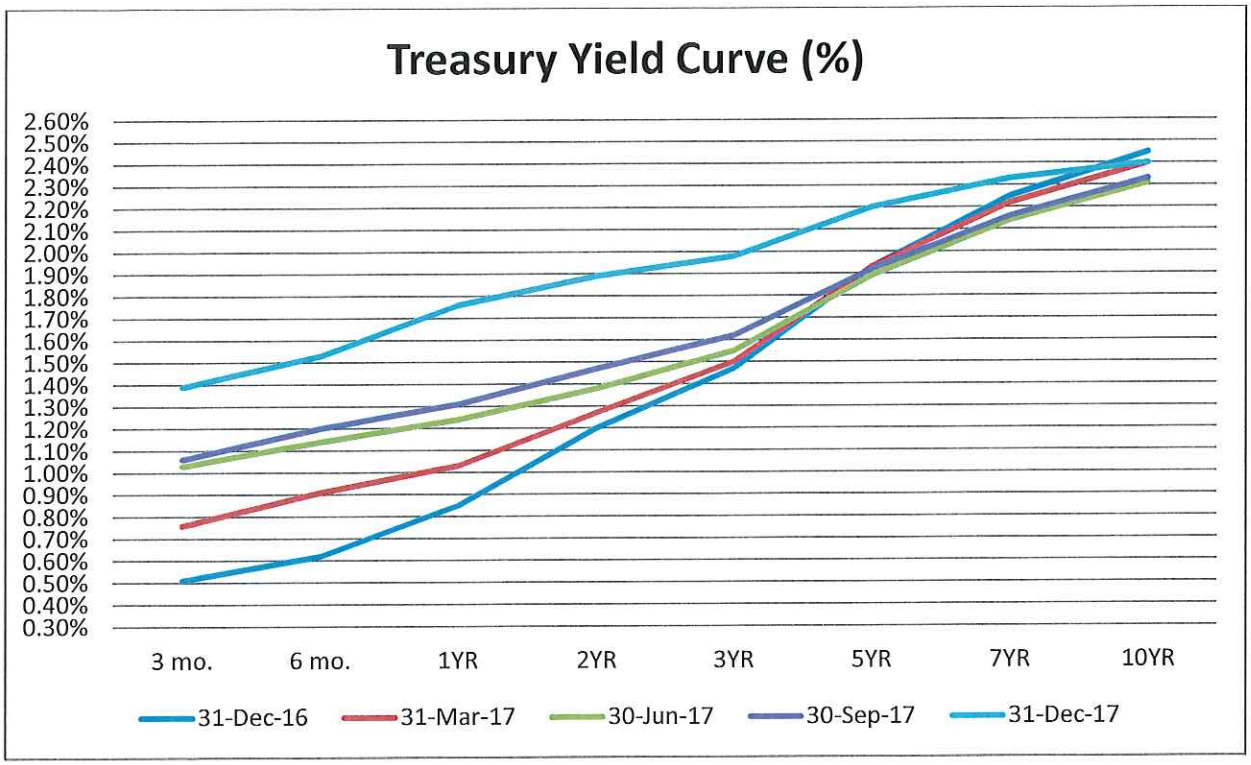
SUBJECT: 3-13-18 BoF Agenda Item #8– State Treasurer Investment Report

DATE: March 6, 2018

Agenda Item #8
Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ending December 31, 2017 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Fixed Income Markets
During the fourth quarter calendar year (October 1 through December 31, 2017), the Federal Reserve increased the Federal Funds rate 25 basis points, bringing the rate up to 1.25% - 1.50%, the third increase in 2017. Yield on the US Treasuries rose from the front-end of the yield curve (shorter maturities) with the two-year note increasing 40 basis points while the ten-year yield increased 7 basis points and the thirty-year dropped 12 basis points. US corporate spreads tightened 8 basis points during the quarter to finish the year at 93 basis points above comparable duration US Treasuries. Lower quality, longer duration bonds generally fared better. Finally, the US Treasury Yield curve flattened (see chart on top of page 2) another 52 basis points during the quarter, as measured by the difference between the 2-year Treasury note and 30-year long bond.

The Federal Reserve (Fed) began the slow process of unwinding its balance sheet during the fall of 2017. While the market was expecting three interest rate hikes in 2018, the new Fed Chair Jerome Powell's comments in late February noted that economic projections could potentially mean four rate hikes this year. The market fully expects an interest rate increase of 25 basis points to be announced at the next Fed meeting on March 20 which would bring the rate up to 1.50%- 1.75%.



Current Performance:
The attached reports indicate performance for the quarter ending December 31, 2017.

- FTN Financial began managing the LGIP portfolio in July 2015. The yield to maturity as of December 31, 2017 for LGIP assets was 1.39% which is 0.11% in excess of the benchmark return of 1.28%.

- The yield to maturity as of December 31, 2017 for total assets in the General Portfolio is 1.35%.

    - The yield to maturity of the internally managed portion of the General Portfolio was 1.461% which is 0.55% in excess of the custom blended benchmark return of 0.91%.

    - Chicago Equity Partners (CEP) began managing $200 million in General Portfolio assets on August 3, 2015 with an additional $100 million in 2016 for a total of $300 million.

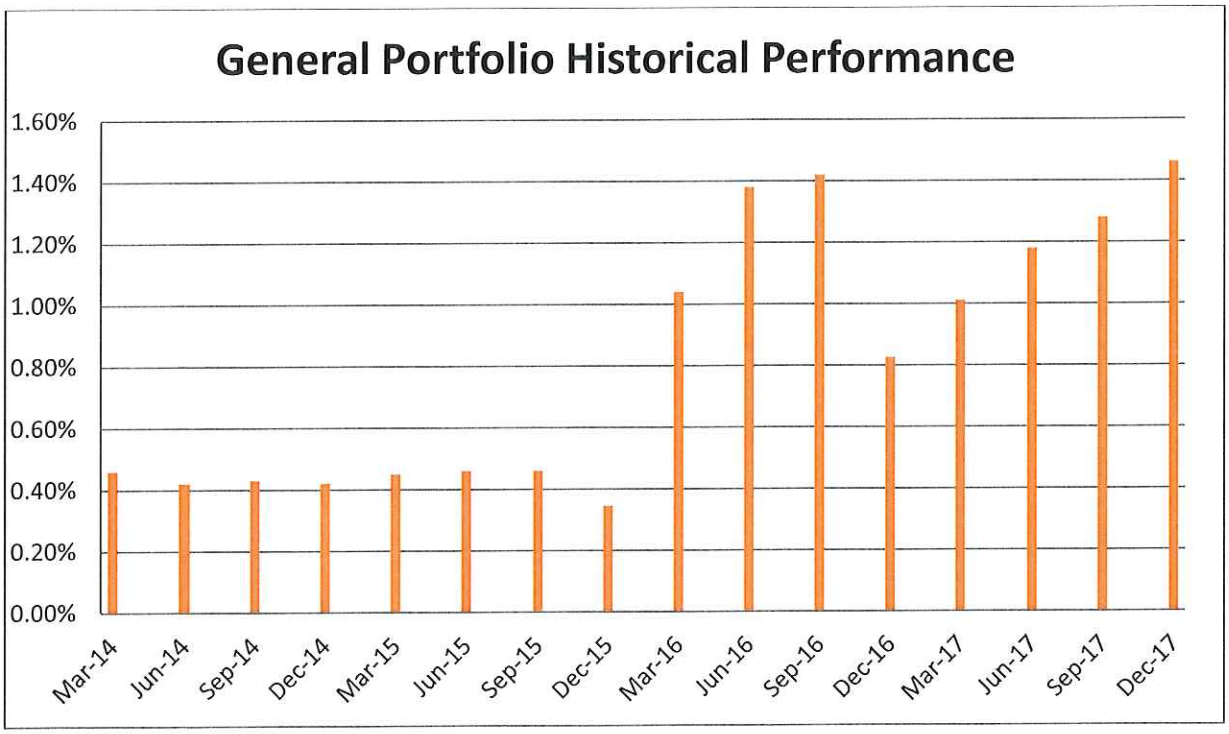
        - The year to date time weighted performance is 0.75%. As of December 31, 2017, CEP has distributed $7.49 million in net interest since inception. The hard dollar fees paid since inception to CEP as of December 31, 2017 were $799,580.

    - MacKay Shields (MKS) began managing $200 million in General Portfolio assets on December 1, 2015 with an additional $100 million for a total of $300 million.

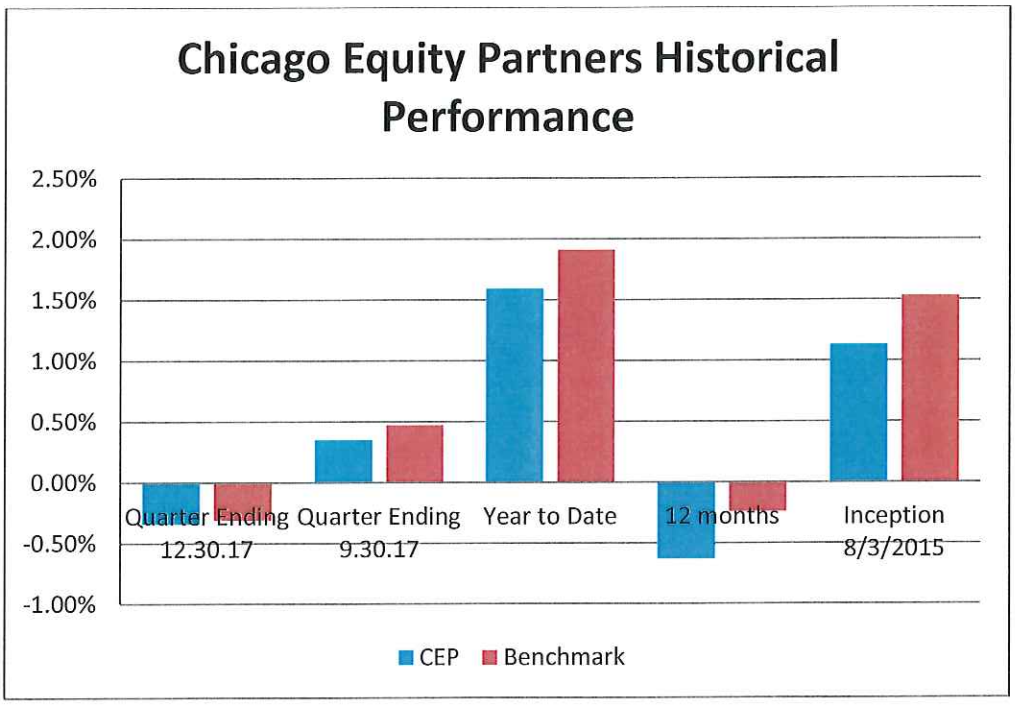
        - The year to date time weighted performance is 1.06%. As of December 31, 2017, MKS has distributed $6.31 million in net interest since inception. The hard dollar fees paid since inception to MKS as of December 31, 2017 were $834,127.

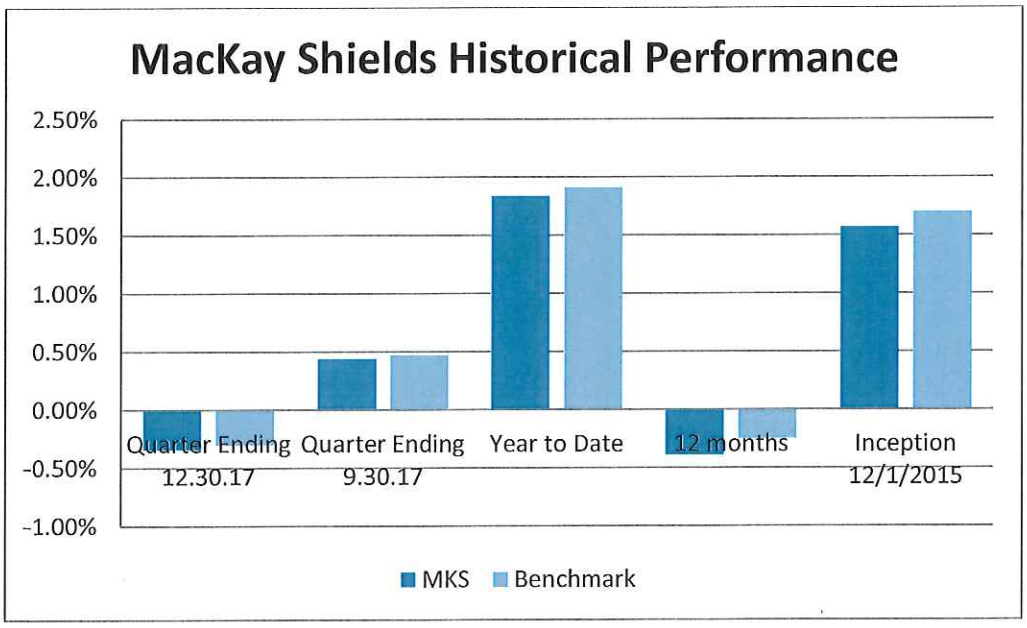
Historical General Portfolio Performance (includes external and internal management)

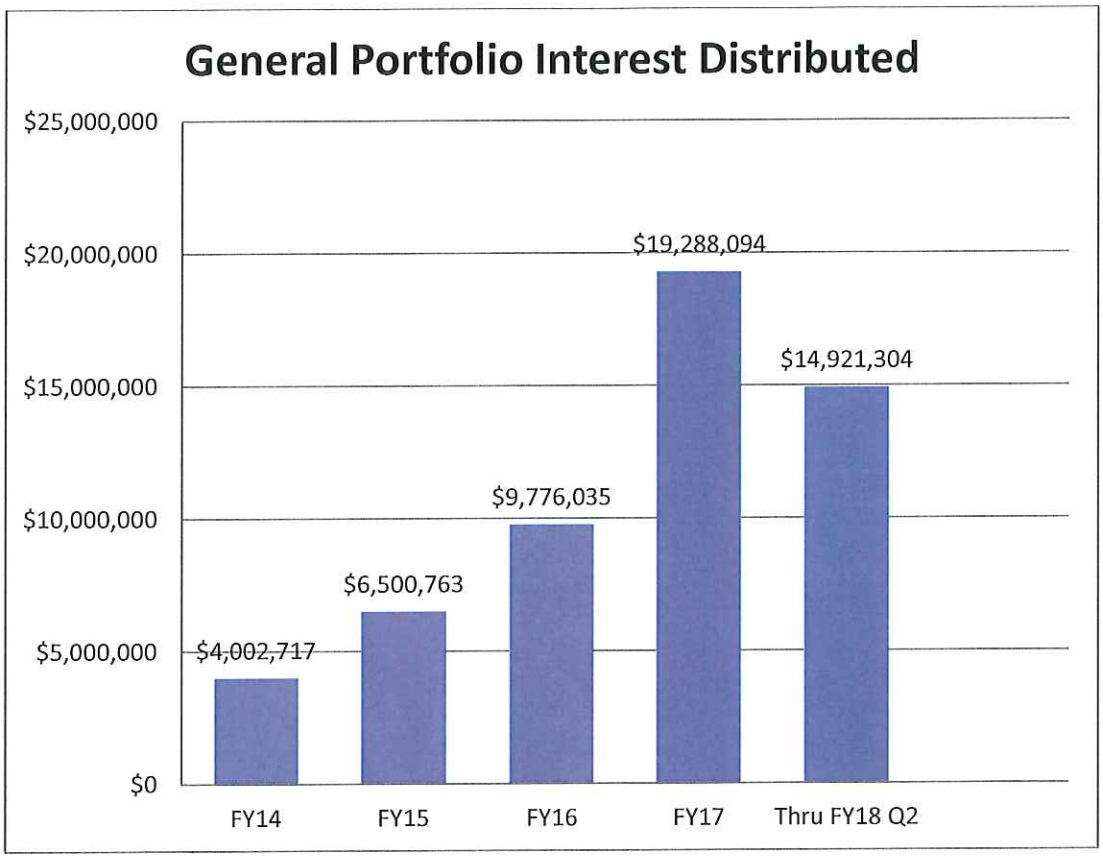
The General Portfolio performance as noted in the graph below began to improve in calendar year 2016 with the longer maturity holdings outperforming the shorter maturity holdings. The managers' performance during mid-2016 was ~2.50% - 3.57%; however, beginning in the 4th quarter of 2016, interest rates started to rise and have continued to rise with three rate increases in 2017 coupled with returns on the longer maturity holdings sharply decreased resulting in lower overall returns. The increase in interest rates over the past four quarters has increased the return on the shorter maturities which has helped boost performance in 2017.



Historical General Portfolio Managers' Performance







Recommendation:

I respectfully request consideration and approval of the quarterly investment reports and the Treasurer's investment policies for the General Portfolio and the LGIP.

State Treasurer
www.NevadaTreasurer.gov

INVESTMENTS

GENERAL PORTFOLIO

FISCAL YEAR 2018
Period Ending
December 31, 2017

Overview

Investment of the State of Nevada General Fund Portfolio is a function performed by the State Treasurer, who, by the provisions of NRS 355, has adopted policies for the prudent and conservative investment of these funds. The General Portfolio encompasses governmental, proprietary, enterprise and fiduciary funds of the State. Investment objectives include safety of principal, portfolio liquidity and market return.

Investment Guidelines

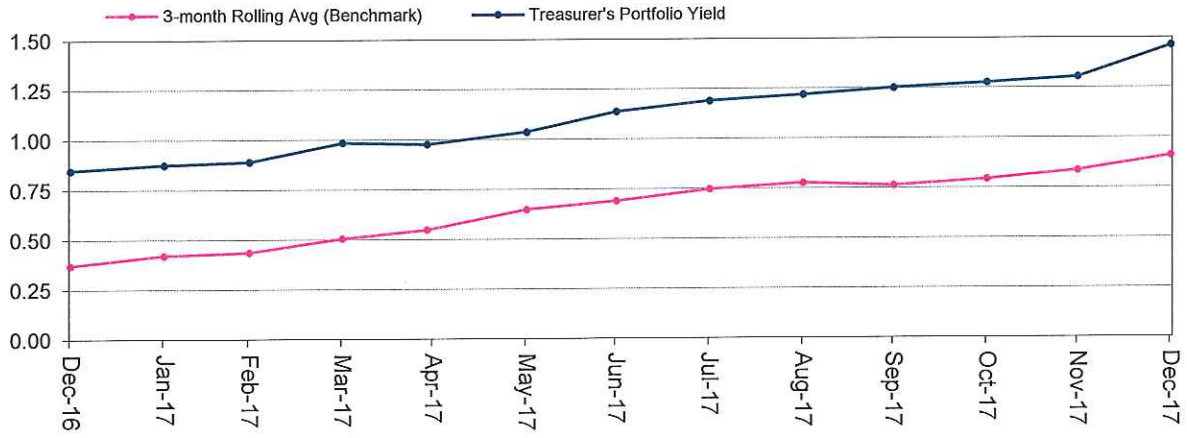
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The targeted duration of the portfolio is one and a half years, with no security extending longer than ten years.

The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature concurrently with cash needs in the short and medium term. Monies deemed to have a longer investment horizon, are invested to take advantage of longer term market opportunities.

In-House Performance

As of December 31, 2017, the yield on the portion of the General Portfolio managed in-house was 1.461%. A three month rolling average of this benchmark for this period was .91% with the average days to maturity at 218 days. The average days to maturity for the in-house managed portfolio was .47 years or 173 days.

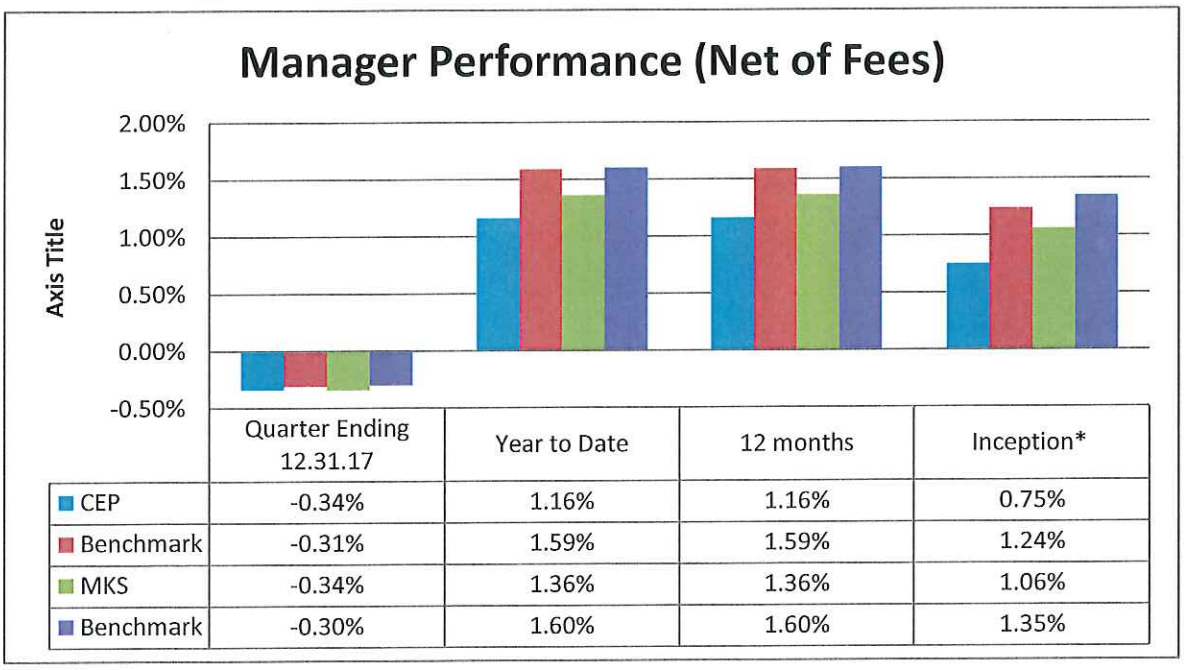
In-House Performance vs. Benchmark



Outside Manager Performance

The performance since inception for period ending December 31, 2017 for manager Chicago Equity Partners (CEP) is .75% and for Mackay Shields (MKS) is 1.06%*. Both of these returns are based on time-weighted rate of return which is defined as the compounded growth rate of $1 over the period being measured. These funds have been assigned the Bloomberg Barclays Intermediate A or better Government Credit benchmark. The Nevada statutory requirements prevent managers from investing in certain securities (supranationals and foreign soverigns), fewer corporate notes and governmental securites longer than 10 years which is the cause of the difference in manager performance versus the benchmark. *CEP inception date is August 2015 and MKS is December 2015.

Outside Managers' Performance vs. Benchmark

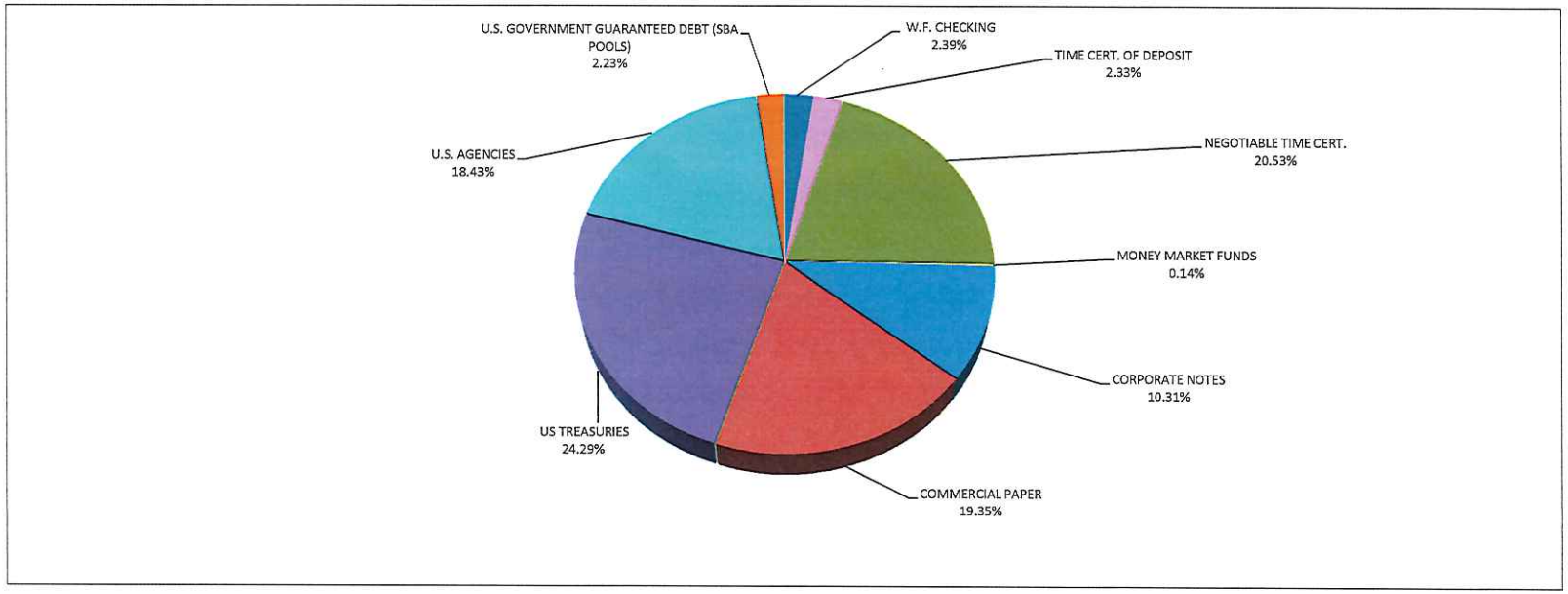


	Quarter Ending 12.31.17	Year to Date	12 months	Inception*
CEP	-0.34%	1.16%	1.16%	0.75%
Benchmark	-0.31%	1.59%	1.59%	1.24%
MKS	-0.34%	1.36%	1.36%	1.06%
Benchmark	-0.30%	1.60%	1.60%	1.35%

*Inception date for CEP is 8.3.15 and 12.1.15 for MKS

GENERAL PORTFOLIO
Amortized Book Value and Purchased Interest

	December 31, 2017 Amortized Book Value			September 30, 2017 Amortized Book Value		
	Treasurer In-House	Chicago Equity Partners	Mackay Shields	Treasurer In-House	Chicago Equity Partners	Mackay Shields
WASHINGTON FEDERAL CHECKING ACCT.	$ 51,185,159			$ 50,905,701		
TIME CERTIFICATES OF DEPOSIT	50,000,000			50,000,000		
NEGOTIABLE CERTIFICATES OF DEPOSIT	440,000,409			325,005,989		
MONEY MARKET FUNDS	2,602,565	312,965	22,345	1,024,428	567,716	23,723
ASSET-BACKED SECURITIES	0			0		
MORTGAGE-BACKED SECURITIES	0			0		
CORPORATE NOTES	94,568,191	33,131,935	93,164,071	89,756,292	22,899,952	93,440,114
COMMERCIAL PAPER	414,594,917			410,165,594		
MUNICIPAL BONDS	0			0		
U.S. TREASURIES	45,030,978	267,106,368	208,321,094	47,951,586	266,251,858	206,647,896
U.S. AGENCIES	382,958,940	7,059,636	4,975,522	509,888,002	16,975,242	4,999,867
U.S. GOVERNMENT GUARANTEED DEBT	47,715,080			52,212,732		
REPURCHASE AGREEMENTS	0			0		
TOTAL	$ 1,528,656,239	$ 307,610,904	$ 306,483,032	$ 1,536,910,323	$ 306,694,766	$ 305,111,599
GRAND TOTAL	$		**2,142,750,175**	$		**2,148,716,689**



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	December 31, 2017	December 31, 2016
TOTAL PORTFOLIO	$2,142,750,175	$2,039,719,234

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State of Nevada
Office of the State Treasurer
Schedule of General Fund Interest Revenue

	Quarter Ended 09/30/2017	Quarter Ended 12/31/2017	Quarter Ended 03/31/2018	Quarter Ended 06/30/2018	FY 2018 Totals
Average Daily Balances of Funds					
General Fund	600,557,399	685,632,066			643,094,733
All Funds	2,422,777,800	2,405,866,498			2,414,322,149
Annualized Interest Rate					
Cash Basis (see Note 1)	1.1599%	1.3385%			1.2492%
Accrual Basis	1.1272%	1.2717%			1.1994%
Interest Distribution for General Fund (Cash Basis)					
General Fund Interest Collected	1,709,131	2,287,330			3,996,461
General Fund Interest Revenue - Distributed	1,709,131	2,287,330			3,996,461
Undistributed General Fund Interest Revenue	-				-
Interest Distribution for All Funds (Cash Basis)					
All Funds Interest Collected	6,895,117	8,026,187			14,921,304
All Funds Interest Revenue - Distributed	6,895,117	8,026,187			14,921,304

Note 1 Interest is distributed to statutorily approved funds and budget accounts based on the cash basis of accounting. Under the cash basis of accounting, earnings are distributed in the quarter received but not necessarily in the quarter they were earned. Therefore, some of the receipts included in the Actual General Fund interest collected line were actually earned in the prior period and some of the earnings included in the General Fund interest revenue - accrual basis line will not be collected until a subsequent period.

Overview

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer who, by the provisions of state statute, has adopted guidelines for the prudent investment of these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As of December 31, 2017, there were 88 members of the LGIP, which includes cities, counties, school districts, and various special districts. The LGIP's foremost investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, short duration portfolio.

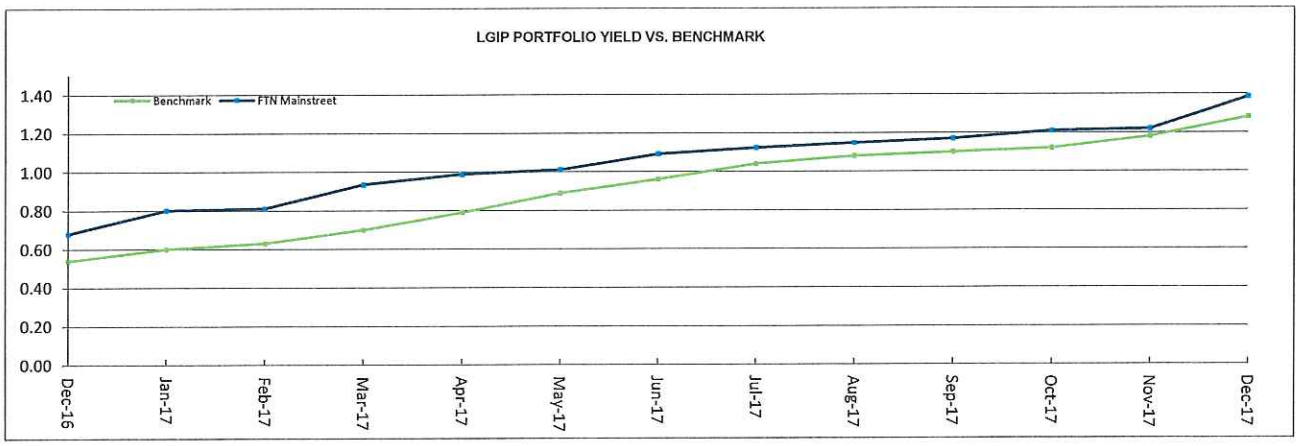
Investment Guidelines

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The average maturity of the portfolio must not exceed 150 days, and no single security may be longer than two years.

The State Treasurer maintains a conservative investment strategy, which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 20% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, at approximately 60% of the fund matures within 90 days, compared to the policy requirement of 50%. This requirement minimizes the risk that the market value of portfolio holdings will fall significantly due to adverse changes in general interest rates.

Performance

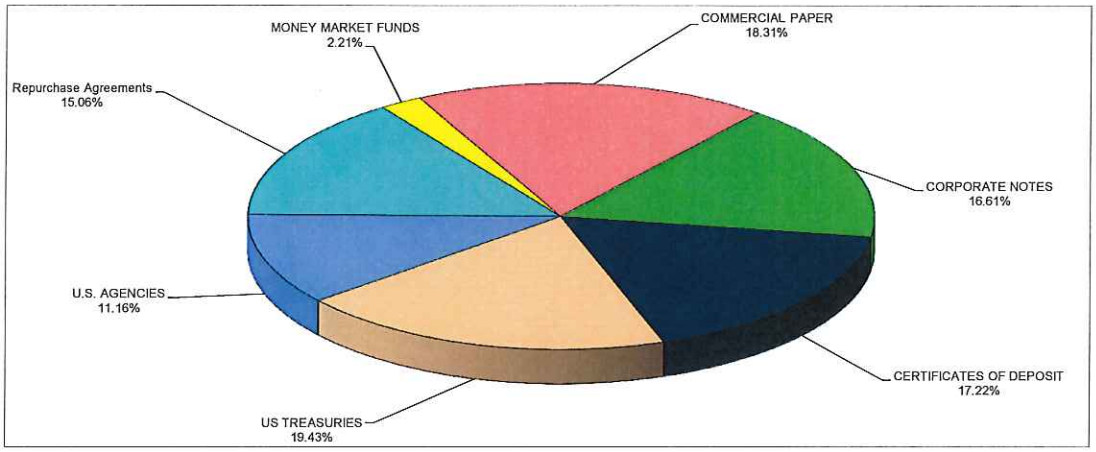
FTN Financial began managing the LGIP portfolio in July 2015. As of December 31, 2017, the LGIP's portfolio yield was 1.386%, and the blended benchmark was 1.28%. The average days to maturity of the LGIP portfolio was 117 days.



Administration

The State Treasurer has adopted an Investment Policy relating specifically to the LGIP. The State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money of the LGIP at least every four months. The State Treasurer hereby confirms all LGIP investments are in compliance with the Terror-Free Investment Policy and the Divestiture Policy. The State Treasurer may contract with an independent auditor to review LGIP transactions for accuracy and fairness in reporting.

	Amortized Book	Purchased Interest	Amortized Book	Purchased Interest
MONEY MARKET FUNDS	$ 22,728,725		$ 45,381,810	
COMMERCIAL PAPER	188,417,335		192,342,772	
CORPORATE NOTES	170,399,606	525,233	160,145,087	359,396
CERTIFICATES OF DEPOSIT	177,203,058		170,016,961	
MUNICIPAL BONDS				
U.S. TREASURIES				
NOTES	199,552,122	396,095	114,873,229	54,295
BILLS				
U.S. AGENCIES	114,805,855	24,340	145,687,642	
ASSET-BACKED SECURITIES	-		-	
REPURCHASE AGREEMENTS	155,000,000		170,000,000	
TOTAL	$ 1,028,106,701	$ 945,669	$ 998,447,501	$ 413,692
GRAND TOTAL	$	1,029,052,369	$	998,861,192



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	September 30, 2017	September 30, 2016
TOTAL PORTFOLIO	**$1,029,052,369**	**$844,595,465**