



Valley Academy for Career and Technology Education
Financial Statements
Year Ended June 30, 2017

Valley Academy for Career and Technology Education

Financial Statements
Year Ended June 30, 2017

Issued by:
Business and Finance Department

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION

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VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION

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REPORT ON AUDIT OF FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Valley Academy for Career and Technology Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Academy for Career and Technology Education (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District'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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Valley Academy for Career and Technology Education, as of June 30, 2017, and the respective changes in financial position thereof 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 the Management's Discussion and Analysis, budgetary comparison information, and net pension liability information, as listed in the table of contents, 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 opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 22, 2018, on our consideration of Valley Academy for Career and Technology Education'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 the 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 Valley Academy for Career and Technology Education's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
March 22, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

As management of the Valley Academy for Career and Technology Education (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities decreased \$85,006, which represents a 15 percent decrease from the prior fiscal year which was a result of an increase in instructional expenses due to increased enrollment and the growth of central campus classes.
- General revenues accounted for \$1.3 million in revenue, or 95 percent of all current fiscal year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$71,805 or five percent of total current fiscal year revenues.
- The District had approximately \$1.4 million in expenses related to governmental activities, an increase of six percent from the prior fiscal year due to an increase in instructional expenses due to increased enrollment and the growth of central campus classes.
- Among major funds, the General Fund had \$1.3 million in current fiscal year revenues, which primarily consisted of state aid and property taxes, and \$1.3 million in expenditures. The General Fund's fund balance increased \$286,158 to \$308,642 at the end of the current fiscal year due to an increase in its reserve for prepaid items.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF FINANCIAL STATEMENTS

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues. The governmental activities of the District include instruction, support services, and operation and maintenance of plant services.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF FINANCIAL STATEMENTS

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Other State Projects, Community School and Unrestricted Capital Outlay Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules.

Notes to the financial statements. The notes 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 immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process and pension plan. The District adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Fund as required supplementary information. Schedules for the pension plan have been provided as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$417,626 at the current fiscal year end.

A portion of the District's net position reflects its investment in capital assets (e.g. buildings and improvement, and furniture and equipment), less any related outstanding debt used to acquire those assets. The District had no related debt. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. In addition, a portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	As of June 30, 2017	As of June 30, 2016
Current and other assets	\$ 977,595	\$ 929,862
Capital assets, net	174,524	208,914
Total assets	<u>1,152,119</u>	<u>1,138,776</u>
Deferred outflows	<u>114,324</u>	<u>100,832</u>
Current and other liabilities	131,730	83,809
Long-term liabilities	642,496	539,773
Total liabilities	<u>774,226</u>	<u>623,582</u>
Deferred inflows	<u>74,591</u>	<u>45,087</u>
Net position:		
Investment in capital assets	174,524	208,914
Restricted	558,746	556,187
Unrestricted	(315,644)	(194,162)
Total net position	<u>\$ 417,626</u>	<u>\$ 570,939</u>

At the end of the current fiscal year, the District reported positive balances in two categories of net position. Unrestricted net position, which is normally used to meet the District's mission, reported a deficit of \$315,644. The deficit is due to the District's proportionate share of the state pension plan's unfunded liability. The same situation held true for the prior fiscal year.

The District's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Position:

- An increase of \$89,350 in judgments payable.
- A decrease of \$34,390 in capital assets due to a restatement of beginning capital asset balances and current year depreciation expense.

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

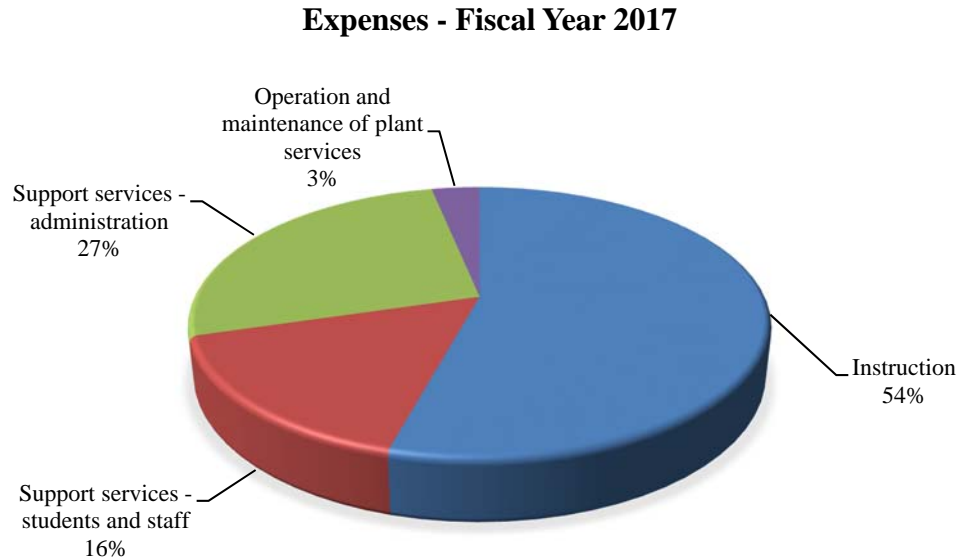
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position. The District's total revenues for the current fiscal year were \$1.3 million. The total cost of all programs and services was \$1.4 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
Revenues:		
Program revenues:		
Charges for services	\$ 55,013	\$ 68,782
Operating grants and contributions	16,792	118,029
General revenues:		
Property taxes	423,668	404,726
Investment income	3,509	2,899
Unrestricted county aid	212,417	180,445
Unrestricted state aid	600,851	643,235
Unrestricted federal aid	21,173	39,171
Total revenues	<u>1,333,423</u>	<u>1,457,287</u>
Expenses:		
Instruction	769,360	553,419
Support services – students and staff	229,178	216,561
Support services – administration	374,306	501,701
Operation and maintenance of plant services	45,585	60,998
Total expenses	<u>1,418,429</u>	<u>1,332,679</u>
Changes in net position	<u>(85,006)</u>	<u>124,608</u>
Net position, beginning	<u>570,939</u>	<u>595,510</u>
Net effect of prior period adjustments	<u>(68,307)</u>	<u>(149,179)</u>
Net position, beginning of year, as restated	<u>502,632</u>	<u>446,331</u>
Net position, ending	<u>\$ 417,626</u>	<u>\$ 570,939</u>

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS



The following are significant current year transactions that had an impact on the change in net position:

- Instructional expenses increased \$215,941 primarily due to increased enrollment and central campus growth.
- Support services - administration expenses decreased \$127,395 primarily due to the District not employing a full-time business manager during the fiscal year.
- Operating grants and contributions decreased \$101,237 largely due to a decrease in vocational education grant revenues.

The following table presents the cost of the District's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the state and District's taxpayers by each of these functions.

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	<u>Year Ended June 30, 2017</u>		<u>Year Ended June 30, 2016</u>	
	Total	Net	Total	Net (Expense)/
	<u>Expenses</u>	<u>(Expense)/ Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
Instruction	\$ 769,360	\$ (714,347)	\$ 553,419	\$ (553,342)
Support services – students and staff	229,178	(212,386)	216,561	(157,418)
Support services – administration	374,306	(374,306)	501,701	(374,110)
Operation and maintenance of plant services	45,585	(45,585)	60,998	(60,998)
Total	<u>\$ 1,418,429</u>	<u>\$ (1,346,624)</u>	<u>\$ 1,332,679</u>	<u>\$ (1,145,868)</u>

- The cost of all governmental activities this year was \$1.4 million.
- Federal and state governments subsidized certain programs with grants and contributions and other local revenues of \$71,805.
- Net cost of governmental activities of \$1.3 million was financed in part by general revenues, which are made up of primarily property taxes of \$423,668 and state and county aid of \$813,268.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the prior fiscal year, the governmental funds reported a combined fund balance of \$805,823, which increased to \$840,515 at the end of the current fiscal year, primarily due to an increase in the District's reserve for prepaid items.

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund is the principal operating fund of the District. The increase in fund balance from \$286,158 to \$308,642 as of fiscal year end was a result of an increase in the District's reserve for prepaid items.

The Community School Fund's fund balance decreased \$3,566 to \$222,866 as of fiscal year end.

The Unrestricted Capital Outlay Fund's fund balance decreased \$9,856 primarily as a result of increased capital outlay expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the General Fund annual expenditure budget for changes in student membership. The difference between the original budget and the final amended budget was a \$152,928 increase, or 13 percent primarily due to an increase in enrollment.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the State of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- A favorable variance of \$179,631 in instruction was due to an increase in budgeted instruction expenditures as a result of increased enrollment.
- An unfavorable variance of \$55,006 in support services – administration was due to higher than anticipated employee insurance costs and purchased professional services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the District had invested \$343,795 in capital assets, including building improvements, software and equipment. Total depreciation expense for the current fiscal year was \$13,268.

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2017 and June 30, 2016

	As of June 30, 2017	As of June 30, 2016 (as restated)
Capital assets – depreciable, net	\$ 174,524	\$ 187,792
Total	<u>\$ 174,524</u>	<u>\$ 187,792</u>

Additional information on the District's capital assets can be found in Note 6.

Debt Administration. At year end, the District had no outstanding long-term bonded debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2017-18 budget. Among them:

- Fiscal year 2016-17 budget balance carry forward (estimated \$44,000).
- District student enrollment (estimated 992).

Also considered in the development of the budget is the local economy and inflation of the surrounding area.

Budgeted expenditures in the General Fund decreased less than one percent to \$1.3 million in fiscal year 2017-18. State aid and property taxes are expected to be the primary funding sources.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, Valley Academy for Career and Technology Education, 3405 E. State Route 89A, Building B, Cottonwood, Arizona 86326.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 870,307
Property taxes receivable	9,412
Due from governmental entities	9,963
Prepaid items	87,913
Total current assets	<u>977,595</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>174,524</u>
Total noncurrent assets	<u>174,524</u>
Total assets	<u><u>1,152,119</u></u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension plan items	<u>114,324</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	54,379
Deposits held for others	1,000
Judgments payable	44,675
Compensated absences payable	12,422
Unearned revenues	76,351
Total current liabilities	<u>188,827</u>
Noncurrent liabilities:	
Non-current portion of long-term obligations	<u>585,399</u>
Total noncurrent liabilities	<u>585,399</u>
Total liabilities	<u><u>774,226</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension plan items	<u>74,591</u>
<u>NET POSITION</u>	
Investment in capital assets	174,524
Restricted for:	
Voter approved initiatives	41,810
Community school	222,866
Other local initiatives	576
Capital outlay	293,494
Unrestricted	<u>(315,644)</u>
Total net position	<u><u>\$ 417,626</u></u>

The notes to the basic financial statements are an integral part of this statement.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in Net
			Contributions	Position
				Governmental
				Activities
Governmental activities:				
Instruction	\$ 769,360	\$ 55,013	\$	\$ (714,347)
Support services - students and staff	229,178		16,792	(212,386)
Support services - administration	374,306			(374,306)
Operation and maintenance of plant services	45,585			(45,585)
Total governmental activities	\$ 1,418,429	\$ 55,013	\$ 16,792	(1,346,624)

General revenues:

Taxes:

Property taxes, levied for general purposes	419,449
Property taxes, levied for capital outlay	4,219
Investment income	3,509
Unrestricted county aid	212,417
Unrestricted state aid	600,851
Unrestricted federal aid	21,173
Total general revenues	1,261,618

Changes in net position (85,006)

Net position, beginning of year, as restated 502,632

Net position, end of year \$ 417,626

The notes to the basic financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Other State Projects</u>	<u>Community School</u>
<u>ASSETS</u>			
Cash and investments	\$ 260,321	\$ 76,351	\$ 222,866
Property taxes receivable	9,412		
Due from governmental entities	9,963		
Prepaid items	87,913		
Total assets	<u><u>\$ 367,609</u></u>	<u><u>\$ 76,351</u></u>	<u><u>\$ 222,866</u></u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 53,617	\$	\$
Deposits held for others			
Unearned revenues		76,351	
Total liabilities	<u><u>53,617</u></u>	<u><u>76,351</u></u>	
Deferred inflows of resources:			
Unavailable revenues - property taxes	<u><u>5,350</u></u>		
Fund balances (deficits):			
Nonspendable	87,913		
Restricted			222,866
Unassigned	220,729		
Total fund balances	<u><u>308,642</u></u>		<u><u>222,866</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 367,609</u></u>	<u><u>\$ 76,351</u></u>	<u><u>\$ 222,866</u></u>

The notes to the basic financial statements are an integral part of this statement.

Unrestricted Capital Outlay	Non-Major Governmental Funds	Total Governmental Funds
\$ 283,152	\$ 27,617	\$ 870,307
		9,412
		9,963
		87,913
<u>\$ 283,152</u>	<u>\$ 27,617</u>	<u>\$ 977,595</u>
\$ 762	\$ 1,000	\$ 54,379
		1,000
		76,351
<u>762</u>	<u>1,000</u>	<u>131,730</u>
		<u>5,350</u>
282,390	53,490	87,913
	(26,873)	558,746
<u>282,390</u>	<u>26,617</u>	<u>193,856</u>
		840,515
<u>\$ 283,152</u>	<u>\$ 27,617</u>	<u>\$ 977,595</u>

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**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total governmental fund balances	\$	840,515
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Amounts 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.

Governmental capital assets	\$ 343,795	
Less accumulated depreciation	<u>(169,271)</u>	174,524

Some property tax receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.	5,350
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	114,324	
Deferred inflows of resources related to pensions	<u>(74,591)</u>	39,733

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences payable	(12,422)	
Judgements payable	(89,350)	
Net pension liability	<u>(540,724)</u>	<u>(642,496)</u>

Net position of governmental activities	\$	<u>417,626</u>
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The notes to the basic financial statements are an integral part of this statement.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Community School</u>	<u>Unrestricted Capital Outlay</u>
Revenues:			
Other local	\$ 254,356	\$ 905	\$ 3,459
Property taxes	417,807		4,219
State aid and grants	580,577		6,775
Federal aid, grants and reimbursements	21,173		
Total revenues	<u>1,273,913</u>	<u>905</u>	<u>14,453</u>
Expenditures:			
Current -			
Instruction	645,548	4,386	
Support services - students and staff	226,056		
Support services - administration	315,775	85	
Operation and maintenance of plant services	86,099		
Capital outlay	3,313		24,309
Total expenditures	<u>1,276,791</u>	<u>4,471</u>	<u>24,309</u>
Changes in fund balances	<u>(2,878)</u>	<u>(3,566)</u>	<u>(9,856)</u>
Fund balances, beginning of year, as restated	286,158	226,432	292,246
Increase (decrease) in reserve for prepaid items	25,362		
Fund balances, end of year	<u><u>\$ 308,642</u></u>	<u><u>\$ 222,866</u></u>	<u><u>\$ 282,390</u></u>

The notes to the basic financial statements are an integral part of this statement.

Non-Major Governmental Funds	Total Governmental Funds
\$ 12,219	\$ 270,939
	422,026
13,499	600,851
16,792	37,965
<u>42,510</u>	<u>1,331,781</u>
9,380	659,314
7,500	233,556
	315,860
	86,099
	27,622
<u>16,880</u>	<u>1,322,451</u>
<u>25,630</u>	<u>9,330</u>
987	805,823
	25,362
<u>\$ 26,617</u>	<u>\$ 840,515</u>

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**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Changes in fund balances - total governmental funds		\$ 9,330
Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:		
Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		(13,268)
Some property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		1,642
Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.		
Current year pension contributions	31,859	
Pension expense	<u>(54,695)</u>	(22,836)
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.		
Prepaid items	25,362	
Judgments	(89,350)	
Compensated absences	<u>4,114</u>	<u>(59,874)</u>
Changes in net position in governmental activities		<u>\$ (85,006)</u>

The notes to the basic financial statements are an integral part of this statement.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Valley Academy for Career and Technology Education (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Governing Board is organized under Section 15-393 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures/expenses.

The membership of the Governing Board consists of five members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools.

The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of the District. The District's major operation is providing career and technical education.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type 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 or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted federal, state and county aid, and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Compensated absences as well as judgments are recorded only when payment is due.

Property taxes, federal, state and county aid, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The District reports the following major governmental funds:

General Fund – The General Fund is the District's primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. The General Fund includes the District's Maintenance and Operation Fund as well as the certain activities budgeted in separate funds in accordance with A.R.S. These funds are maintained as separate funds for budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

Other State Projects Fund – The Other State Projects Fund accounts for financial assistance received for other state projects.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Community School Fund – The Community School Fund accounts for activity related to academic and skill development for all citizens.

Unrestricted Capital Outlay Fund – The Unrestricted Capital Outlay Fund accounts for transactions relating to the acquisition of capital items.

D. Cash and Investments

A.R.S. require the District to deposit certain cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes. Interest earned from investments purchased with pooled monies is allocated to each of the District's funds based on their average balances. All investments are stated at fair value.

Statute authorizes the District to deposit monies of the Auxiliary Operations and Student Activities Funds in bank accounts. Monies in these funds may also be invested. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholdings accounts for taxes and employee insurance programs. Some of these bank accounts may be interest bearing.

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances 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.” Interfund balances between governmental funds are eliminated on the Statement of Net Position.

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

G. Property Tax Calendar

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The county levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements and as expenditures when purchased in the fund financial statements.

I. Capital Assets

Capital assets, which include buildings and improvements and furniture and equipment, are reported in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 – 35 years
Furniture and equipment	7 – 15 years

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may 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 and so will not be recognized as an inflow of resources (revenue) until that time.

K. Compensated Absences

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Long-term Obligations

In the government-wide financial statements, long-term debt, of which the District currently has none, and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

N. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds.

O. Net Position Flow Assumption

In the government-wide financial statements the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

P. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District does not have a formal policy or procedures for the utilization of committed fund balance, accordingly, no committed fund balance amounts are reported.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Governing Board or a management official delegated that authority by the formal Governing Board action. The District does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – FUND BALANCE CLASSIFICATIONS

The table below provides detail of the major components of the District's fund balance classifications at year end.

	General Fund	Community School Fund	Unrestricted Capital Outlay Fund	Non-Major Governmental Funds
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 87,913	\$	\$	\$
Restricted:				
Capital projects			282,390	11,104
Voter approved initiatives				41,810
Community school		222,866		
Other purposes				576
Unassigned	220,729			(26,873)
Total fund balances	<u>\$ 308,642</u>	<u>\$ 222,866</u>	<u>\$ 282,390</u>	<u>\$ 26,617</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balance – At year end, the Vocational Education Fund, a non-major governmental fund, reported a deficit in fund balance of \$26,873.

The deficit arose because of misappropriation of revenues in the prior year between the Vocational Education Fund and the Community Schools Fund by previous District management. The District is awaiting further guidance from the Arizona Department of Education before making any adjustments to this fund.

Excess Expenditures Over Budget – At year end, the District had expenditures in funds that exceeded the budgets; however this does not constitute a violation of any legal provisions.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the District's deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of District's deposits was \$9,507 and the bank balance was \$12,152.

Fair Value Measurements. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

The County Treasurer's pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant's position in the County Treasurer investment pool approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

At year end, the District's investments consisted of the following:

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer's investment pool	1.20 years	\$ 860,800
Total		<u>\$ 860,800</u>

Interest Rate Risk. The District does not have any investments and, accordingly, does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The District has no investment policy that would further limit its investment choices. As of year end, the District's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

Custodial Credit Risk – Investments. The District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the General Fund, was as follows:

	General Fund
Due from other governmental entities:	
Due from state government	\$ 697
Due from county government	6,650
Due from other districts	2,616
Net due from governmental entities	<u>\$ 9,963</u>

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows:

<u>Governmental Activities</u>	Beginning Balance (as restated)	Increase	Decrease	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 231,927	\$	\$	\$ 231,927
Vehicles, furniture and equipment	111,868			111,868
Total capital assets being depreciated	<u>343,795</u>			<u>343,795</u>
Less accumulated depreciation for:				
Buildings and improvements	(81,330)	(6,329)		(87,659)
Vehicles, furniture and equipment	(74,673)	(6,939)		(81,612)
Total accumulated depreciation	<u>(156,003)</u>	<u>(13,268)</u>		<u>(169,271)</u>
Total capital assets, being depreciated, net	<u>187,792</u>	<u>(13,268)</u>		174,524
Governmental activities capital assets, net	<u>\$ 187,792</u>	<u>\$ (13,268)</u>	<u>\$</u>	<u>\$ 174,524</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	<u>\$ 13,268</u>
Total depreciation expense – governmental activities	<u>\$ 13,268</u>

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – JUDGMENTS PAYABLE

Judgments that would normally be liquidated with expendable available resources are recorded during the year as expenditures in the governmental fund financial statements; however, judgments are recorded in the government-wide statements when the related liability is incurred. During the 2016-17 fiscal year, the District underwent an average daily membership (ADM) review. It was determined by the Arizona Department of Education (ADE) that the District was overfunded by a total of \$89,350 during fiscal years 2013-2014, 2014-2015, and 2015-16. ADE is to withhold half of the balance from the District's funding in fiscal year 2017-18 and the remaining balance in fiscal year 2018-19.

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Net pension liability	\$ 533,900	\$ 6,824	\$	\$ 540,724	\$
Judgments payable		89,350		89,350	44,675
Compensated absences payable	16,536	15,129	19,243	12,422	12,422
Governmental activity long-term liabilities	<u>\$ 550,436</u>	<u>\$ 111,303</u>	<u>\$ 19,243</u>	<u>\$ 642,496</u>	<u>\$ 57,097</u>

NOTE 9 – CONTINGENT LIABILITIES

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time. The District is awaiting the results of a fraud investigation related to the prior year, which may require the District to return funds previously received from the Arizona Department of Education.

Lawsuits – The District is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The July 1, 2016, government-wide net position and the fund balance of the Vocational Education Fund, a non-major governmental fund, do not agree to the prior year financial statements due to the correction of errors. Capital assets were previously included that were not supported. Additionally, incorrect pay rates were used to prepare the compensated absences schedule in the prior year. Finally, the District does not expect to receive vocational education grant revenue related to the prior year.

	Statement of Activities	Governmental Funds Vocational Education
Net position/fund balance, June 30, 2016, as previously reported	\$ 570,939	\$
Corrections to capital assets	(21,122)	
Corrections to compensated absences	(10,663)	
Adjustment to the Vocational Education Fund	(36,522)	(36,522)
Net position/fund balance, July 1, 2016, as restated	<u>\$ 502,632</u>	<u>\$ (36,522)</u>

NOTE 11 – RISK MANAGEMENT

The District was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the District joined the Arizona School Risk Retention Trust, Inc. (ASRRT). ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for school districts and community colleges in the State. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

The District's employees have health and accident insurance coverage with the Arizona School Board Association Insurance Trust (ASBAIT). ASBAIT is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays a monthly premium to ASBAIT for employees' health and accident insurance coverage. The agreement provides that ASBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 – RISK MANAGEMENT

The District joined the Arizona School Alliance for Workers' Compensation, Inc. (Alliance) together with other school districts in the state for risks of loss related to workers' compensation claims. The Alliance is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays quarterly premiums to the Alliance for its employee workers' compensation coverage. The agreement provides that the Alliance will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description. District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

Benefits Provided. The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years age 55
	10 years age 62	25 years age 60
	5 years age 50*	10 years age 62
	Any years age 65	5 years age 50*
		Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
	*With actuarially reduced benefits	

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension plan for the year ended June 30, 2016 were \$31,859.

In addition, the District was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 for retirement, 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS.

The District's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

		Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
2017	\$	1,655	\$ 414
2016		1,423	341
2015		1,866	324

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Liability. At June 30, 2017, the District reported a liability of \$540,724 for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion was .003 percent, which was unchanged from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources. The District has deferred outflows and inflows of resources related to the net pension liability of retirement benefits. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. For the year ended June 30, 2017, the District recognized pension expense of \$54,695 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,286	\$ 37,198
Changes of assumptions or other inputs		28,609
Net difference between projected and actual earnings on pension plan investments	58,596	
Changes in proportion and differences between contributions and proportionate share of contributions	20,583	8,784
Contributions subsequent to the measurement date	31,859	
Total	<u>\$ 114,324</u>	<u>\$ 74,591</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
	2018	\$ (11,108)
	2019	(20,526)
	2020	23,080
	2021	16,430

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Actuarial Assumptions. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	58%	6.73%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.84
Total	<u>100%</u>	

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Proportionate share of the net pension liability	\$ 689,464	\$ 540,724	\$ 421,467

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

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REQUIRED SUPPLEMENTARY INFORMATION

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Non-GAAP	Variance with
	Original	Final	Actual	Final Budget
				Positive
				(Negative)
Revenues:				
Other local	\$	\$	\$ 253,303	\$ 253,303
Property taxes			417,807	417,807
State aid and grants			580,577	580,577
Total revenues			<u>1,251,687</u>	<u>1,251,687</u>
Expenditures:				
Current -				
Instruction	559,491	825,113	645,482	179,631
Support services - students and staff	293,246	197,577	226,056	(28,479)
Support services - administration	225,805	250,310	305,316	(55,006)
Operation and maintenance of plant services	83,234	41,704	86,099	(44,395)
Total expenditures	<u>1,161,776</u>	<u>1,314,704</u>	<u>1,262,953</u>	<u>51,751</u>
Changes in fund balances	<u>(1,161,776)</u>	<u>(1,314,704)</u>	<u>(11,266)</u>	<u>1,303,438</u>
Fund balances, beginning of year			221,046	221,046
Increase (decrease) in reserve for prepaid items			25,362	25,362
Fund balances (deficits), end of year	<u>\$ (1,161,776)</u>	<u>\$ (1,314,704)</u>	<u>\$ 235,142</u>	<u>\$ 1,549,846</u>

See accompanying notes to this schedule.

**VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY SCHOOL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u></u>
Revenues:			
Other local	\$	\$ 905	\$ 905
Total revenues		<u>905</u>	<u>905</u>
Expenditures:			
Current -			
Instruction	100,000	4,386	95,614
Support services - administration		<u>85</u>	<u>(85)</u>
Total expenditures	<u>100,000</u>	<u>4,471</u>	<u>95,529</u>
Changes in fund balances	<u>(100,000)</u>	<u>(3,566)</u>	<u>96,434</u>
Fund balances, beginning of year		226,432	226,432
Fund balances (deficits), end of year	<u>\$ (100,000)</u>	<u>\$ 222,866</u>	<u>\$ 322,866</u>

See accompanying notes to this schedule.

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.003%	0.003%	0.003%
District's proportionate share of the net pension liability (asset)	\$ 540,724	\$ 533,900	\$ 475,042
District's covered payroll	\$ 284,525	\$ 316,107	\$ 288,832
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	190.04%	168.90%	164.47%
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%

**SCHEDULE OF CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 31,859	\$ 30,871	\$ 34,424
Contributions in relation to the actuarially determined contribution	<u>31,859</u>	<u>30,871</u>	<u>34,424</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 295,538	\$ 284,525	\$ 316,107
Contributions as a percentage of covered payroll	10.78%	10.85%	10.89%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The District budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for the following item.

- Certain activities reported in the General Fund are budgeted in separate funds in accordance with Arizona Revised Statutes.

The following schedule reconciles expenditures and fund balances at the end of year.

	<u>Total Expenditures</u>	<u>Fund Balances End of Year</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 1,276,791	\$ 308,642
Activity budgeted as special revenue funds	<u>(13,838)</u>	<u>(73,500)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 1,262,953</u>	<u>\$ 235,142</u>

NOTE 2 – PENSION PLAN SCHEDULES

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

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SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017

	Classroom Site		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 169	\$ 169
State aid and grants		12,363	12,363
Federal aid, grants and reimbursements			
Total revenues		<u>12,532</u>	<u>12,532</u>
Expenditures:			
Current -			
Instruction	43,536	9,380	34,156
Support services - students and staff			
Support services - administration			
Capital outlay			
Total expenditures	<u>43,536</u>	<u>9,380</u>	<u>34,156</u>
Changes in fund balances	<u>(43,536)</u>	<u>3,152</u>	<u>46,688</u>
Fund balances (deficits), beginning of year, as restated		34,418	34,418
Fund balances (deficits), end of year	<u>\$ (43,536)</u>	<u>\$ 37,570</u>	<u>\$ 81,106</u>

Instructional Improvement			Vocational Education		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 13 1,136	\$ 13 1,136	\$	\$ 357	\$ 357
				16,792	16,792
	1,149	1,149		17,149	17,149
			25,000	7,500	17,500
			25,000	7,500	17,500
	1,149	1,149	(25,000)	9,649	34,649
	3,091	3,091		(36,522)	(36,522)
\$	\$ 4,240	\$ 4,240	\$ (25,000)	\$ (26,873)	\$ (1,873)

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VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017

	National Forest Fees		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		21,173	21,173
Total revenues		<u>21,173</u>	<u>21,173</u>
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration		10,459	(10,459)
Capital outlay		3,313	(3,313)
Total expenditures		<u>13,772</u>	<u>(13,772)</u>
Changes in fund balances		<u>7,401</u>	<u>7,401</u>
Fund balances (deficits), beginning of year, as restated		58,856	58,856
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ 66,257</u>	<u>\$ 66,257</u>

State Vocational Education			Civic Center		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
25,000		25,000	10,000		10,000
<u>25,000</u>		<u>25,000</u>	<u>10,000</u>		<u>10,000</u>
<u>(25,000)</u>		<u>25,000</u>	<u>(10,000)</u>		<u>10,000</u>
<u>\$ (25,000)</u>	<u>\$</u>	<u>\$ 25,000</u>	<u>\$ (10,000)</u>	<u>\$</u>	<u>\$ 10,000</u>

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VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017

	Auxiliary Operations		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 1,028	\$ 1,028
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>1,028</u>	<u>1,028</u>
Expenditures:			
Current -			
Instruction		66	(66)
Support services - students and staff			
Support services - administration			
Capital outlay			
Total expenditures		<u>66</u>	<u>(66)</u>
Changes in fund balances		<u>962</u>	<u>962</u>
Fund balances (deficits), beginning of year, as restated			
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ 962</u>	<u>\$ 962</u>

Extracurricular Activities Fees Tax Credit			Gifts and Donations		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 576	\$ 576	\$	\$	\$
	576	576			
			10,000		10,000
			10,000		10,000
	576	576	(10,000)		10,000
				91	91
\$	\$ 576	\$ 576	\$ (10,000)	\$ 91	\$ 10,091

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VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017

	Insurance Proceeds		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction	50,000		50,000
Support services - students and staff			
Support services - administration			
Capital outlay			
Total expenditures	50,000		50,000
Changes in fund balances	(50,000)		50,000
Fund balances (deficits), beginning of year, as restated			
Fund balances (deficits), end of year	\$ (50,000)	\$	\$ 50,000

Litigation Recovery			Totals		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 25	\$ 25	\$	\$ 2,168	\$ 2,168
				13,499	13,499
				37,965	37,965
	25	25		53,632	53,632
10,000		10,000	148,536	9,446	139,090
			25,000	7,500	17,500
				10,459	(10,459)
				3,313	(3,313)
10,000		10,000	173,536	30,718	142,818
(10,000)	25	10,025	(173,536)	22,914	196,450
	6,165	6,165		66,099	66,099
\$ (10,000)	\$ 6,190	\$ 16,190	\$ (173,536)	\$ 89,013	\$ 262,549

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2017

	School Plant		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 11,104	\$ 11,104
Property taxes			
State aid and grants			
Total revenues		11,104	11,104
Expenditures:			
Capital outlay			
Total expenditures			
Changes in fund balances		11,104	11,104
Fund balances, beginning of year			
Fund balances (deficits), end of year	\$	\$ 11,104	\$ 11,104

Unrestricted Capital Outlay			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 3,459	\$ 3,459	\$	\$ 14,563	\$ 14,563
	4,219	4,219		4,219	4,219
	6,775	6,775		6,775	6,775
	14,453	14,453		25,557	25,557
402,995	24,309	378,686	402,995	24,309	378,686
402,995	24,309	378,686	402,995	24,309	378,686
(402,995)	(9,856)	393,139	(402,995)	1,248	404,243
	292,246	292,246		292,246	292,246
\$ (402,995)	\$ 282,390	\$ 685,385	\$ (402,995)	\$ 293,494	\$ 696,489

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REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

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**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***

Independent Auditor's Report

Governing Board
Valley Academy for Career and Technology Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Academy for Career and Technology Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Valley Academy for Career and Technology Education's basic financial statements, and have issued our report thereon dated March 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley Academy for Career and Technology Education'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valley Academy for Career and Technology Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Valley Academy for Career and Technology Education'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item FS-2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley Academy for Career and Technology Education'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*.

Valley Academy for Career and Technology Education's Response to Findings

Valley Academy for Career and Technology Education's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Valley Academy for Career and Technology Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 22, 2018

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2017-001

Type of Finding: Significant Deficiency

Description: Compensated Absences

CRITERIA

The District is responsible for establishing and maintaining internal controls that include controls over the monitoring and reporting of compensated absences. Controls should include preparing complete, timely, and accurate compensated leave schedules for inclusion in the District's financial statements.

CONDITION

The District did not have adequate internal controls in place to detect errors in the spreadsheet used to compile the compensated absences leave schedule provided for financial statement reporting.

CAUSE

Compensated leave balances are not periodically reviewed to ensure leave is accrued in accordance with District policy. Additionally, the compensated leave schedule is prepared once a year for the annual audit and it is not reviewed by anyone other than the preparer.

EFFECT

The District's internal controls over compensated absences with respect to financial reporting were not adequate to ensure that a misstatement for compensated absences would be prevented and/or detected in a timely manner. Audit adjustments, including a restatement of the compensated leave beginning balance, were necessary to properly report compensated absences balances in the District's financial statements.

CONTEXT

For all four employees included in the District's compensated leave schedule, the beginning balances did not agree to the prior year's ending balances due to errors in the prior year's spreadsheet. As a result, the beginning compensated leave balance was restated by \$10,663. Additionally, for one of four employees reviewed, the employee accrued leave at a rate of 1.25 days per month during their first year of employment, rather than 1.0 day per month as outlined in the District's policy.

**VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2017-001

RECOMMENDATION

The District should design and implement effective internal control procedures to ensure that the compensated absences schedules provided for inclusion in the District's financial statements accurately reflect the related liability in accordance with generally accepted accounting principles.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Valley Academy for Career and Technology Education (VACTE) staff and Governing Board have corrected the financial system errors which caused the compensated absence balances to be inaccurately calculated. The process has been updated and the compensated absences balances are correctly calculated. The District will monitor the leave accruals to ensure accuracy. Any other errors noted will be fixed before the end of fiscal year 2017-18.