

**VALLEY ACADEMY FOR  
CAREER & TECHNOLOGY EDUCATION  
COTTONWOOD, ARIZONA**

**AUDITED  
FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2015**

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VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
JUNE 30, 2015

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## **FINANCIAL SECTION**



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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Valley Academy for Career & Technology Education

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Valley Academy for Career & Technology Education (District) as of and for the year ended June 30, 2015, 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 U.S. generally accepted accounting principles; 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**

My responsibility is to express opinions on these basic financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 auditors consider internal control relevant to the District'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 District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my 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 & Technology Education, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

For the year ended June 30, 2015, the District implemented the provisions of GASB Statements No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

## Other Matters

### Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 to 11, Budgetary Comparison Schedules on pages 32 to 36, Schedule of District's Proportionate Share of the Net Pension Liability on page 37, and Schedule of District Pension Contributions on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my reports dated March 21, 2016, on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Connie A. Sauvageau  
Certified Public Accountant

March 21, 2016  
Sedona, AZ

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2015

The discussion and analysis of the School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### Financial Highlights

Key financial highlights for 2015 are as follows:

- VACTE experienced no significant changes to its student enrollment from the previous year.
- The legislators cut all capital (CORL and soft capital).
- VACTE's compensated absences increased due to a change in policy regarding sick leave payout.
- The legislators added a budget formula for District Additional Assistance (DAA), and then cut the DAA by 33%.
- A major factor in the current year was the District implemented the provisions of GASB Statements No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This required the District to record a prior period adjust to the Net Position to record the prior year's net pension liability and pension expense. It resulted in reducing our beginning net position from \$1,075,459 to \$650,439. This is a tremendous accounting change of which we had no control over. See Note 2.

### 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 are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to 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 *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net resources may serve as a useful indicator of whether the financial position of the District has improved or diminished. The cases of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current property tax laws in Arizona restricting revenue growth, facility conditions, required educational programs and other factors.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**Government-wide financial statements (Continued)**

The *statement of activities* presents information showing how the District's net resources changed during the most recent fiscal year. All changes in net resources are reported as soon as the underlying event occurs. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. 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 revenue (*governmental activities*). The governmental activities of the District include instruction, support services, operation and maintenance of plant services, and operation of non-instructional services.

The government-wide financial statements can be found on pages 12-13 of this report.

**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.

*Governmental funds.* The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations at the basic services it provides. Governmental fund information helps you determine where there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. 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*.

These reconciliations are on pages 15 and 17, respectively.

In accordance with Arizona Revised Statutes (A.R.S.), the District maintains a multitude of funds to account for the many financial transactions. 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 Fund, Community School Fund, and Unrestricted Capital Outlay Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.



VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**Fiduciary Funds.** The Agency funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

The basic statement of fiduciary net position - fiduciary funds can be found on page 18 of this report.

**Notes to financial statements** The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-33 of this report.

**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. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statements have been provided for the General fund and each major Special Revenue fund as required supplementary information. Also for GASB 68 Note disclosures the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Pension Contributions and presented. The required supplementary information can be found on pages 34-38 of this report.

**Governmental Auditing Standards (GAS) Report** is presented immediately following the required supplementary information on budgets. The GAS audit report can be found on pages 39-41 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a District's financial position. Recall that the Statement of Net Position provides the perspective of the School District as a whole. In the case of Valley Academy for Career & Technology Education (VACTE) a joint technology education school district, assets exceeded liabilities by \$595,510 as of June 30, 2015. This reduction is due to the implementation of GASB Statement Nos. 68 and 71. A prior period adjustment to record the related prior year's pension liability and deferred outflows amounts reduced the net position by \$425,020.

A portion of the net position (63.9 percent) reflects the District's investments in capital assets (e.g., land and improvements, buildings and improvements, furniture, equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students' consequently; these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, a portion of the District's net position (4.4 percent) are restricted by statute for the specific purposes for teacher compensation increases.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the implementation of GASB Nos. 68 & 71, reporting for pensions, the acquisition and disposal of capital assets, and the depreciation of capital assets.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2014 and June 30, 2015.

	2014 <u>Amount</u>	2015 <u>Amount</u>
Current Assets and other Assets	\$ 824,471	\$ 769,728
Non-current Assets	<u>403,422</u>	<u>380,451</u>
Total Assets	<u>1,227,896</u>	<u>1,150,179</u>
Deferred outflows related to pensions	<u>-</u>	<u>112,713</u>
Current Liabilities	152,434	104,749
Long-term debt outstanding	<u>-</u>	<u>479,563</u>
Total Liabilities	<u>152,434</u>	<u>584,312</u>
Deferred inflows related to pensions	<u>-</u>	<u>83,070</u>
Net Position		
Investment in Capital Assets, Net of Related Debt	390,591	380,451
Restricted	71,960	26,262
Unrestricted (deficit)	<u>666,908</u>	<u>188,797</u>
Total Net Assets	<u>\$ 1,075,459</u>	<u>\$ 595,510</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- A principal retirement of \$12,831 of capital lease obligation.
- Reporting of Pension deferred outflows/inflows and the net pension liability, resulting in a deficit net position balance.
- Due to the effectiveness of GASB 68, the reporting of net pension liability increased long-term debt by \$461,771. See Notes 7 & 10.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position.**

The District's total revenues for the fiscal year ended June 30, 2015, were \$1.2 million. The total cost of all programs and services was \$1.3 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2015 and June 30, 2014.

	Fiscal Year Ended <u>June 30, 2015</u>	Fiscal Year Ended <u>June 30, 2014</u>	% Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 152,296	\$ 67,738	124.83
Operating Grants & Contributions	28,153	46,032	(38.84)
General revenues:			
Sales Taxes	8,225	4,387	87.49
Property taxes	395,573	392,801	0.71
Investment earnings	2,266	2,883	(21.40)
State aid	480,557	544,993	(11.82)
County aid	174,927	187,393	(6.65)
Loss on disposal of capital assets	(1,208)	-	(100.00)
Miscellaneous income	66	40	65.00
<b>Total revenues</b>	<u>1,240,855</u>	<u>1,246,267</u>	(0.43)
<b>Expenses:</b>			
Instruction	655,467	652,338	0.48
Support services - students	26,325	20,700	27.17
Support services - staff	94,534	105,046	(10.01)
Support services - administration	253,120	206,950	23.59
Central & other support services	167,218	123,125	22.31
Operations and maintenance of plant	55,318	59,550	(7.11)
Facilities acquisition, not depreciated	42,840	51,226	(16.37)
Interest on long-term debt	962	1,855	(48.14)
<b>Total expenses</b>	<u>1,295,784</u>	<u>1,220,790</u>	6.14
<b>Change in net position</b>	<u>(54,929)</u>	<u>25,477</u>	<u>(315.48)</u>
<b>Net position, beginning of year (2015 restated)</b>	<u>650,439</u>	<u>1,049,982</u>	<u>(38.05)</u>
<b>Net position, end of year</b>	<u>\$ 595,510</u>	<u>\$ 1,075,459</u>	<u>(44.63)</u>

The following notes are significant to the current year transactions that have had an impact on the Statement of Revenues and Expenses:

- The amount of sales taxes increased because of the increased collections.
- Charges for services revenues increased due to providing fiscal management for several consortium grants. VACTE also became the fiscal agent for the Verde Valley lobbyist consortia, so earned additional income.
- Grant revenues decreased due to the prior year had grant close out funds that were received late.
- Investment earnings increased as revenue stayed in the bank for a longer period of time.
- State and County Aid decreased due to a miscalculation at the Arizona Department of Education.
- Support services - administration increased due to adding a clerk position, for a full year, provide segregation of duties and increase compensated absences for sick leave, and 2 percent pay increases.
- Interest on long-term debt decreased due the capital lease had been paid off.
- The net position for July 1, 2014 was restated to adjust for the reporting for pension amounts due to the implementation of GASB Nos. 68 and 71. This resulted in a net position reduction by 44.6 percent at year end.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Government Activities.** The following table presents the cost of the seven/eight major District functional activities: instruction, support services - students and staff, support services - administration, central and other support services, operation & maintenance of plant services, and facilities acquisition, not capitalized and interest on long-term debt. 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.

	<u>Year Ended June 30, 2015</u>		<u>Year Ended June 30, 2014</u>	
	Total	Net(Expense)/	Total	Net(Expense)/
	<u>Expenses</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
Instruction	\$ 655,467	\$ (637,342)	\$ 652,338	\$ (617,224)
Support Services:				
Students	26,325	(25,133)	20,700	(20,700)
Staff	94,534	(94,534)	105,046	(104,735)
Administration	253,120	(250,094)	206,950	(206,950)
Central & other support services	167,218	(9,112)	123,125	(44,780)
Operation & maintenance of plant	55,318	(55,318)	59,550	(59,550)
Facilities acquisition, not capitalized	42,840	(42,840)	51,226	(51,226)
Interest on long-term debt	962	(962)	1,855	(1,855)
Total governmental activities	<u>\$ 1,295,784</u>	<u>\$ (1,115,335)</u>	<u>\$ 1,220,790</u>	<u>\$ (1,107,020)</u>

- Instruction expenses include payments to our satellite districts for activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.
- Students and staff include activities involved with assisting staff with the content and process of teaching to pupils.
- Administration and central & other support services includes expenses associated with administrative and financial supervision of the District.
- Operations and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.
- Facilities acquisition expenses include activities concerned with acquiring land and buildings, remodeling buildings, constructing buildings and additions to buildings, initially installing or extending service systems and other built-in equipment, but is under the District capitalization rate.
- The cost of all governmental activities increased due to a 2 percent salary increase and sick leave policy changes..

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Government Activities. (Continued)**

- The cost of all governmental activities are financed by general revenues as follows:

	As of <u>June 30, 2015</u>	As of <u>June 30, 2014</u>	<u>% Change</u>
Sales Taxes	\$ 8,225	\$ 4,387	87.49
Property taxes	395,573	392,801	0.71
Investment earnings	2,266	2,883	(21.40)
State equalization assistance & addtl state aid	480,557	544,993	(11.82)
County aid	174,927	187,393	(6.65)
Miscellaneous income	(1,142)	40	(2955.00)
Total general revenues	<u>\$ 1,060,406</u>	<u>\$ 1,132,497</u>	(6.37)

- The amount of sales tax increased because sales tax because a temporary raise on sales tax by 1 cent.
- Investment earnings increased as revenues stayed in the bank for a longer period of time.
- State and County aid decreased due to a miscalculation at the Arizona Department of Education.
- Miscellaneous income decreased due to disposing of capital assets.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**Governmental Funds.** As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 accessing the District's financing requirements. In particular, unreserved 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. Information about the School District's major funds begin on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$1.2 million and expenditures of \$1.2 million. The net change in fund balance for the year was most significant in the General Fund, decreased by \$37,170, as a result of reduced prepaid items and the closer matching of revenues and expenditures. The net change in fund balance for the Unrestricted Capital Outlay fund showed a decrease of \$58,279, the decrease is due to the reduction of State Aid allocated to the fund and more pay outs to satellite districts. The Community School Fund increased as a result of revenues exceeding expenditures.

**GENERAL FUND BUDGET HIGHLIGHTS**

The School District's budget is prepared according to Arizona law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2015, VACTE amended its General Fund budget on May 28, 2015. The revision was the year end revision to reflect changes in ADM and it was increased \$10,983 due to additional carry forward from prior year. 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.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** At the end of the fiscal year 2015, VACTE had \$677,263 invested in buildings and improvements, and furniture and equipment. The following schedule represents capital asset balances for the fiscal years ended June 30, 2015 and June 30, 2014.

	As of <u>June 30, 2015</u>	As of <u>June 30, 2014</u>
Buildings and improvements	\$ 243,056	\$ 232,839
Furniture and equipment	<u>434,207</u>	<u>445,222</u>
	677,263	678,061
Less: Accumulated Depreciation	<u>(296,812)</u>	<u>(274,639)</u>
Totals	<u>\$ 380,451</u>	<u>\$ 403,422</u>

**Debt Administration.** At June 30, 2015, the District had \$31,192 in Compensated Absences. Arizona State Statutes currently limits the amount of long-term debt a joint technology District may issue to one (1) percent of its total secondary assessed valuation.

**Net Pension Liability.** For the year ended June 30, 2015, the District implemented the provisions of GASB Statements Nos. 68 and 71, for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided by defined benefit pension plans.

	As of <u>June 30, 2015</u>	As of <u>June 30, 2014</u>
Net Pension Liability	<u>\$ 475,042</u>	<u>\$ 455,986</u>

The change in Accounting Principle required a prior period adjustment, which reduced the Net position balance by \$425,020, and restated the of the July 1, 2014 Net position balance to \$650,439. These GASBs had a major effect over the all Governmental Entity's Net Positions overall.

Additional information on the District's long-term debt can be found on pages 29-30 of this report.

**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 2015-2016 budget. Among them:

- Student population remained flat in growth and decreased from 220.951 to 220.616.
- Increased cost of liability insurance, worker's compensation insurance, and health insurance.
- Cost cutting measures to improve efficiency and effectiveness of District instructional and non-instructional programs.
- Changes to A.R.S. 15-393 added extra requirements to JTED courses which may have a fiscal impact.

**VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)**

Also considered in the development of the budget was the local economy and inflation of the surrounding areas in Yavapai County. Changes to the calculation of Arizona State Retirement and cuts to Unrestricted Capital, were also factors in developing the budget.

These indicators were considered when adopting the budget for fiscal year 2015-2016. Amounts available in the General Fund budget is \$ 1,081,370 a decrease of \$ 54,485, which is 4.8% under the previous year's budgeted expenditures.

**FOR THE FUTURE**

The state legislature continues to refine the role of Joint Technology Education Districts.

The Valley Academy for Career & Technology Education is financially stable. The School District is proud of its community support of the public schools.

In conclusion, the Valley Academy for Career & Technology Education has committed itself to financial excellence for many years. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future. It is anticipated that the legislative action will continue to freeze or leave unfunded some portion of the "state support level" for the 2015-16 fiscal year. The anticipated freeze along with the legislative limitations of local taxing authority may result in a revenue funding decrease in the 2015-16 fiscal year. It is anticipated that such a decrease in revenue funding will have a direct effect on the role of the District.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Celeste Ziemkowski, Business Manager, 830 S. Main St. Suite 2-I, Cottonwood, Arizona 86326.

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 712,862
Receivables (net of allowances for uncollectibles)	
Property taxes	8,859
Due from other governments	8,318
Prepaid Items	39,689
Capital assets, not being depreciated	149,179
Capital assets, being depreciated, net	<u>231,272</u>
Total assets	<u>1,150,179</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>112,713</u>
Total deferred outflows of resources	<u>112,713</u>
 <b>LIABILITIES</b>	
Accounts payable	78,078
Noncurrent liabilities:	
Due within 1 year	26,671
Due in more than 1 year	<u>479,563</u>
Total liabilities	<u>584,312</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>83,070</u>
Total deferred inflows of resources	<u>83,070</u>
 <b>NET POSITION</b>	
Invested in capital assets, net of related debt	380,451
Restricted for	
Teacher pay increases	26,262
Unrestricted	<u>188,797</u>
Total net position	<u>\$ 595,510</u>

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

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)Revenue & Changes in Net
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Assets Primary Governmental Activities
Governmental Activities:					
Instruction	\$ 655,467	\$ -	\$ 18,125	\$ -	\$ (637,342)
Support services:					
Students	26,325	1,192	-	-	(25,133)
Staff	94,534	-	-	-	(94,534)
Administration	253,120	3,026	-	-	(250,094)
Central & other support services	167,218	148,078	10,028	-	(9,112)
Operation & maintenance of plant	55,318	-	-	-	(55,318)
Facilities acquisition, not capitalized	42,840	-	-	-	(42,840)
Interest on long-term debt	962	-	-	-	(962)
Total governmental activities	<u>\$ 1,295,784</u>	<u>\$ 152,296</u>	<u>\$ 28,153</u>	<u>\$ -</u>	<u>(1,115,335)</u>
General revenues:					
Property taxes, levied for general purposes					395,573
Investment earnings					2,266
Intergovernmental revenues not restricted:					
State equalization assistance					480,557
Yavapai County aid					174,927
Shared revenues - state sales taxes					8,225
Loss on disposal of capital assets					(1,208)
Miscellaneous Income					66
Subtotal, general revenues					<u>1,060,406</u>
Change in net position					(54,929)
Net position as restated, July 1, 2014					<u>650,439</u>
Net position, June 30, 2015					<u>\$ 595,510</u>

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

## **FUND FINANCIAL STATEMENTS**

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Community School Fund	Unrestricted Capital Outlay Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 119,620	\$ 261,251	\$ 291,354	\$ 40,637	\$ 712,862
Property taxes receivable (net)	8,859				8,859
Due from other governments	8,318				8,318
Prepaid items	39,689				39,689
Total assets	<u>\$ 176,486</u>	<u>\$ 261,251</u>	<u>\$ 291,354</u>	<u>\$ 40,637</u>	<u>\$ 769,728</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable	\$ 78,078				\$ 78,078
Total liabilities	<u>78,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>78,078</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue:					
Property taxes	5,568				5,568
Total deferred inflows of resources	<u>5,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,568</u>
<b>FUND BALANCES</b>					
Nonspendable	39,689				39,689
Restricted		261,251	291,354	40,637	593,242
Unassigned	53,151				53,151
Total fund balances (deficit)	<u>92,840</u>	<u>261,251</u>	<u>291,354</u>	<u>73,869</u>	<u>686,082</u>
Total liabilities and fund balances	<u>\$ 176,486</u>	<u>\$ 261,251</u>	<u>\$ 291,354</u>	<u>\$ 73,869</u>	<u>\$ 769,728</u>

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

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE GOVERNMENT-WIDE  
STATEMENT OF NET POSITION  
JUNE 30, 2015

Total governmental fund balances		\$ 686,082
Amounts reported for <i>governmental activities</i> 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	\$ 677,263	
Less accumulated depreciation	<u>(296,812)</u>	380,451
Some receivables are not available to pay for the current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		5,568
Long-term liabilities, including net pension liability and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		
Net pension liability	(475,042)	
Compensated absences payable	<u>(31,192)</u>	(506,234)
Deferred outflows and inflows of resources related to pensions and deferred charges are applicable able to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions	112,713	
Deferred inflows of resources related to pensions	<u>(83,070)</u>	<u>29,643</u>
Net position of governmental activities		\$ <u>595,510</u>

The notes to 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, 2015

	<u>General Fund</u>	<u>Community School Fund</u>	<u>Unrestricted Capital Outlay Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Other local	\$ 653	\$ 152,940	\$ 954	\$ 81	\$ 154,628
Property taxes	397,443				397,443
Sales taxes				8,225	8,225
Federal aid and grants	20,056				20,056
State and County aid and grants	655,484			8,097	663,581
Total revenues	<u>1,073,636</u>	<u>152,940</u>	<u>954</u>	<u>16,403</u>	<u>1,243,933</u>
<b>Expenditures:</b>					
Current:					
Instruction	645,026			2,150	647,176
Support services:					
Students	25,133	1,192			26,325
Instructional staff	94,534				94,534
Administration	178,754			3,026	181,780
Central & other support services	93,029	74,189			167,218
Operation & maintenance of plant	55,318				55,318
Capital outlay			45,440		45,440
Debt service:					
Interest and fiscal charges			962		962
Principal retirement			12,831		12,831
Total expenditures	<u>1,091,794</u>	<u>75,381</u>	<u>59,233</u>	<u>5,176</u>	<u>1,231,584</u>
Excess (deficiency) of revenues over (under)expenditures	<u>(18,158)</u>	<u>77,559</u>	<u>(58,279)</u>	<u>11,227</u>	<u>12,349</u>
<b>Fund balances, July 1, 2014</b>	130,010	183,692	349,633	29,410	692,745
Changes in nonspendable resources:					
Increase (Decrease) in prepaid items	<u>(19,012 )</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,012)</u>
<b>Fund balances, June 30, 2015</b>	<u>\$ 92,840</u>	<u>\$ 261,251</u>	<u>\$ 291,354</u>	<u>\$ 40,637</u>	<u>\$ 686,082</u>

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

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

Net changes in fund balance - governmental funds \$ 12,349

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 2,600	
Depreciation expense	<u>(24,363)</u>	(21,763)

In the Statement of Activities, only the gain/loss of the sale/disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold/disposed. (1,208)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Capital lease principal repaid 12,831

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District pension contributions	\$ 34,424	
Pension expense	<u>(54,803)</u>	(20,379)

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities. (1,870)

Under the modified accrual basis of accounting used by the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. The Statement of Activities, however, is presented on the accrual basis of accounting, and expenses are reported regardless of when the financial resources are available.

Increase in compensated absences (15,877)

Some cash outlays, such as purchases for prepaid items, are reported as expenditures in the governmental funds when purchased. In the Statement of Activities, however, they are reported as expenses when consumed.

Decrease in prepaid items (19,012)

Change in net position of governmental activities \$ (54,929)

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



VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS  
JUNE 30, 2015

	Agency <u>Funds</u>
ASSETS	
Cash and investments	\$ <u>1,395</u>
Total Assets	\$ <u><u>1,395</u></u>
 LIABILITIES	
Accounts Payable	\$ <u>1,395</u>
Total Liabilities	\$ <u><u>1,395</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Valley Academy for Career & Technology Education conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board(GASB).

For the year ended June 30, 2015, the District implemented the provisions of GASB Statements No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, GASB Statement No. 68 requires disclosure of information related to pension benefits.

**A. Reporting Entity**

The joint vocational and technological education district is considered a joint school district consisting of school districts established in providing vocational and technological education programs and is available to any local school district officially requesting such participation in the joint district. Both central administration and general service costs are budgeted and shared on a prorata basis based on average daily membership of the students attending the vocational and technological classes for each participating school district. The District is a special-purpose government that is governed by a separately elected governing body elected from six single member districts formed within the joint district. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements present only the funds of those organizational entities for which its elected governing board is financially accountable.

The District's major operations is to provide career and technical education as a joint vocational and technological educational district.

The Governing Board is organized under Section 15-393 of the Arizona Revised Statutes (A.R.S.). 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 operations 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 County Treasurer collects taxes for the District, but exercises no control over its expenditures.

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Government-wide statements** - Provide information about the primary government (the District). The statements include the statement of net position and the statement of activities. These statements report the overall government financial activities, except for fiduciary activities. They also distinguish between the District's governmental and business-type activities. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by parties. The District had no business-type activities or component units during the fiscal year.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. 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; 2) operating grants and contributions; and 3) capital grants and contributions. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, State and County aid, and other items, are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Fund financial statements** - Provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds rather than reporting funds by type. Each major fund is presented in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The District reports the following major governmental funds:

The *General Fund* - is the District's primary operating fund. It accounts for all financial resources used for maintenance and operation, except those required to be accounted for and reported in an other fund.

The *Community School Fund* accounts for the revenues and expenditures for purposes of academic and skill development for all citizens in accordance with A.R.S. §15-1141 et seq. In accordance with A.R.S. §15-342(30), if program needs are met, excess monies may be expended for maintenance and operation or unrestricted capital outlay purposes. Upon termination of the community school program, any unused monies must be transferred to the Maintenance and Operation Fund. A.R.S. §15-1143

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds: (Continued)

The *Unrestricted Capital Outlay Fund* accounts for transactions relating to the acquisition of items by items by purchase, lease-purchase, or lease as prescribed by A.R.S. §15-903(C). Revenues include equalization assistance, tuition, property taxes, and interest on investments. Expenditures include land, buildings, and improvements to land and buildings, including labor and related employee benefit costs and material costs if the work is performed by district employees; furniture, furnishings, athletic equipment, and other equipment, including computer software; pupil and nonpupil transportation vehicles and equipment, including all capital expenditures within a contract if a district contracts for pupil transportation; textbooks and related printed subject matter materials adopted by the governing board; instructional aids; library books; payment of principal and interest on bonds; district administration emergency needs that are directly related to pupils.

Additionally, the District reports the following fund types:

The *Fiduciary Fund* - account for assets held by the District on behalf of others and includes the Payroll Direct Deposit and Payroll Tax Clearing Funds, which account for the purpose of making electronic payments for their payroll to employees and payroll taxes to the related governmental entities, which is held by the District as an agent.

Non-major governmental funds are aggregated and presented in a single column. The District reports the following non-major governmental funds:

The *Classroom Site Funds* accounts for the financial activity of six-tenths of one percent increase in state sales tax due to the passage of Proposition 301, in which the funds are to be used for teacher salary increases.

*Special Projects Fund* - accounts for the revenues and expenditures of federal and state funded projects.

*Other Special Revenues Funds* account for the revenues and expenditures of the following activities or objectives: gifts and donations, litigation recovery, employee insurance, and litigation recovery.

**C. Basis of Accounting**

The government-wide and agency funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the District funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net resources available to finance the program. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The District applies grant resources to such programs before using general revenues.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Basis of Accounting (Continued)**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they both become measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. The District's major revenue sources that are susceptible to accrual are property taxes and intergovernmental grants and aids. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**D. Cash and Investments**

A.R.S. authorizes the District to invest public monies in the State Treasurer's Local Government Investment Pool, the County Treasurer's investment pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, towns, school districts, and special districts as specified by statute. All investments are stated at fair value.

A.R.S. require the District to involuntarily deposit certain cash with the County Treasurer. That cash is pooled for investment purposes. Interest earned from the investments purchased with pooled monies is allocated to each of the District's funds based on average balances.

**E. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements. Prepaid items are recorded as expenditures when purchased in the fund financial statements are shown on the balance sheet as an asset for informational purposes only and as Nonspendable fund balance to indicate that they do not constitute "available spendable resources."

**F. Inventories**

Inventories in the government-wide financial statements are recorded as assets when purchased and expensed when consumed. The District accounts for its inventories in the governmental funds using the purchase method. Inventories of governmental funds consist of expendable supplies held for consumption are recorded at the time of purchase as expenditures in the funds from which the purchases were made. The amounts on hand at June 30, 2015 were immaterial, and therefore are not included on the fund or government-wide financial statements.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**G. Investment Earnings**

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

**H. Property Tax Calendar**

The Yavapai 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, which 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.

Property taxes receivable are shown net of an allowance for uncollectibles.

**I. Capital Assets**

Capital assets which include land and improvements, buildings and improvements, vehicles, and furniture, and equipment are reported in the government-wide financial statements. Such assets are recorded at actual cost, or estimated historical cost if purchase records are not available. Donated capital assets are recorded at the estimated fair value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset to materially extend assets lives are not capitalized and are expensed as incurred.

Capitalization thresholds (the dollar values above which asset acquisitions are added to capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows.

	Estimated <u>Useful Life</u>	Depreciation <u>Method</u>	Capitalization <u>Threshold</u>
Land Improvements	15 - 20 years	straight-line	\$ 1,000
Buildings and improvements	10 - 35 years	straight-line	\$ 1,000
Vehicles, furniture, equipment, and software	3 - 10 years	straight-line	\$ 1,000

**J. Deferred Outflows and Inflows of Resources**

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense of expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**K. Compensated Absences**

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to one hundred eighty (180) days of sick pay, at which time no more sick leave can be accumulated. An employee who has sixty (60) days of accumulated sick leave may request payment up to ten (10) days at their current daily rate; provided that the request is in writing by December 30 of the calendar year. Upon leaving the District employment, under favorable terms, and at least with one(1) year of District service, who gives notice of resignation, may be paid for every day of accumulated sick leave up to one hundred eighty (180) days, while an employee of the District, at point one (.1) percent of their salary times the number of accumulated days. The Board may approve payment of one lump sum or over time up to one year. As accumulated vacation days are used and drop below fifteen (15) days, an eligible employee may again accumulate vacation up to the maximum limit. Vacation benefits are paid at the employee's current pay rate. Eligible staff who reach their tenth anniversary employment date, may accumulate up to twenty (20) days of vacation at the same rate and with the same stipulations.

The current and long-term liabilities, including related benefits, for accumulated vacation leave is reported on the government-wide financial statements. A liability, including related benefits for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Repayment of the compensated absences is made by the General Fund.

**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 recorded at fair value.

**M. Fund Balance Classifications**

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. 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.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions in their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations the District's Governing Board approved, which is the highest level of decision-making authority within the District. Only the Governing Board can remove or change the constraints placed on committed fund balances.



VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**M. Fund Balance Classifications (Continued)**

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but that are neither restricted nor committed. The Governing Board has authorized the Superintendent to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**N. Revenue Recognition**

State equalization assistance received from the Arizona Department of Education is based upon average daily membership of the participating school districts and the joint technological education district as provided in Arizona Revised Statutes § 15-901, subsection A, paragraph 2, subsection (a), and shall not exceed 1.25 and the sum of the fractional student enrollment, for courses taken in the school district and facility.

**O. Intergovernmental Agreements**

The joint technological district entered into intergovernmental agreements with the participating school districts to provide satellite vocational and technological educational courses to students in their individual school districts and to reimburse the satellite districts. The curriculum and instructional programs for the satellite course(s) must be approved both by VACTE and the participating school's (satellite) governing boards, must be a class that meets the criteria of programs identified in the Arizona Department of Education's - *Vocational Technical Department Annual Funding Handbook* as approved for vocational/technical programs, and must be followed by the satellite teacher. Under the intergovernmental agreements with participating school districts (satellites) can request up to 70% of JTED revenues for reimbursement based on the ADM of each satellite, upon completion of ADE course approval.

**P. 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.

**Q. 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.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statements No. 68, *Accounting for Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*

	Governmental <u>Activities</u>
Net position as previously reported at June 30, 2014	\$ 1,075,459
Prior period adjustment- implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	455,986
Deferred outflows- District contributions made fiscal year 2014	<u>(30,966)</u>
Total prior period adjustment- debit	<u>425,020</u>
Net position as restated, July 1, 2014	<u>\$ 650,439</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**Budgetary Information** - The District operates within the budget requirements for school districts as specified by State law and is interpreted by the Arizona Department of Education and the Auditor General. The financial reports reflect the following budgetary standards.

For the fiscal year beginning July 1, a proposed expenditure budget is presented by the Governing Board to the County School Superintendent and/or the Superintendent of Public Instruction on or before July 5. The proposed expenditure budget is posted on A.D.E.'s web site, together with a notice of public hearing.

Once adopted, the expenditure budget can be revised only by the Governing Board for specific reasons set forth in the A.R.S. The budget was decreased in fiscal year 2014-2015 by \$7,807. Budget amendments and budget transfers between District funds by management are not allowed without Governing Board approval. However over-expenditures by line items are allowable as long as fund totals are not exceeded. All appropriations, including encumbered appropriations, lapse at year end.

NOTE 4 - DEPOSITS AND INVESTMENTS

Arizona Revised Statutes require the District to deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes, except for cash in the Bond Building and Debt Service Funds, if any, which may be invested separately.

Statute authorizes the District to separately invest monies of the Bond Building Fund and Debt Service Funds, if any, in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of its agencies or instrumentalities; specified state and local government bonds; and interest bearing savings accounts or certificates of deposit.

Statute authorizes the District to deposit monies of the Auxiliary Operations and Student Activities Funds in bank accounts. The District may also invest these monies. 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 withholding accounts for taxes and employee insurance programs. Some of these bank accounts may be interest bearing. Statutes require collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

**Deposits - Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy with respect to custodial credit risk. As of June 30, 2015, the carrying amount of the District's deposits was \$4,107 and the bank balances were \$13,590. At June 30, 2015, the entire bank balances was covered by Federal depository insurance or by collateral held by the District's custodial bank in the District's name.

**Investments** - The District's investments at June 30, 2015, were as follows:

<u>Investment Type</u>	<u>Amount</u>
County Treasurer's Investment Pool	\$ 51,344
State Treasurer's Investment Pool 7	<u>658,806</u>
Total	<u>\$ 710,150</u>

The State Board of Investment provides oversight for the State Treasurer's pool, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

**Credit Risk** - The District does not have a formal investment policy with respect to credit risk. As of June 30, 2015, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 51,344
State Treasurer's Investment Pool 7	Unrated	Not Applicable	<u>658,806</u>
			<u>\$ 710,150</u>

**Custodial credit risk** - For an investment, custodial credit risk is the risk that, in event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy with respect to custodial credit risk. At June 30, 2015, the District has \$ 710,150 in the State and County Treasurer's investment pool that was uninsured and held by the counterparty not in the District's name.

**Interest rate risk** - The District 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. The interest rate on assets held in the County Treasurer's investment pool earned an average of 0.831% on the District's average monthly balance. The District is not subject to exposure to declines in fair values, the fair value is valued at a \$1.00 for each \$1.00 invested with no fluctuations.

As of June 30, 2015, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity(Months)</u>
AZ State Treasurer's Investment Pool (LGIP 7)	\$ 658,806	0-4 months
County Treasurer's investment pool	30,642	5-24 months
County Treasurer's investment pool	18,361	25-36 months
County Treasurer's investment pool	<u>2,341</u>	37-48 months
Total	<u>\$ 710,150</u>	

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

**Concentration of credit risk** - The District had investments at June 30, 2015, of 5 percent or more in the County and State investment pools. These investments were 7.23 and 92.77 percent, respectively, of the District's total investments.

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Position follows:

Statement of Net Assets:	Governmental Activities	Agency Funds	Total
Cash in bank	\$ 2,712	\$ 1,395	\$ 4,107
Cash and investments held by County Treasurer inv. pool	<u>710,150</u>	<u>-</u>	<u>710,150</u>
Total	<u>\$ 712,862</u>	<u>\$ 1,395</u>	<u>\$ 714,257</u>

The Balance Sheet captions and amounts of cash and investment at year end in the District's individual major and non-major funds and fiduciary funds in the aggregate consist of the following:

	General Fund	Community School Fund	Unrestricted Capital Outlay Fund	Non-Major & Other Funds	Totals
Cash in bank	\$ 2,000	\$ -	\$ -	\$ 2,107	\$ 4,107
Cash and investments held by County Treasurer	<u>117,620</u>	<u>261,251</u>	<u>291,354</u>	<u>39,925</u>	<u>710,150</u>
Totals	<u>\$ 119,620</u>	<u>\$ 261,251</u>	<u>\$ 291,354</u>	<u>\$ 42,032</u>	<u>\$ 714,257</u>

NOTE 5 - CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2015 follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Furniture and equipment	\$ 149,179	\$ -	\$ -	\$ 149,179
Total capital assets not being depreciated	<u>149,179</u>	<u>-</u>	<u>-</u>	<u>149,179</u>
Capital assets being depreciated:				
Buildings and improvements *	243,056	-	-	243,056
Furniture, equipment, and vehicles *	<u>285,826</u>	<u>2,600</u>	<u>(3,398)</u>	<u>285,028</u>
Total capital assets being depreciated	<u>528,882</u>	<u>2,600</u>	<u>(3,398)</u>	<u>528,084</u>
Less accumulated depreciation for:				
Buildings and improvements	(73,670)	(10,669)	-	(84,339)
Furniture, equipment, and vehicles	<u>(200,969)</u>	<u>(13,694)</u>	<u>2,190</u>	<u>(212,473)</u>
Total accumulated depreciation	<u>(274,639)</u>	<u>(24,363)</u>	<u>2,190</u>	<u>(296,812)</u>
Total capital assets being depreciated, net	<u>254,243</u>	<u>(21,763)</u>	<u>(1,208)</u>	<u>231,272</u>
Governmental activities capital assets, net	<u>\$ 403,422</u>	<u>\$ (21,763)</u>	<u>\$ (1,208)</u>	<u>\$ 380,451</u>

\*There was an adjustment to move storage containers from Equipment to Buildings and improvements for \$10,217, therefore the beginning balances have been changed to reclass this amount.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Support services:	
Instruction	\$ 8,290
Administration	<u>16,073</u>
Total depreciation expense - governmental activities	<u>\$ 24,363</u>

NOTE 6 - FUND BALANCE CLASSIFICATION OF GOVERNMENTAL FUNDS

The fund balance classifications of the governmental funds as of June 30, 2015, were as follows:

	General Fund	Community School Fund	Unrestricted Capital Outlay Fund	Other Governmental Funds	Totals
Fund balances:					
Nonspendable:					
Prepaid Items	\$ 39,689				\$ 39,689
Total Nonspendable	<u>39,689</u>	\$ -	\$ -	\$ -	<u>39,689</u>
Restricted for:					
Teacher pay increases				26,262	26,262
Capital outlay			291,354		291,354
Other purposes		261,251		6,946	268,197
Grant Expenditures				<u>7,429</u>	<u>7,429</u>
Total Restricted	<u>-</u>	<u>261,251</u>	<u>291,354</u>	<u>40,637</u>	<u>593,242</u>
Unassigned	<u>53,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,151</u>
Total fund balances	<u>\$ 92,840</u>	<u>\$ 261,251</u>	<u>\$ 291,354</u>	<u>\$ 40,637</u>	<u>\$ 686,082</u>

NOTE 7 - LONG-TERM LIABILITIES

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Obligations under capital leases	\$ 12,831	\$ -	\$ 12,831	\$ -	\$ -
Net Pension Liability	455,986	133,092	114,036	475,042	13,271
Compensated absences	<u>15,315</u>	<u>34,879</u>	<u>19,002</u>	<u>31,192</u>	<u>16,400</u>
Governmental activity long-term liabilities	<u>\$ 484,132</u>	<u>\$ 167,971</u>	<u>\$ 145,869</u>	<u>\$ 506,234</u>	<u>\$ 26,671</u>

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 7 - LONG-TERM LIABILITIES (Continued)

**Compensated Absences and claims and judgments** - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During the fiscal year 2015, the District paid for compensated absences as follows: 96 percent from the General Fund and 4 percent from major funds. The District had no payments for claims or judgments during the year.

NOTE 8 - 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/expense that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

**Plan Descriptions** - The 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. The 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 its website [www.azasrs.gov](http://www.azasrs.gov). Requests for additional information should be addressed to ASRS Financial Services Division, 3300 North Central Avenue, Phoenix, AZ 85012.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

**Retirement Initial Membership Date:**

	<u>Before July 1, 2011</u>	<u>On or after July 1, 2011</u>
Years of service & age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based	Highest 36 consecutive months of at last 120 months	Highest 60 consecutive months of at last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*with actuarially reduced 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 earning. Member with 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 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 year ended June 30, 2015, active ASRS members were required by state statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent retirement and 0.12 percent long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent long-term disability) of the members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and .06 percent for long-term disability) of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS. The District's contributions to the pension plan for the year ended June 30, 2015 were \$34,424. 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:

Year ended June 30,	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2015	\$ 1,866	\$ 324
2014	1,733	589
2013	1,589	483

During fiscal year 2015, the District paid for pension and OPEB contributions as follows: 88.9 percent from the General Fund, 11.1 percent from major funds.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 10 - PENSIONS AND OTHER POST EMPLOYMENT BENEFITS (Continued)

**Pension Liability** - At June 30, 2015, the District reported a liability of \$475,042 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from the actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The District's proportion measured as of June 30, 2014, was 0.003210 percent, which was a increase of .000467 percent from its proportion measured as of June 30, 2013.

**Pension expense and deferred outflows/inflows of resources-** For the year ended June 30, 2015, the District recognized pension expense for the ASRS of \$54,803. At June 30, 2015, the District 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 experiences	\$ 78,289	\$ -
Net difference between projected and actual earnings on pension plan investments		83,070
Changes in proportion and difference between District contributions and proportionate share of contributions		-
District contributions and subsequent to the measurement date	34,424	
Total	<u>\$ 112,713</u>	<u>\$ 83,070</u>

The \$112,713 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequently to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30, 2016	\$ 13,271
2017	13,271
2018	(10,556)
2019	(20,767)
2020	not available

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.



VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 11 - PENSIONS AND OTHER POST EMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 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) and 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 target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	63%	7.03%
Fixed income	25%	3.2%
Real estate	8%	4.75%
Commodities	4%	4.50%
Total	<u>100%</u>	

**Discount Rate** -The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of 8.79 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 the assumptions, the 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 District's proportionate share of the ASRS net pension liability to changes in the discount rate** - The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as, what the District's proportionate share of the net pension liability would be if it were calculated using a discount rates of 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate(8%)</u>	<u>1% Increase (9%)</u>
District's proportionate share of the net pension liability	\$ <u>600,428</u>	\$ <u>475,042</u>	\$ <u>407,013</u>

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

**OTHER REQUIRED  
SUPPLEMENTARY INFORMATION**

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
BUDGETARY COMPARISON SCHEDULE FOR  
THE GENERAL FUND  
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with <u>Final Budget</u> Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 393,852	\$ 393,852	\$ 397,443	\$ 3,591
State and County aid	638,781	638,781	655,484	16,703
Other local	-	-	560	560
Total revenues	<u>1,032,633</u>	<u>1,032,633</u>	<u>1,053,487</u>	<u>20,854</u>
<b>Expenditures:</b>				
Current:				
Special Education:				
Instruction	659,261	670,244	645,026	25,218
Support services:				
Students	35,000	35,000	25,133	9,867
Instructional staff	124,826	124,826	94,534	30,292
Administration	103,919	103,919	178,754	(74,835)
Central & other support services	118,632	118,632	83,001	35,631
Operation and maintenance of plant	<u>83,234</u>	<u>83,234</u>	<u>55,318</u>	<u>27,916</u>
Total expenditures	<u>1,124,872</u>	<u>1,135,855</u>	<u>1,081,766</u>	<u>54,089</u>
Excess (deficiency) of revenues over expenditures	(92,239)	(103,222)	(28,279)	74,943
Adjusted fund balances, July 1, 2014	<u>87,887</u>	<u>87,887</u>	<u>87,887</u>	<u>-</u>
Fund balances (deficit), June 30, 2015	\$ <u>(4,352)</u>	\$ <u>(15,335)</u>	\$ <u>59,608</u>	\$ <u>74,943</u>

See accompanying notes to schedule.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
BUDGETARY COMPARISON SCHEDULE FOR  
THE COMMUNITY SCHOOL FUND  
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts Original &amp; Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Other local	\$ <u>100,000</u>	\$ <u>152,940</u>	\$ <u>52,940</u>
Total revenues	<u>100,000</u>	<u>152,940</u>	<u>52,940</u>
<b>Expenditures:</b>			
Support Services:			
Students	0	1,192	(1,192)
Central & other support services	<u>100,000</u>	<u>74,189</u>	<u>25,811</u>
Total expenditures	<u>100,000</u>	<u>75,381</u>	<u>24,619</u>
Excess (deficiency) of revenues over expenditures	0	77,559	77,559
Fund balances, July 1, 2014	<u>183,692</u>	<u>183,692</u>	<u>-</u>
Fund balances (deficit), June 30, 2015	\$ <u><u>183,692</u></u>	\$ <u><u>261,251</u></u>	\$ <u><u>77,559</u></u>

See accompanying notes to schedule.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
JUNE 30, 2015

NOTE 1 - BUDGETING AND BUDGETARY CONTROL

The District adopts an annual operating budget for expenditures for all governmental fund types. The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted, the budget can be increased or decreased only for specific reasons set forth in the A.R.S.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within one subsection titled special education, which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for the subsection does not exceed the General Fund's total budget.

Effective for the fiscal year ended June 30, 2005, revenue budgets were not required to prepared. As a result, the budgeted revenue amounts indicated are only estimated.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

The District's budget is prepared on a basis consistent with generally accepted accounting principles, exempt for the following items:

- Prepaid items are not budgeted.
- To remove GASB 54 funds that are not budgeted with the General Fund.

The following schedule reconciles the Statement of Revenues, Expenditures, and Changes in Fund Balance to the budgetary comparison schedule.

	<u>General Fund</u>		<u>Fund Balance</u>
	<u>Revenues</u>	<u>Expenditures</u>	<u>Adjustments</u>
Statement of Revenues, Expenditures, and Changes in			
Fund Balances- Governmental Funds	\$ 1,073,636	\$ 1,091,794	\$ 130,010
Reclassified National Forest Fees	(20,149)	(10,028)	(23,111 )
Prepaid items	-	-	(19,012 )
Budgetary Comparison Schedules	<u>\$ 1,053,487</u>	<u>\$ 1,081,766</u>	<u>\$ 87,887</u>

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF PENSION LIABILITY  
JUNE 30, 2015

**Arizona State Retirement System**

	<b>Reporting Fiscal Year</b>	
	<b>(Measurement Date)</b>	
	<b>2015</b>	<b>2014 through</b>
	<b>(2014 )</b>	<b>2006</b>
District's proportion of the net pension liability	0.003210%	Information
District's proportionate share of net pension liability	\$ 475,042	not available
District's covered-employee payroll	\$ 316,107	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	150.28%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

See accompanying notes to financial statements.

VALLEY ACADEMY FOR CAREER & TECHNOLOGY EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
JUNE 30, 2015

**Arizona State Retirement System**

	<u>Reporting Fiscal Year</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012 through</u> <u>2006</u>
Statutorily required contribution	\$ 34,424	\$ 30,908	\$ 24,883	Information not available
District's contribution in relation to the statutory required contribution	<u>34,424</u>	<u>30,908</u>	<u>24,883</u>	
District's contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	
District's covered-employee payroll	\$316,107	\$288,860	\$242,761	
District's contributions as a percentage of its covered-employee payroll	10.89%	10.70%	10.25%	

See accompanying notes to financial statements.

## **SUPPLEMENTAL INFORMATION**



# GOVERNMENTAL AUDITING STANDARDS REPORT

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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*

SCHEDULE OF FINDINGS



**Connie A. Sauvageau, CPA**  
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Sedona, Arizona 86336  
Phone(928)203-0500 \* Fax(928)203-0600

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 & Technology Education

I 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 & Technology Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Valley Academy for Career & Technology Education's basic financial statements and have issued my report thereon dated March 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Valley Academy for Career & 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 my opinions on the financial statements, but not for the purpose of expressing my opinions on the effectiveness of Valley Academy for Career & Technology Education's internal control. Accordingly, I do not express an opinion on the effectiveness of Valley Academy for Career & 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Valley Academy for Career & Technology Education's financial statements are free from material misstatement, I 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 these provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under the *Government Auditing Standards*.

**Purpose of Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This reported is intended solely for the information and use of management and the District's governing board, the Arizona Department of Education, the State of Arizona office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Connie A. Sauvageau  
Certified Public Accountant

March 21, 2016  
Sedona, Arizona

VALLEY ACADEMY FOR CAREER AND TECHNOLOGY EDUCATION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported
- Noncompliance material to financial statements noted? No