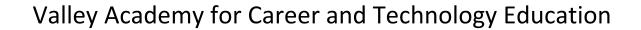
Valley Academy for Career and Technology Education Financial Statements Year Ended June 30, 2023

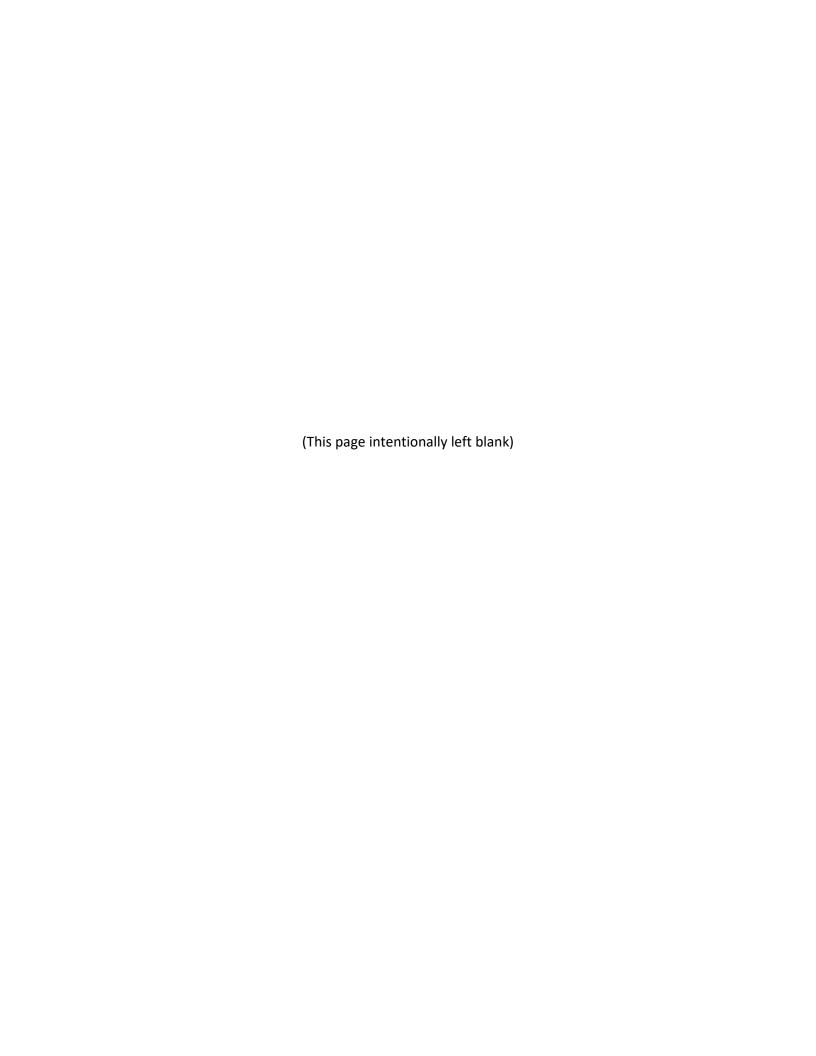


Financial Statements Year Ended June 30, 2023

Valley Academy for Career and Technology Education

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Independent Auditor's Report

Governing Board
Valley Academy for Career and Technology Education

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Academy for Career and Technology Education (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Valley Academy for Career and Technology Education, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1, the District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024, on our consideration of Valley Academy for Career and Technology Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Valley Academy for Career and Technology Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley Academy for Career and Technology Education's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C. Flagstaff, Arizona March 28, 2024 (This page intentionally left blank)

Management's Discussion and Analysis (MD&A) (Required Supplementary Information)

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As management of the Valley Academy for Career and Technology Education (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

Financial Highlights

- The District's total net position of governmental activities increased \$451,855 which represents a 48 percent increase as a result of an increase in state aid and grant revenues.
- General revenues accounted for \$2.1 million in revenue, or 87 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$312,388 or 13 percent of total current fiscal year revenues.
- The District had approximately \$1.9 million in expenses related to governmental activities, an increase of two percent from the prior fiscal year primarily due to increased reimbursements for grants being approved and associated purchases being made.
- Among major funds, the General Fund had \$2.0 million current fiscal year revenues, which
 primarily consisted of state aid and property taxes, and \$1.7 million in expenditures. The
 General Fund's fund balance increase from \$330,368 at the prior fiscal year end to \$1.4
 million at the end of the current fiscal year was primarily due to increased state aid.

Overview of Financial Statements

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

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

Overview of Financial Statements

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

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

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

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

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

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

Overview Of Financial Statements

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$1.4 million at the current fiscal year end.

A portion of the District's net position reflects its investment in capital assets (e.g. buildings and improvements; and vehicles, furniture and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. In addition, a portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors.

Government-Wide Financial Analysis

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2023 and June 30, 2022.

Current assets \$ 1,952,403 \$ 1,595,065 Capital assets, net 253,641 175,752 Total assets 2,206,044 1,770,817 Deferred outflows 86,327 180,684 Current and other liabilities 195,177 169,894 Long-term liabilities 614,995 671,089 Total liabilities 810,172 840,983 Deferred inflows 92,177 172,351 Net position: Net investment in capital assets 206,898 80,893 Restricted 378,201 1,065,069 Unrestricted 804,923 (207,795) Total not position 6 1,200,023 6 0,203,167			As of	As of			
Capital assets, net 253,641 175,752 Total assets 2,206,044 1,770,817 Deferred outflows 86,327 180,684 Current and other liabilities 195,177 169,894 Long-term liabilities 614,995 671,089 Total liabilities 810,172 840,983 Deferred inflows 92,177 172,351 Net position: Net investment in capital assets 206,898 80,893 Restricted 378,201 1,065,069 Unrestricted 804,923 (207,795)		June	30, 2023	Jun	e 30, 2022		
Total assets 2,206,044 1,770,817 Deferred outflows 86,327 180,684 Current and other liabilities 195,177 169,894 Long-term liabilities 614,995 671,089 Total liabilities 810,172 840,983 Deferred inflows 92,177 172,351 Net position: Net investment in capital assets 206,898 80,893 Restricted 378,201 1,065,069 Unrestricted 804,923 (207,795)	Current assets	\$	1,952,403	\$	1,595,065		
Deferred outflows 86,327 180,684 Current and other liabilities 195,177 169,894 Long-term liabilities 614,995 671,089 Total liabilities 810,172 840,983 Deferred inflows 92,177 172,351 Net position: Very company of the position of the positio	Capital assets, net		253,641		175,752		
Current and other liabilities 195,177 169,894 Long-term liabilities 614,995 671,089 Total liabilities 810,172 840,983 Deferred inflows 92,177 172,351 Net position: Value of the position of the	Total assets		2,206,044		1,770,817		
Current and other liabilities 195,177 169,894 Long-term liabilities 614,995 671,089 Total liabilities 810,172 840,983 Deferred inflows 92,177 172,351 Net position: Value of the position of the							
Long-term liabilities 614,995 671,089 Total liabilities 810,172 840,983 Deferred inflows 92,177 172,351 Net position: Very company of the position o	Deferred outflows	-	86,327	-	180,684		
Long-term liabilities 614,995 671,089 Total liabilities 810,172 840,983 Deferred inflows 92,177 172,351 Net position: Very company of the position o							
Total liabilities 810,172 840,983 Deferred inflows 92,177 172,351 Net position: Value of the control of the con	Current and other liabilities		195,177		169,894		
Deferred inflows 92,177 172,351 Net position: Very superior of the control o	Long-term liabilities		614,995		671,089		
Net position: 206,898 80,893 Net investment in capital assets 206,898 1,065,069 Restricted 378,201 1,065,069 Unrestricted 804,923 (207,795)	Total liabilities		810,172		840,983		
Net position: 206,898 80,893 Net investment in capital assets 206,898 1,065,069 Restricted 378,201 1,065,069 Unrestricted 804,923 (207,795)							
Net investment in capital assets 206,898 80,893 Restricted 378,201 1,065,069 Unrestricted 804,923 (207,795)	Deferred inflows		92,177		172,351		
Net investment in capital assets 206,898 80,893 Restricted 378,201 1,065,069 Unrestricted 804,923 (207,795)							
Restricted 378,201 1,065,069 Unrestricted 804,923 (207,795)	Net position:						
Unrestricted 804,923 (207,795)	Net investment in capital assets		206,898		80,893		
	Restricted		378,201		1,065,069		
Total not position	Unrestricted		804,923		(207,795)		
10tal net position 5 1,390,022 5 938,167	Total net position	\$	1,390,022	\$	938,167		

At the end of the current fiscal year, the District reported positive balances in all three categories of net position. Unrestricted net position, which is normally used to meet the District's mission, reported a surplus of \$804,923.

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

- An increase of \$357,338 in cash and investments as a result of additional revenues received.
- An increase of \$77,889 in net capital assets due to the purchase of new vehicles and equipment.

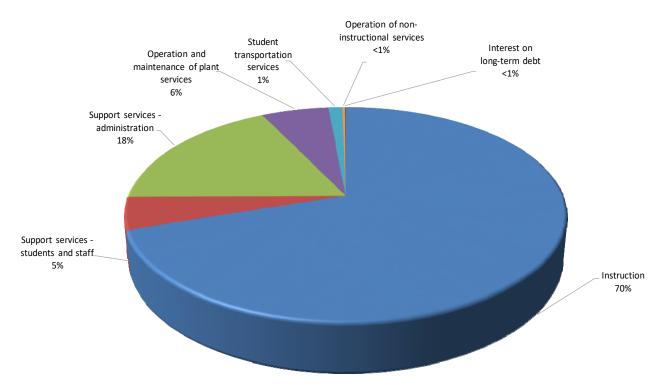
Government-Wide Financial Analysis

Changes in net position. The District's total revenues for the current fiscal year were \$2.4 million. The total cost of all programs and services was \$1.9 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022
Revenues:	34116 30) 2023	34110 30) 2022
Program revenues:		
Charges for services	\$ 71,329	\$ 18,811
Operating grants and contributions	234,466	117,402
Capital grants and contributions	6,593	34,364
General revenues:		
Property taxes	558,843	529,905
Investment income	40,048	2,898
Unrestricted county aid		321,082
Unrestricted state aid	1,458,129	1,009,103
Unrestricted federal aid	19,879	24,603
Total revenues	2,389,287	2,058,168
Expenses:		
Instruction	1,355,606	1,241,678
Support services – students and staff	94,135	163,477
Support services – administration	345,486	364,658
Operation and maintenance of plant services	112,737	118,057
Student transportation services	23,845	2,197
Operation of non-instructional services	4,557	
Interest on long-term debt	1,066	1,591
Total expenses	1,937,432	1,891,658
Changes in net position	451,855	166,510
Net position, beginning	938,167	771,657
Net position, ending	\$ 1,390,022	\$ 938,167

Government-Wide Financial Analysis

Expenses - Fiscal Year 2023



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

- The increase of \$117,064 in operating grants and contributions was primarily a result of an increase of grant revenues related to COVID-19 grants.
- The increase of \$449,026 in unrestricted state aid was primarily the result of an increase in the state equalization funding calculation.

Government-Wide Financial Analysis

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

	Year Ended June 30, 2023					Year Ended	ed June 30, 2022			
	Total Net (Expense			t (Expense)/		Total	Ne	t (Expense)/		
	E	xpenses		Revenue	E	xpenses		Revenue		
Instruction	\$	1,355,606	\$	(1,045,289)	\$	1,241,678	\$	(1,076,420)		
Support services - students and staff		94,135		(94,135)		163,477		(158,158)		
Support services - administration		345,486		(345,486)		364,658		(364,658)		
Operation and maintenance of										
plant services		112,737		(111,816)		118,057		(118,057)		
Student transportation services		23,845		(23,845)		2,197		(2,197)		
Operation of non-instructional										
services		4,557		(3,407)						
Interest on long-term debt		1,066		(1,066)		1,591		(1,591)		
Total	\$	1,937,432	\$	(1,625,044)	\$	1,891,658	\$	(1,721,081)		

- The cost of all governmental activities this year was \$1.9 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$312,388.
- Net cost of governmental activities of \$1.6 million was financed by general revenues, which are made up of primarily property taxes of \$558,843 and state aid of \$1.5 million.

Financial Analysis of the District's Funds

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1.8 million, an increase of \$342,912 due primarily to increased state and federal aid.

Financial Analysis of the District's Funds

The General Fund is the principal operating fund of the District. The increase in fund balance of \$330,368 to \$1.4 million as of fiscal year end was a result of increased state aid.

The General Fund comprises 78 percent of the total fund balance. The entire \$1.4 million of the General Fund's fund balance is unassigned.

The Federal and State Grants Fund's fund balance decreased \$5,162, or 68 percent, to \$2,449.

The Other Special Revenue Fund's fund balance decreased \$23,525, or 10 percent, to \$204,695 as of fiscal year end primarily as a result of expenditures for capital assets.

Budgetary Highlights

Over the course of the year, the District revised the General Fund annual expenditure budget for changes in student membership. The difference between the original budget and the final amended budget was a \$99,647 increase, or 6 percent due to an increase in student population.

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

- A favorable variance of \$218,351 in instruction expenditures was due to decreased passthrough payments to satellite schools.
- A favorable variance of \$31,058 in support services students and staff expenditures was due to decreased salaries and benefits expenditures.

Capital Assets and Debt Administration

Capital Assets. At year end, the District had invested \$472,653 in capital assets, including software and equipment and intangible right-to-use assets. This amount represents a net increase prior to depreciation of \$138,427 from the prior fiscal year. Total depreciation expense for the current fiscal year was \$60,538. The net capital asset balance was \$253,641 at June 30, 2023, and \$175,752 at June 30, 2022. The District has no non-depreciable capital assets. Additional information on the District's capital assets can be found in Note 5.

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

Economic Factors and Next Year's Budget and Rates

Many factors were considered by the District's administration during the process of developing the fiscal year 2023-24 budget. Among them:

- Fiscal year 2022-23 budget balance carry forward (estimated \$200,211).
- District student enrollment (estimated 288).

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

Budgeted expenditures in the General Fund increased two percent to \$1.8 million in fiscal year 2023-24. State aid and property taxes are expected to be the primary funding sources.

Contacting the District's Financial Management

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

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Basic Financial Statements

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Government-Wide Financial Statements

Valley Academy for Career & Technology Education Statement of Net Position June 30, 2023

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 1,849,207
Property taxes receivable	11,817
Accounts receivable	41,127
Due from governmental entities	50,252
Total current assets	1,952,403
Noncurrent assets:	
Capital assets, net accumulated depreciation	209,076
Right-to-use assets, net accumulated amortization	44,565
Total noncurrent assets	253,641
Total assets	2,206,044
Deferred outflows of resources	
Pension plan items	86,327
Total deferred outflows of resources	86,327
Liabilities	
Current liabilities:	
Accounts payable	15,932
Unearned revenues	179,245
Compensated absences payable	18,193
Leases payable	46,743
Total current liabilities	260,113
Noncurrent liabilities:	
Non-current portion of long-term obligations	550,059
Total noncurrent liabilities	550,059
Total liabilities	810,172
Deferred inflows of resources	
Pension plan items	92,177
Total deferred inflows of resources	92,177
Net position	
Net investment in capital assets	206,898
Restricted for:	
Instruction	234,540
Non-instructional purposes	143,661
Unrestricted	804,923
Total net position	\$ 1,390,022

Valley Academy for Career & Technology Education Statement of Activities For the Year Ended June 30, 2023

Net (Expense)
Revenue and
Changes in Net

									_	. 0
			Program Revenue						Position	
					Oper	ating Grants	Capital Gra	nts		
			C	Charges for		and	and		Go	overnmental
Functions/Programs		Expenses		Services	Coi	ntributions	Contributions			Activities
Governmental activities		-			-					
Instruction	\$	1,355,606	\$	69,258	\$	234,466	\$ 6	,593	\$	(1,045,289)
Support services - students and staff		94,135								(94,135)
Support services - administration		345,486								(345,486)
Operation and maintenance of plant services		112,737		921						(111,816)
Student transportation services		23,845								(23,845)
Operation of non-instructional services		4,557		1,150						(3,407)
Interest on long-term debt		1,066								(1,066)
Total governmental activities	\$	1,937,432	\$	71,329	\$	234,466	\$ 6	,593	\$	(1,625,044)
	Gen	eral revenues								
	Pr	operty taxes								558,843
	In	vestment inco	me							40,048
	Ur	nrestricted sta	te aid	d						1,458,129
	Ur	nrestricted fed	eral	aid						19,879
	•	Total general	rever	nues					_	2,076,899
	Cha	nges in net po	sitio	n						451,855
	Net	position, begi	nnin	g of year						938,167
	Net	position, end	of ye	ear					\$	1,390,022

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Fund Financial Statements

Valley Academy for Career & Technology Education Balance Sheet Governmental Funds June 30, 2023

						N	on-Major
		Fee	deral and State	(Other Special	Go	vernmental
	General		Grants		Revenue		Funds
Assets							
Cash and investments	\$ 1,353,524	\$	141,540	\$	187,840	\$	166,303
Property taxes receivable	11,817						
Due from governmental entities			45,498				4,754
Accounts receivable	24,272				16,855		
Total assets	\$ 1,389,613	\$	187,038	\$	204,695	\$	171,057
Liabilities							
Accounts payable	\$ 10,588	\$	5,344	\$		\$	
Unearned revenues			179,245				
Total liabilities	10,588	_	184,589				
Deferred inflows of resources							
Unavailable revenues - property taxes	7,178						
Total deferred inflows of resources	7,178	_		_			
Fund balances							
Restricted			2,449		204,695		171,057
Unassigned	1,371,847						
Total fund balances	1,371,847	_	2,449	_	204,695		171,057
Total liabilities, deferred inflows of resources							
and fund balances	\$ 1,389,613	\$	187,038	\$	204,695	\$	171,057

Total	
Governmen	tal

Governmental						
	Funds					
\$	1,849,207					
	11,817					
	50,252					
	41,127					
\$	1,952,403					
\$	15,932					
	179,245					
	195,177					
	7 178					
	7,178 7,178					
	7,176					
	378,201					
	1,371,847					
	1,750,048					
\$	1,952,403					

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Valley Academy for Career & Technology Education Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position June 30, 2023

Total fund balances - governmental funds		\$ 1,750,048
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets Less accumulated depreciation/amortization	\$ 472,653 (219,012)	253,641
Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.		233,041
Property taxes	 7,178	7,178
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions Deferred inflows of resources related to pensions	 86,327 (92,177)	(5,850)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(3,830)
Compensated absences payable Leases payable Net pension liability	(18,193) (46,743) (550,059)	
		 (614,995)
Net position of governmental activities		\$ 1,390,022

Valley Academy for Career & Technology Education Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2023

						Non-	Major
			Fed	deral and State	Other Special	Govern	mental
		General		Grants	Revenue	Fui	nds
Revenues							
Other local	\$	49,700	\$	182	\$ 73,891	\$	3,979
Property taxes		558,813					
State aid and grants		1,364,587		21,249	35,658		93,542
Federal aid, grants and reimbursements		19,879		178,664			
Total revenues		1,992,979	_	200,095	109,549		97,521
Expenditures							
Current:							
Instruction		1,101,733		89,609	30,765		56,290
Support services - students and staff		79,799		6,056	4,674		
Support services - administration		326,628		3,592	195		
Operation and maintenance of plant services		46,764		3,623	3,780		
Capital outlay		56,327		102,377	93,660		
Debt service:							
Principal retirement		50,294					
Interest and fiscal charges		1,066					
Total expenditures		1,662,611		205,257	133,074	-	56,290
Changes in fund balances		330,368		(5,162)	(23,525)		41,231
Fund balances, beginning of year		1,041,479		7,611	228,220		129,826
Fund balances, end of year	\$	1,371,847	\$	2,449	\$ 204,695	\$	171,057

Total Governmental					
\$	127,752				
	558,813				
	1,515,036				
	198,543				
	2,400,144				
	1,278,397				
	90,529				
	330,415				
	54,167				
	252,364				
	50,294				
	1,066				
	2,057,232				
	2,037,232				
	342,912				
	1,407,136				
\$	1,750,048				

Valley Academy for Career & Technology Education Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2023

Changes in fund balances - total governmental funds			\$ 342,912
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation/amortization expense.			
Expenditures for capitalized assets Less current year depreciation/amortization	\$	138,427 (60,538)	77,889
Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			,
Property taxes Intergovernmental		30 (10,887)	(10,857)
Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			(20,007)
Lease principal retirement		50,294	50,294
Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred items, is reported as pension expense in the Statement of Activities.			
Current year pension contributions Pension expense		34,156 (54,420)	(20,264)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(20,204)	
Compensated absences		11,881	 11,881
Changes in net position in governmental activities			\$ 451,855

Valley Academy for Career and Technology Education Notes To Financial Statements June 30, 2023

Note 1 – Summary of Significant Accounting Policies

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

During the year ended June 30, 2023, the District implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This Statement increases the usefulness of the financial statements by requiring the recognition of certain assets and liabilities for SBITAs. This Statement also requires a government to disclose essential information about the arrangement. The District's analysis of SBITAs in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

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

A. Reporting Entity

The Governing Board is organized under Section 15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures/expenses.

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

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

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

Note 1 – Summary of Significant Accounting Policies

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted federal, state aid, and other items not included among program revenues are reported instead as general revenues.

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

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

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

Note 1 – Summary of Significant Accounting Policies

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

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

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

The District reports the following major governmental funds:

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

<u>Federal and State Grants Fund</u> – The Federal and State Grants Fund accounts for financial assistance received for federal and state grants and projects.

Other Special Revenue Fund – The Other Special Revenue Fund accounts for the revenues and expenditures of other special revenue activities, including the following: community school, extracurricular activities fees tax credit, grants and gift to teachers, advertisement, and student activities.

Note 1 – Summary of Significant Accounting Policies

D. Cash and Investments

A.R.S. 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. Interest earned from investments purchased with pooled monies is allocated to each of the District's funds based on their average balances. All investments are stated at fair value.

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

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

E. Investment Income

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

F. Receivables and Payables

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

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

Note 1 – Summary of Significant Accounting Policies

G. Property Tax Calendar

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

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

H. Prepaid Items

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

I. Capital Assets

Capital assets, which include vehicles, furniture, and equipment; and intangible right-to-use assets, are reported in the government-wide financial statements.

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

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

Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. Intangible right-to-use assets are amortized over the shorter of the lease term or the underlying asset's useful life. The estimated useful lives and amortization periods are as follows:

Vehicles, furniture and equipment 5 – 25 years Intangible right-to-use assets 4 years

Note 1 – Summary of Significant Accounting Policies

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

K. Compensated Absences

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

L. Leases

As lessee, the District recognizes lease liabilities with an initial, individual value of \$30,000 or more. The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The District's uses an interest rate based on the Applicable Federal Rate as the discount rate to measure lease receivables.

M. Pensions

For purposes of measuring the net pension liability, related deferred outflows of resources and deferred inflows of resources, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 – Summary of Significant Accounting Policies

N. Long-term Obligations

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

O. 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.

P. Net Position Flow Assumption

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

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.

Note 2 – Fund Balance Classifications

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

Note 2 - Fund Balance Classifications

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

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

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

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

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

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

Note 2 - Fund Balance Classifications

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

						No	on-Major
		Fede	eral and	Othe	r Special	Gov	ernmental
	 General	State	Grants	Re	venue		Funds
Fund Balances:							
Restricted:							
Voter approved initiatives	\$	\$		\$		\$	171,057
Federal and state projects			2,449				
Community schools					136,609		
Extracurricular activities					5,932		
Gifts and donations					2,238		
Student activities					52,864		
Other purposes					7,052		
Unassigned	 1,371,847						
Total fund balances	\$ 1,371,847	\$	2,449	\$	204,695	\$	171,057

Note 3 – Cash and Investments

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the District's deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the District's bank balance was \$46,468.

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

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

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

Note 3 – Cash and Investments

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

	Average Maturities	Fair Value		
County Treasurer's investment pool	2.62 years	\$	1,878,688	

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.

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

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

Note 4 – Receivables

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the District's non-major governmental, and internal service funds in the aggregate were as follows:

			1	Non-Major
	Fed	deral and	Go	vernmental
	Stat	State Grants		Funds
Due from other governmental entities:				
Due from federal government	\$	45,498	\$	
Due from state government				4,754
Net due from governmental entities	\$	45,498	\$	4,754

Note 5 – Capital Assets

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

	E	Beginning				Ending
Governmental Activities		Balance	 Increase	Decrease		Balance
Capital assets, being depreciated:						
Vehicles, furniture and equipment	\$	138,500	\$ 138,427	\$	\$	276,927
Total capital assets being depreciated		138,500	 138,427		. <u> </u>	276,927
Less accumulated depreciation for:						
Vehicles, furniture and equipment		(57,607)	 (10,244)			(67,851)
Total accumulated depreciation		(57,607)	 (10,244)			(67,851)
Total capital assets, being depreciated, net		80,893	 128,183			209,076
Intangible right-to-use assets:						
Leased buildings and improvements		195,726				195,726
Less accumulated amortization		(100,867)	 (50,294)		. <u> </u>	(151,161)
Total intangible right-to-use assets, net		94,859	 (50,294)			44,565
Governmental activities capital assets, net	\$	175,752	\$ 77,889	\$	\$	253,641

Depreciation and amortization expense were charged to governmental functions as follows:

Instruction	\$ 6,680
Support services – administration	1,367
Operation and maintenance of plant services	50,294
Student transportation services	 2,197
Total depreciation expense – governmental activities	\$ 60,538

Note 6 – Short Term Debt – Revolving Line of Credit

The District has a revolving line of credit to provide cash flow during the year to mitigate the impact of timing differences of expenditures and the receipt of state aid and property tax revenues. At year end, the District had \$200,000 in unused line of credit.

Note 7 – Leases Payable

The District has acquired office space under the provisions of a contract classified as a lease. The related obligation under the lease agreement has been recorded at the present value of its future minimum lease payments as of the inception date. Revenues from the General Fund are used to pay the lease obligation. Amortization of right-to-use assets recorded under leases is included with depreciation expense. The agreement has an automatic renewal for an additional two years with a mutual agreement option to extend up to two more years after that.

The net present value and future minimum lease payments at year end were as follows:

	Governmental Activities			
Year ending June 30:		Principal		Interest
2024	\$	46,743	\$	337
Total	\$	46,743	\$	337

The right-to-use assets recorded under leases that meet the District's capitalization threshold are as follows:

	Gov	ernmental
	A	ctivities
Asset:		
Building improvements	\$	195,726
Less: Accumulated amortization		151,161
Total	\$	44,565

Note 8 – Changes in Long-Term Liabilities

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

	Е	Beginning						Ending		Due Within	
		Balance		Additions		Reductions		Balance		One Year	
Governmental activities:											
Leases payable	\$	97,037	\$		\$	50,294	\$	46,743	\$	46,743	
Net pension liability		543,978		6,081				550,059			
Compensated absences payable		30,074				11,881		18,193		18,193	
Total long-term liabilities	\$	671,089	\$	6,081	\$	62,175	\$	614,995	\$	64,936	

Note 9 – Contingent Liabilities

<u>Compliance</u> – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 10 - Risk Management

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

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

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

Note 11 – Pensions

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

Note 11 – Pensions

The ASRS OPEB plans are not further disclosed because of their relative insignificance to the District's financial statements.

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

Retirement Initial Membership Date:

	Before July 1, 2011	On or After July 1, 2011
Years of service and age	Sum of years and age equals 80	30 years, age 55
required to receive	10 years, age 62	25 years, age 60
benefit	5 years, age 50*	10 years, age 62
	Any years, age 65	5 years, age 50*
		Any years, age 65
Final average salary is	Highest 36 months of last	Highest 60 months of last
based on	120 months	120 months
- 0.	0.444	
Benefit percent per	2.1% to 2.3%	2.1% to 2.3%
year of service	*\\!ith astronially rady and hanafit	

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

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension plan for the year ended June 30, 2023 were \$34,156.

Note 11 – Pensions

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The District was required by statute to contribute at the actuarially determined rate of 9.68 percent (9.62 for retirement and 0.06 percent for long-term disability). ACR contributions are included in employer contributions presented above.

The District's pension plan contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

Pension Liability. The net pension liability was measured as of June 30, 2022. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. The District's proportion of the net liability was based on the District's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 2022.

At June 30, 2023, the District reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2022, the District's percentage proportion for the plan and the related change from its proportion measured as of June 30, 2021 was:

Net		District	Increase			
Liability		% Proportion	(Decrease)			
,	\$ 550,059	0.003	(0.001)			

Pension Expense and Deferred Outflows/Inflows of Resources. The District has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The District's pension expense for the year ended June 30, 2023 was \$54,420.

Note 11 – Pensions

The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred			Deferred		
	Outflows of			Inflows of		
	Resources			Resources		
Differences between expected and actual experience	\$	4,687	\$			
Changes of assumptions or other inputs		27,300				
Net difference between projected and actual earnings						
on pension investments				14,489		
Changes in proportion and differences between						
contributions and proportionate share of contributions		20,184		77,688		
Contributions subsequent to the measurement date		34,156				
Total	\$	86,327	\$	92,177		

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2024	\$ 5,350
2025	(43,390)
2026	(25,156)
2027	23.190

Note 11 – Pensions

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

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Inflation	2.3%
Projected salary increases	2.9-8.4%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, excluding any expected inflation.

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

		Long-Term
		Expected
	Target	Geometric Real
Asset Class	Allocation	Rate of Return
Equity	50%	3.90%
Credit	20	5.30
Interest rate sensitive bonds	10	(0.20)
Real estate	20	6.00
Total	100%	

Note 11 – Pensions

Discount Rate. The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1%	Decrease	Di	scount Rate	1% Increase		
Rate		6.0%		7.0%		8.0%	
Net liability	\$	811,595	\$	550,059	\$	331,978	

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

Required Supplementary Information

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Valley Academy for Career & Technology Education Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General

For the Year Ended June 30, 2023

	Buc	dget		
			Non-GAAP	Variance with
	Original	Final	Actual	Final Budget
Revenues				
Other local	\$	\$	\$ 14,766	\$ 14,766
Property taxes			503,064	503,064
State aid and grants			1,228,820	1,228,820
Total revenues			1,746,650	1,746,650
Expenditures				
Current:				
Instruction	1,112,136	1,307,366	1,089,015	218,351
Support services - students and staff	105,269	117,461	86,403	31,058
Support services - administration	315,094	317,547	304,768	12,779
Operation and maintenance of plant services	189,084	78,856	30,048	48,808
Debt service:				
Principal retirement			50,294	(50,294)
Interest and fiscal charges			1,066	(1,066)
Total expenditures	1,721,583	1,821,230	1,561,594	259,636
Changes in fund balances	(1,721,583)	(1,821,230)	185,056	2,006,286
Fund balances, beginning of year			269,453	269,453
Fund balances, end of year	\$ (1,721,583)	\$ (1,821,230)	\$ 454,509	\$ 2,275,739

Valley Academy for Career & Technology Education Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Federal and State Grants For the Year Ended June 30, 2023

		Bud	get				
						V	ariance with
		Original		Final	Actual	F	inal Budget
Revenues	<u> </u>						
Other local	\$		\$		\$ 182	\$	182
State aid and grants					21,249		21,249
Federal aid, grants and reimbursements					 178,664		178,664
Total revenues					200,095		200,095
Expenditures							
Current:							
Instruction		118,423		146,673	89,609		57,064
Support services - students and staff		8,003		9,913	6,056		3,857
Support services - administration		4,747		5,879	3,592		2,287
Operation and maintenance of plant services		4,788		5,930	3,623		2,307
Capital outlay		135,297		167,571	 102,377		65,194
Total expenditures		271,259		335,966	205,257	_	130,709
Changes in fund balances		(271,259)		(335,966)	 (5,162)	_	330,804
Fund balances, beginning of year					 7,611		7,611
Fund balances, end of year	\$	(271,259)	\$	(335,966)	\$ 2,449	\$	338,415

Valley Academy for Career & Technology Education Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Other Special Revenue For the Year Ended June 30, 2023

	Budget		
			Variance with
	Original and Final	Actual	Final Budget
Revenues			
Other local	\$	\$ 73,891	\$ 73,891
State aid and grants		35,658	35,658
Total revenues		109,549	109,549
Expenditures			
Current:			
Instruction	59,500	30,765	28,735
Support services - students and staff	9,040	4,674	4,366
Support services - administration	377	195	182
Operation and maintenance of plant services	7,311	3,780	3,531
Capital outlay	181,140	93,660	87,480
Total expenditures	257,367	133,074	124,293
Changes in fund balances	(257,367)	(23,525)	233,842
Fund balances, beginning of year		228,220	228,220
Fund balances, end of year	\$ (257,367)	\$ 204,695	\$ 462,062

Valley Academy for Career & Technology Education Schedule of the Proportionate Share of the Net Pension Liability Arizona State Retirement System Last Nine Fiscal Years

		<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>	
Measurement date	June	30, 2022		June 30, 2021		June 30, 2020		June 30, 2019	
District's proportion of the net pension (assets) liability		0.003%		0.004%		0.004%		0.004%	
District's proportionate share of the net pension (assets) liability	\$	550,059	\$	543,978	\$	644,547	\$	509,291	
District's covered payroll	\$	405,212	\$	464,618	\$	405,878	\$	369,767	
District's proportionate share of the net pension (assets) liability as a percentage of its covered payroll		135.75%		117.08%		158.80%		137.73%	
Plan fiduciary net position as a percentage of the total pension liability		74.26%		78.58%		69.33%		73.24%	

Schedule of Pension Contributions Arizona State Retirement System Last Nine Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 34,156	\$ 48,666	\$ 54,128	\$ 46,473
Contributions in relation to the actuarially determined contribution	 34,156	48,666	54,128	46,473
Contribution deficiency (excess)	\$ 	\$ 	\$ 	\$
District's covered payroll	\$ 286,544	\$ 405,212	\$ 464,618	\$ 405,878
Contributions as a percentage of covered payroll	11.92%	12.01%	11.65%	11.45%

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

<u>2</u>	<u>019</u>	<u>.</u>	<u> 2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
June 3	30, 2018	June	30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
	0.003%		0.003%	0.003%	0.003%	0.003%
\$	463,023	\$	443,974	\$ 540,724	\$ 533,900	\$ 475,042
\$	329,569	\$	295,538	\$ 284,525	\$ 316,107	\$ 288,832
	140.49%		150.23%	190.04%	168.90%	164.47%
	73.40%		69.92%	67.06%	68.35%	69.49%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	41,340	\$ 35,923	\$ 31,859	\$ 30,871	\$ 34,424
	41,340	 35,923	31,859	30,871	34,424
\$		\$ 	\$ 	\$ 	\$
\$	369,767	\$ 329,569	\$ 295,538	\$ 284,525	\$ 316,107

Valley Academy for Career and Technology Education Notes to Required Supplementary Information June 30, 2023

Note 1 - Budgetary Basis of Accounting

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

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

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

				Fund	
		Total		Balances	
	Expenditures			End of Year	
Statement of Revenues, Expenditures and Changes in					
Fund Balances - Governmental Funds	\$	1,662,611	\$	1,371,847	
Activity budgeted as special revenue funds		(45,123)		(333,502)	
Activity budgeted as capital projects funds		(49,723)		(583,836)	
Current-year prepaid items		(6,604)			
Schedule of Revenue, Expenditures and Changes in					
Fund Balances – Budget and Actual - General Fund	\$	1,561,161	\$	454,509	

Note 2 – Pension Plan Schedules

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

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

Supplementary Information

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Governmental Funds

Valley Academy for Career & Technology Education Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Classroom Site For the Year Ended June 30, 2023

	Budget		
			Variance with
	Original and Final	Actual	Final Budget
Revenues			
Other local	\$	\$ 3,461	\$ 3,461
State aid and grants		87,061	87,061
Total revenues		90,522	90,522
Expenditures Current:			
Instruction	296,855	56,290	240,565
Total expenditures	296,855	56,290	240,565
Changes in fund balances	(296,855)	34,232	331,087
Fund balances, beginning of year		109,305	109,305
Fund balances, end of year	\$ (296,855)	\$ 143,537	\$ 440,392

Valley Academy for Career & Technology Education Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Instructional Improvement For the Year Ended June 30, 2023

		Budget						
							Var	iance with
	Original		Final		Actual		Final Budget	
Revenues				_				
Other local	\$		\$		\$	518	\$	518
State aid and grants						6,481		6,481
Total revenues						6,999		6,999
Expenditures								
Current:								
Instruction		17,707		22,604				22,604
Total expenditures		17,707		22,604	_			22,604
Changes in fund balances		(17,707)		(22,604)		6,999		29,603
Fund balances, beginning of year						20,521		20,521
Fund balances, end of year	\$	(17,707)	\$	(22,604)	\$	27,520	\$	50,124

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Report on Internal Control and on Compliance

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Governing Board
Valley Academy for Career and Technology Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Academy for Career and Technology Education, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Valley Academy for Career and Technology Education's basic financial statements, and have issued our report thereon dated March 28, 2024. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Heinfeld Meeth & Co. PC

Heinfeld, Meech & Co., P.C. Flagstaff, Arizona March 28, 2024