ACADEMY FOR CAREER EDUCATION

FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION
AND
OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2018

ACADEMY FOR CAREER EDUCATION
JUNE 30, 2018

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BARNARD VOGLER & CO.
Certified Public Accountants

100 West Liberty St.
Suite 1100
Reno, NV 89501

775.786.6141
775.323.6211
bvcocpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Academy for Career Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Academy for Career Education as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Academy for Career Education's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Academy for Career Education as of June 30, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension information on pages 3 through 5, 22 through 23 and 24 through 25 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy for Career Education's basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by the Nevada Department of Education, and is not a required part of the basic financial statements.

The schedule of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. This schedule has not been audited in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 19, 2018 on our consideration of Academy for Career Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Academy for Career Education's internal control over financial reporting and compliance.

Barnard Vogler & Co.

Reno, Nevada
October 19, 2018

As management of Academy for Career Education (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the School as a whole and present a longer-term view of the School's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the School's operations in more detail than the government-wide statements.

FINANCIAL HIGHLIGHTS

Total assets for the school decreased by $293,886 or 37.7%, in 2018, from $780,520 to $486,634. The most significant decrease was due to a decrease in cash on hand.

Total revenue in 2018 decreased by $207,828 or 12%, from $1,736,505 to $1,528,677. The most significant decreases were due to a decrease in per pupil funding, the school's building rent no longer being deferred for improvements, and the absence of a sale of tiny houses.

Total expenses increased by $16,494, or 1%. The most significant increases were due to an increase in supplies for the student-built house and marketing expenses offset by decreases in TMCC college tuition and attorney fees.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the School as a whole with more detailed information for certain School funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the School as a whole and present a long-term view of the School's finances (they include capital assets and pension liabilities and deferrals).

Fund financial statements present a short-term view of the School's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). They present detailed information about the School's general and school grants funds.

THE SCHOOL AS A WHOLE

The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies. The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving. However, consideration must be taken for non-financial factors such as changes in enrollment, state funding, economy and local tax base.

	2018	2017	Change	Percentage
Current assets	$ 463,827	$ 747,155	$(283,328)	(37.9%)
Capital assets-net	22,807	33,365	(10,558)	(31.6%)
Total assets	486,634	780,520	(293,886)	(37.7%)
Deferred outflows of resources	270,521	450,306	(179,785)	(39.9%)
Current liabilities	117,538	125,772	(8,234)	(6.6%)
Net pension liability	1,793,450	1,813,029	(19,579)	(1.1%)
Other long term liabilities	174,778	174,778	- -	0.0%
Total liabilities	2,085,766	2,113,579	(27,813)	(1.3%)
Deferred inflows of resources	117,687	121,405	(3,718)	(3.1%)
Net position	$(1,446,298)	$(1,004,158)	(442,140)	(44.0%)
Net position consists of				
Net investment in capital assets	$(151,971)	$(141,413)	$(10,558)	(7.5%)
Unrestricted net assets	(1,294,327)	(862,745)	(431,582)	(50.0%)
Net position	$(1,446,298)	$(1,004,158)	$(442,140)	(44.0%)

Net position decreased by $442,140 or 44%. Investment in capital assets, net of related debt, decreased by $10,558 or 7.5%.

The School's revenue was as follows:

	2018	2017	Change	Percentage
Program revenue				
Federal grants				
Special Education	$ 27,848	$ 23,838	$ 4,010	16.8%
Total federal grants	27,848	23,838	4,010	16.8%
State grants				
Special Education	84,987	57,439	27,548	48.0%
Career and technical education	105,742	159,661	(53,919)	(33.8%)
Teacher Supply Grant	1,199	884	315	35.6%
Total state grants	191,928	217,984	(26,056)	(12.0%)
Charges for services	22,086	74,312	(52,226)	(70.3%)
Contributions	33,111	94,148	(61,037)	(64.8%)
Total program revenue	55,197	168,460	(113,263)	(67.2%)
General revenue				
State distributive funds	1,242,575	1,320,945	(78,370)	(5.9%)
State other funds	3,800	- -	3,800	100.0%
Other	5,821	3,426	2,395	69.9%
Interest earnings	1,508	1,852	(344)	(18.6%)
Total general revenue	1,253,704	1,326,223	(72,519)	(5.5%)
Total revenue	$ 1,528,677	$ 1,736,505	$(207,828)	(12.0%)

The state per pupil funding is based on quarterly Average Daily Enrollment (ADE). The state per pupil funding increased by approximately $19 per student. Enrollment for the first quarter decreased by 7.7 students, to 184.1 from the first quarter of the previous year. Enrollment decreased second quarter by 6.6 students. The last two quarters were within one student from the previous year's enrollment.

School expenses were as follows in the fund financial statements:

	2018	2017	Change	Percentage
Program expenses				
Regular	$ 1,214,340	$ 1,180,873	$ 33,467	2.8%
Special programs	112,835	81,277	31,558	38.8%
Vocational programs	476,595	525,126	(48,531)	(9.2%)
	$ 1,803,770	$ 1,787,276	$ 16,494	0.9%

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant of the School's funds. Major funds are defined as the general fund and other funds where assets, liabilities, revenues or expenditures exceed 10% of the governmental fund amounts. In the 2018 fiscal year, the general fund and school grants fund qualified as major funds.

The governmental funds provide a short-term view of the School's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

The governmental fund balance decreased $275,093 in 2018 as compared to the government-wide decrease in net position of $442,140. As shown in the balance sheet reconciliation, the primary reason for the difference due to changes related to the school's proportion and activity in the public employee's retirement benefit pension liability. It should be noted that the School maintained a positive fund balance again this year.

The variations between the budget and actual revenue and expenditures are provided in the supplemental section. The budgeted state distributive funds were projected by estimating student enrollment based on previous quarter enrollments and the per pupil dollar amount provided by the State of Nevada. The operational loss of $275,093 was budgeted and was due to the purchase of materials to complete the student-built house, yet the sale of the house took place the following fiscal year, 2018/19. This loss was less than the budgeted loss amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

The balance of debt for 2017/2018 is $174,778.

THE FUTURE OF THE SCHOOL

Student enrollment is expected to increase by approximately 8 students, to 192.1 for the first quarter of the 2018/2019 school year compared to last year's first quarter enrollment.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School at 2800 Vassar Street, Reno, Nevada 89502, telephone number (775) 324-3900.

ACADEMY FOR CAREER EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Current assets	
Cash	$ 334,086
Due from other governments	96,946
Accounts receivable	5,090
Prepaid expenses	27,706
Total current assets	463,828
Capital assets	
Leasehold improvements	1,102,352
Furniture and equipment	118,336
Vehicles	75,496
Technology equipment	12,234
Less accumulated depreciation	(1,285,611)
Capital assets, net	22,807
Total assets	486,635
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	270,521
LIABILITIES	
Current liabilities	
Accounts payable	19,303
Accrued payroll and benefits	86,122
Book deposits	8,541
Unearned revenue	3,572
Total current liabilities	117,538
Noncurrent liabilities	
Pension liability	1,793,450
Debt due in more than one year	174,778
Total noncurrent liabilities	1,968,228
Total liabilities	2,085,766
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	117,687
NET POSITION	
Net investment in capital assets	(151,971)
Unrestricted	(1,294,326)
Total net position	$ (1,446,297)

See accompanying notes

ACADEMY FOR CAREER EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	$ 1,239,169	$ 22,086	$ 78,354	$ (1,138,729)
Special programs	114,666	-	112,835	(1,831)
Vocational programs	481,106	-	65,498	(415,608)
Totals	$ 1,834,941	$ 22,086	$ 256,687	(1,556,168)
GENERAL REVENUE				
Distributive school account				1,242,575
Investment earnings				1,508
Other				5,821
Total general revenue				1,249,904
CHANGE IN NET POSITION				(306,264)
NET POSITION, beginning of year, as originally reported				(1,004,158)
PRIOR PERIOD ADJUSTMENT				(135,875)
NET POSITION, beginning of year, as restated				(1,140,033)
NET POSITION, end of year				$ (1,446,297)

ACADEMY FOR CAREER EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	School Grants Fund	Total
ASSETS			
Cash	$ 334,086	$ -	$ 334,086
Due from other fund	94,164	-	94,164
Due from other governments	2,782	94,164	96,946
Accounts receivable	5,090	-	5,090
Prepaid expenses	27,706	-	27,706
Total assets	$ 463,828	$ 94,164	$ 557,992
LIABILITIES			
Accounts payable	$ 19,303	$ -	$ 19,303
Accrued payroll and benefits	86,122	-	86,122
Book deposits	8,541	-	8,541
Unearned revenue	3,572	-	3,572
Due to other fund	-	94,164	94,164
Total liabilities	117,538	94,164	211,702
FUND BALANCES			
Nonspendable	27,706	-	27,706
Unassigned	318,584	-	318,584
Total fund balance	346,290	-	346,290
Total liabilities and fund balance	$ 463,828	$ 94,164	$ 557,992

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total fund balance reported above	$ 346,290
Add capital assets net of depreciation as they are not financial resources and therefore are not reported in the governmental funds	22,807
Long-term liabilities and deferred inflows are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds	
Long term debt	(174,778)
Net pension liability	(1,793,450)
Deferred inflows related to pension	(117,687)
Other assets and deferred outflows of resources used in governmental activities are not financial resources and therefore are not reported in the governmental funds	
Deferred outflows related to pensions	270,521
NET POSITION	$(1,446,297)

ACADEMY FOR CAREER EDUCATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	School Grants Fund	Total
REVENUE			
Local sources	$ 62,526	$ -	$ 62,526
State sources	1,246,375	191,928	1,438,303
Federal sources	-	27,848	27,848
Total revenue	1,308,901	219,776	1,528,677
EXPENDITURES			
Programs			
Regular programs	1,213,383	957	1,214,340
Special programs	-	112,835	112,835
Vocational programs	370,611	105,984	476,595
Total expenditures	1,583,994	219,776	1,803,770
Excess (deficiency) of revenue over expenditures	(275,093)	-	(275,093)
FUND BALANCES, beginning of year	621,383	-	621,383
FUND BALANCES, end of year	$ 346,290	$ -	$ 346,290

RECONCILIATION TO THE STATEMENT OF ACTIVITIES	
Deficiency of revenue over expenditures above	$(275,093)
Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities the cost of those assets is depreciated over their estimated useful lives.	
Depreciation expense	(10,558)
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 the governmental funds.	
Change in net pension liability	19,579
Change in deferred inflows of resources of pension deferrals	3,718
Change in deferred outflows of resources of pension deferrals	(41,135)
Contributions to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period must be recognized as a deferred outflow of resources	
Difference in contributions to the pension plan from the prior fiscal year.	(2,775)
Change in net position reported on the Statement of Activities	$(306,264)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy for Career Education (School) have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

Academy for Career Education is a charter school organized in 2001 under Nevada Revised Statutes 386.500 to 386.610 and began operations July 1, 2002. The school's major operation is to teach skills for today's construction and engineering industry through integrated academics with a focus on employability skills which prepare students to graduate and be productive citizens.

The School receives funding from state, federal and local government sources and must comply with the concomitant requirements of these funding source entities. However, the School is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since its Board of Directors has decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. There is no external management organization for the School.

B. Basis of Presentation and Basis of Accounting

Government-wide Statements

GASB Statement Number 34 mandates government-wide financial statements of net position and activities, which are presented on the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. It also requires that certain fixed assets be recorded at cost less accumulated depreciation, pension deferrals and liabilities be recognized and outstanding debt be included in the statement of net position.

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). The School's general fund and special revenue funds are classified as governmental activities.

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function. The School does not charge indirect expenses to programs or functions. Program revenue includes fees for services (primarily proceeds from the sale of student-built houses) and grants that are restricted to a particular program. Revenue that is not classified as program revenue is presented as general revenue.

Fund Financial Statements

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation and Basis of Accounting (Continued)

Fund Financial Statements (continued)

Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenue, or expenditures exceed 10% or more of the total for all government funds also be reported as major funds. Accordingly, the School reports the following major governmental funds:

Governmental and Major Funds

1. *General Fund* is the School's general operating fund and is used to account for all financial resources except those required to be accounted for in other funds.

2. *School Grants Fund* is a special revenue fund that accounts for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School maintains its accounting records for all governmental funds on the modified accrual basis of accounting. This method provides for recognizing expenditures at the time liabilities are incurred, while revenue is recorded when "measurable and available" to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers all revenue available if it is collected within 60 days after year-end. Most major sources of revenue reported in governmental funds are susceptible to accrual under the modified accrual basis of accounting.

C. Cash

Cash and cash equivalents consist of cash on hand, demand deposits and money market accounts.

D. Due from Other Governments

This account includes amounts due from other governments for grants, Distributive School Account (DSA), and overpayments of pensions, which are expected to be received within the subsequent year.

E. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost. Donated assets are recorded at their estimated fair market value on the date donated. Depreciation on all capital assets is provided on the straight-line basis over the estimated useful life as follows:

Leasehold improvements	5 years
Furniture and equipment	4 to 20 years
Vehicles	5 years

F. Compensated Absences

It is the School's policy to not pay out accrued paid time off with the termination of employment. Therefore, no liability for compensated absences has been recorded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Position Classifications

There are three types of net position in the government-wide statement of net position:

- *Net investment in capital assets* - consists of capital asset balances less accumulated depreciation and reduced by outstanding balances of debt used to acquire, construct, or improve those assets.

- *Restricted net position* - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.

- *Unrestricted net position* - consists of all other net positions that do not meet the definition of the above two components and are available for the School's general use.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as needed.

The School did not have any restricted net positions as of June 30, 2018.

H. Fund Balance Classifications

Equity is classified as fund balance in the governmental fund statements. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on how amounts can be spent. These include "non-spendable" which are not expected to be converted to cash, such as inventory or prepaid items, "restricted" by conditions of law, regulation, grants or contracts with external parties, "committed" which arise from majority votes of the School's Board, "assigned" which reflect an intent by the Principal or a person assigned by the School's Board, or "unassigned" which is the residual amount.

When both restricted and unrestricted fund balances are available for expenditures, it is the School's policy to use restricted fund balances first, then unrestricted as needed. Expenditures incurred in the unrestricted general fund balances shall be reduced first from committed fund balance, then from the assigned fund balance and lastly from the unassigned fund balance.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Nevada's Public Employees' Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. In the government-wide statements pension expense is recognized based on the school's share of the change in its proportionate share of the PERS net pension liability. A net pension liability is recorded based on the School's proportionate share of the PERS net pension liability, the deferred inflow is based on the School proportionate share of the difference between projected and actual investment earnings, and the current year PERS contributions, the net difference between projected and actual earnings on pension plan investments and changes in the proportion and difference between the School's contributions and proportionate share of contributions are recorded as deferred outflows of resources. The effect of this reporting amounts to a decrease of $1,640,616 in unrestricted net position. In the fund financial statements the pension expense is recognized as the current year contributions are paid.

NOTE 2 - BUDGETARY INFORMATION

The School is required by the State of Nevada Department of Education (Department) to adopt a tentative budget by April 15th and a final budget not later than June 8th of the prior year under NAC 387.725, but is not required by the Department to augment the budget during the year. Further, the School is not required under NRS 386.550 to adopt a final budget pursuant to NRS 354.598 or otherwise comply with any provisions of chapter 354 of the NRS. In essence, augmentation of the School's budget is neither required nor prohibited. The School's Board of Directors augmented the School's budget during the current year. The original and final budget is presented in the Budgetary Comparison Schedules. There is no difference between the budgetary basis and generally accepted accounting principles (GAAP).

NOTE 3 - CAPITAL ASSETS

Capital asset activity during 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Cost of assets:				
Leasehold improvements	$ 1,102,352	$ - -	$ - -	$ 1,102,352
Furniture and equipment	132,962	- -	14,626	118,336
Vehicles	75,496	- -	- -	75,496
Technology equipment	12,234	- -	- -	12,234
Total	$ 1,323,044	$ - -	$ 14,626	$ 1,308,418
Accumulated depreciation:				
Leasehold improvements	$ 1,096,479	$ 5,873	$ - -	$ 1,102,352
Furniture and equipment	105,591	4,564	14,626	95,529
Vehicles	75,496	- -	- -	75,496
Technology equipment	12,113	121	- -	12,234
Total	$ 1,289,679	$ 10,558	$ 14,626	$ 1,285,611

Depreciation expense was charged to functions as follows:

Regular programs	$ 10,558

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the School to significant concentrations of credit risk consist of cash. The school has two bank accounts in one financial institution located in Nevada and holds $300 of petty cash. These bank accounts are insured up to a total of $250,000 by the FDIC and the School has a security interest in certain collateral through this bank. The following is a summary of the total insured and uninsured amounts held at June 30, 2018:

Total cash on hand and in bank	$ 360,544
Insured (FDIC)	(250,000)
Collateralized	(110,244)
Uninsured cash balance	$ 300

NOTE 5 - OPERATING LEASE

The School moved into a building for classrooms and administrative offices under a five-year operating lease beginning April 1, 2006. The lease was extended for six years during 2011 and extended again through March 31, 2019. Monthly rental payments of $7,798 are required. The School made substantial improvements to the building in 2007 and rent payments were deferred until these improvements were exhausted, which happened in March 2017. Total rent expense of $92,127 was recorded for the year ended June 30, 2018. The future minimum lease payments for the lease are as follows:

Year Ended June 30	Amount
2019	$ 70,178

NOTE 6 - LONG TERM DEBT

On December 1, 2007, the School entered into an agreement with Friends of ACE High School to finance tenant improvements to the premises located at 2800 Vassar Street in Reno, Nevada. The School has paid $173,470 since the agreement's inception. Monthly payments in the amount of $6,221 per month, with a rate of 0% interest per annum shall continue until the principal balance has been paid off. Per the terms of the agreement, the School is not required to make monthly payments if their Finance Committee determines it is not fiscally sound to do so. The School decided to suspend payments to Friends of ACE High School in fiscal year 2015. The School is meeting its loan obligations and is not delinquent with its debt service payments in accordance with the agreement.

Changes in general long term debt during the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due in one One Year
Note payable	$ 174,778	$ - -	$ - -	$ 174,778	$ - -

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description. The School is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a defined benefit cost-sharing multiple-employer program, and all full-time employees are covered under the system. The School has no liability for unfunded obligations of the system as provided by Nevada Revised Statutes (NRS) 286.110 but is required to report their share of the net pension liability under GASB 68.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided. Benefits, as required by the NRS, are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010 and July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.55% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% factor. The System offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance payable monthly during their lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575-.579.

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

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation.

Contributions. Member contribution rates, which are actuarially determined, are established by NRS 286.421 for public employees enrolled in the contribution plan. The School is enrolled in both the employer-pay and employer/employee pay plan for PERS and is, therefore, required to share contributions due under the plan. For the years ended June 30, 2018 and June 30, 2017, the School's contractually required contribution rate under the employer-pay was 28.00% and under the employer/employee pay plan was 14.50% of annual payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were $234,779 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of $1,793,450 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the School's proportion was 0.01348 percent, which was an increase from its proportion measured as of June 30, 2016 of 0.01347 percent.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2018, the School recognized pension expense of $138,875 in the Government-wide Statement of Activities. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 117,687
Changes of assumptions	118,978	-
Net difference between projected and actual earnings on pension plan investments	11,645	-
Changes in proportion and differences between School contributions and proportionate share of contributions	21,635	-
School contributions subsequent to the measurement date	118,263	-
Total	$ 270,521	$ 117,687

The amount of $118,263 reported as deferred outflows of resources related to pensions resulting from School contractually required contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30:	
2019	$ (32,151)
2020	41,620
2021	10,748
2022	(29,306)
2023	15,154
2024	6,867
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Inflation Rate	2.75%
Payroll growth	5.00%, including inflation
Investment rate of return	7.50%
Productivity pay increase	0.50%
Salary increases	Regular: 4.52% to 9.15% depending on service Police/Fire: 4.55% to 13.9%, depending on service Rates include inflation and productivity increases
Consumer Price Index	2.75%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the experience review completed in 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) is 6.39 years.

The System's policies which determine the investment portfolio target asset allocation are established by the PERS' Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the system. The following was the PERS' Board's adopted policy target allocation as of June 30, 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	$ 2,711,196	$ 1,793,450	$ 1,031,248

Reconciliation of the net pension liability at June 30, 2018 is as follows:

Net pension liability, beginning of year	$ 1,813,029
Differences between projected and actual investment earnings on pension plan investments	(156,898)
Differences between expected and actual experience	3,719
Changes of assumptions or other inputs	118,978
Benefit payments	(121,038)
Pension expense	138,875
Changes in proportion	(3,215)
Net pension liability, end of year	$ 1,793,450

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report. That report may be obtained by calling 775-687-4200 or via the website at www.nvpers.org.

NOTE 8 - INTERFUND BALANCES

The School Grants Fund owed the General Fund $94,164 at the end of the year. This interfund balance covered expenses of the School Grants Fund while the School Grants Fund waits to collect its receivables.

NOTE 9 - RELATED PARTY TRANSACTIONS

During the year $22,995 was paid for legal services to a legal firm related to the School. The legal firm is a related party as another member of that firm serves on the School's Board of Directors. This Director was recused from decisions to hire this legal firm.

NOTE 10 - COMPLIANCE WITH NEVADA REVISED STATUTES AND NEVADA ADMINISTRATIVE CODE

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

NOTE 11 - PRIOR PERIOD ADJUSTMENT AND ADOPTION OF NEW STANDARD

As of July 1, 2017, the School adopted GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* that clarified certain guidance related to payroll and contribution amounts included in the financial statements, disclosures, and required supplementary information. This statement requires payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions to be classified as employee contributions. PERS issued a restated actuarial report, subsequent to the data that the prior year financial statements were issued, clarifying deferred outflows of resources, pension related. Accordingly, net position as of July 1, 2017 has been restated for the cumulative effect of this change. The following table shows the change to beginning net position as of July 1, 2017 for the School:

	June 30, 2017 (as previously reported)	Adjustment	July 1, 2017 (as restated)
Governmental Activities			
Deferred outflows of resources, pension related	$ 450,306	$(135,875)	$ 314,431
Unrestricted net position	$(862,745)	$(135,875)	$(998,620)
Total net position	$(1,004,158)	$(135,875)	$(1,140,033)

REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY FOR CAREER EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUE				
Local sources	$ 376,883	$ 63,382	$ 62,526	$ (856)
State sources	1,293,402	1,251,359	1,246,375	(4,984)
Total revenue	1,670,285	1,314,741	1,308,901	(5,840)
EXPENDITURES				
Programs				
Regular programs	1,187,732	1,223,195	1,213,383	9,812
Vocational programs	473,543	432,782	370,611	62,171
Total expenditures	1,661,275	1,655,977	1,583,994	71,983
Excess (deficiency) of revenue over expenditures	9,010	(341,236)	(275,093)	66,143
FUND BALANCE, beginning of year	590,345	621,381	621,383	2
FUND BALANCE, end of year	$ 599,355	$ 280,145	$ 346,290	$ 66,145

ACADEMY FOR CAREER EDUCATION
BUDGETARY COMPARISON SCHEDULE
SCHOOL GRANTS FUND - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUE				
State sources	$ 81,277	$ 191,928	$ 191,928	$ -
Federal sources	-	27,848	27,848	-
Total revenue	81,277	219,776	219,776	-
EXPENDITURES				
Programs				
Regular programs	-	957	957	-
Special programs	81,277	112,835	112,835	-
Vocational programs	-	105,984	105,984	-
Total expenditures	81,277	219,776	219,776	-
Excess (deficiency) of revenue over expenditures	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	$ -	$ -	$ -	$ -

ACADEMY FOR CAREER EDUCATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2017	2016	2015	2014	2013
School's proportion of the net pension liability (asset)	0.01348%	0.01347%	0.01325%	0.01324%	0.01324%
School's proportionate share of the net pension liability (asset)	$ 1,793,450	$ 1,813,029	$ 1,518,406	$ 1,380,356	$ 1,741,650
School's covered-employee payroll	862,760	819,980	793,138	780,023	787,467
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	208%	221%	191%	177%	221%
Plan fiduciary net position as a percentage of the total pension liability	74.42%	72.23%	75.13%	76.31%	68.68%

ACADEMY FOR CAREER EDUCATION
SCHEDULE OF THE SCHOOL'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015	2014
Contractually required contribution	$ 118,263	$ 121,038	$ 114,229	$ 102,262	$ 98,217
Contributions in relation to the contractually required contribution	118,263	121,038	114,229	102,262	98,217
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 842,948	$ 862,760	$ 819,980	$ 793,138	$ 780,023
Contributions as a percentage of covered-employee payroll	14%	14%	14%	13%	13%

See accompanying notes

OTHER SUPPLEMENTARY INFORMATION

ACADEMY FOR CAREER EDUCATION
SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2018

Contract/Grant	CFDA Number	Expenditures
U.S. DEPARTMENT OF EDUCATION		
Passed through the State of Nevada		
Washoe County School District		
Special Education Grants to State	84.027	$ 27,848
Total Federal Expenditures		$ 27,848

COMPLIANCE SECTION

BARNARD VOGLER & CO.
Certified Public Accountants

100 West Liberty St.
Suite 1100
Reno, NV 89501

775.786.6141
775.323.6211
bvcocpas.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Academy for Career Education

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Academy for Career Education's basic financial statements, and have issued our report thereon dated October 19, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses, as finding 2018-001, to be a material weakness.

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.

Compliance and Other Matters

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

Academy for Career Education's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Barnard Vogler & Co

Reno, Nevada
October 19, 2018

ACADEMY FOR CAREER EDUCATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Finding 2018-001 Material Weakness in Internal Control over Financial Reporting - Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is having the capability to prepare full disclosure financial statements.

Condition: The School does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our financial statement audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Although this circumstance is not unusual for a government the size of the School, the preparation of financial statements as part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by School personnel. In addition, the absence of controls over the preparation of the financial statements and related financial statement disclosures increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, in a timely manner by the School's internal control. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other consideration.

Effect: Internally prepared financial information may not be accurate and full disclosure financial statements may not be available as timely as they would be if prepared by School personnel.

Cause: Due to a shortage of personnel with the ability to prepare full disclosure financial statements, the School has chosen to contract with Barnard, Vogler and Co. to prepare its financial statements and related financial statement disclosures.

Recommendation: It is not recommended that the School engage the services of a second accounting firm to assist in preparing its governmental financial statements and related financial statement disclosures solely to avoid having a significant deficiency or material weakness as it is not assured that the benefit of engaging a second firm would outweigh the costs. The School's staff could obtain training in the preparation of governmental financial statements and related financial statement disclosures, but this time and effort would also not assure that the benefits outweigh the costs.

View of Responsible Officials: Due to limited staff, the School has chosen to contract with Barnard, Vogler and Co. to prepare its financial statements and related financial statement disclosures. The School is satisfied the most cost efficient approach is to outsource the financial statement preparation function. Therefore, the School will continue to contract with the external auditor to prepare the School's financial statements.

ACADEMY FOR CAREER EDUCATION
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding 2017-001 Material Weakness in Internal Control over Financial Reporting - Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)

Condition: The School does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our financial statement audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Although this circumstance is not unusual for a government the size of the School, the preparation of financial statements as part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by School personnel. In addition, the absence of controls over the preparation of the financial statements and related financial statement disclosures increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, in a timely manner by the School's internal control. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other consideration.

Current Status: This is a continued finding for the 2018 year. See Finding 2018-001.