

ACADEMY FOR CAREER EDUCATION
FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION
AND
OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2017

ACADEMY FOR CAREER EDUCATION
JUNE 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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. 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, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension information on pages 3 through 5, 21 through 22 and 23 through 24 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).

Barnard Vogler & Co.

Reno, Nevada
October 19, 2017

ACADEMY FOR CAREER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017

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, 2017. 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 \$58,611 or 7%, in 2017, from \$839,131 to \$780,520. The most significant decrease was due to a decrease in cash on hand.

Total revenue in 2017 decreased by \$601, or .04%, from \$1,737,106 to \$1,736,505.

Total expenses increased by \$42,120, or 2.4%. The most significant increases were due to attorney fees, student college tuition for dual credit courses, and the addition of Career Counselor.

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.

ACADEMY FOR CAREER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percentage</u>
Current assets	\$ 747,155	\$ 793,866	\$ (46,711)	(5.9%)
Capital assets-net	<u>33,365</u>	<u>45,265</u>	<u>(11,900)</u>	(26.3%)
Total assets	780,520	839,131	(58,611)	(7.0%)
Deferred outflows of resources	450,306	241,161	209,145	86.7%
Current liabilities	125,772	121,712	4,060	3.3%
Net pension liability	1,813,029	1,518,406	294,623	19.4%
Other long term liabilities	<u>174,778</u>	<u>174,778</u>	<u>--</u>	0.0%
Total liabilities	<u>2,113,579</u>	<u>1,814,896</u>	<u>298,683</u>	16.5%
Deferred inflows of resources	<u>121,405</u>	<u>196,457</u>	<u>(75,052)</u>	(38.2%)
Net position	<u>\$(1,004,158)</u>	<u>\$(931,061)</u>	<u>\$(73,097)</u>	(7.9%)
Net position consists of				
Net investment in capital assets	\$(141,413)	\$(129,513)	\$(11,900)	(9.2%)
Unrestricted net assets	<u>(862,745)</u>	<u>(801,548)</u>	<u>(61,197)</u>	(7.6%)
Net position	<u>\$(1,004,158)</u>	<u>\$(931,061)</u>	<u>\$(73,097)</u>	(7.9%)

Net position decreased by \$73,097 or 7.9%. Investment in capital assets, net of related debt, decreased by \$11,900 or 26.32%.

The School's revenue was as follows:

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percentage</u>
Program revenue				
Federal grants				
Special Education	\$ 23,838	\$ 36,176	\$(12,338)	(34.1%)
Nevada Works Grant	<u>--</u>	<u>15,000</u>	<u>(15,000)</u>	(100.0%)
Total federal grants	23,838	51,176	(27,338)	(53.4%)
State grants				
Special Education	\$ 57,439	45,455	\$ 11,984	26.4%
Career and technical education	160,545	147,800	12,745	8.6%
Commission on Construction Education	<u>--</u>	<u>202</u>	<u>(202)</u>	(100.0%)
Total state grants	217,984	193,457	24,527	12.7%
Charges for services	74,312	54,552	19,760	36.2%
Contributions	<u>94,148</u>	<u>102,645</u>	<u>(8,497)</u>	(8.3%)
Total program revenue	168,460	157,197	11,263	7.2%
General revenue				
State distributive funds	1,320,945	1,328,148	(7,203)	(0.5%)
Other	3,426	5,231	(1,805)	(34.5%)
Interest earnings	<u>1,852</u>	<u>1,897</u>	<u>(45)</u>	(2.4%)
Total general revenue	<u>1,326,223</u>	<u>1,335,276</u>	<u>(9,053)</u>	(0.7%)
Total revenue	<u>\$ 1,736,505</u>	<u>\$ 1,737,106</u>	<u>\$(601)</u>	0.0%

The state per pupil funding is based on quarterly Average Daily Enrollment (ADE). The state per pupil funding increased approximately \$46 per student. Enrollment for the first quarter decreased by 7.9, from the previous year, to 191.8 students. Enrollment decreased each quarter, however the school qualified for the hold harmless payment for the 3rd and 4th quarters.

ACADEMY FOR CAREER EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2017

Major school expenses in the regular program were \$1,180,783. School expenses were as follows in the fund financial statements:

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percentage</u>
Program expenses				
Regular	\$ 1,180,873	\$ 1,120,400	\$ 60,473	5.4%
Special programs	81,277	91,054	(9,777)	(10.7%)
Vocational programs	525,126	516,082	9,044	1.8%
Building improvements	<u>- -</u>	<u>17,620</u>	<u>(17,620)</u>	<u>(100.0%)</u>
	<u>\$ 1,787,276</u>	<u>\$ 1,745,156</u>	<u>\$ 42,120</u>	<u>2.4%</u>

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 2017 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 \$50,771 in 2017 as compared to the government-wide decrease in net position of \$73,097. As shown in the balance sheet reconciliation, the primary reason for the difference is depreciation offset by capital purchases and 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

The balance of debt for 2016/2017 is \$174,778.

THE FUTURE OF THE SCHOOL

Student enrollment is expected to decrease to approximately 185 students for the first quarter of the 2017/2018 school year.

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, 2017

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ASSETS

Current assets

Cash	\$ 630,710
Due from other governments	62,884
Accounts receivable	2,753
Prepaid expenses	50,808
Total current assets	<u>747,155</u>

Capital assets

Leasehold improvements	1,102,352
Furniture and equipment	132,962
Vehicles	75,496
Technology equipment	12,234
Less accumulated depreciation	<u>(1,289,679)</u>
Capital assets, net	<u>33,365</u>

Total assets	780,520
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>450,306</u>
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LIABILITIES

Current liabilities

Accounts payable	29,228
Accrued payroll and benefits	83,505
Book deposits	10,071
Unearned revenue	2,968
Total current liabilities	<u>125,772</u>

Noncurrent liabilities

Pension liability	1,813,029
Debt due in more than one year	174,778
Total noncurrent liabilities	<u>1,987,807</u>

Total liabilities	<u>2,113,579</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>121,405</u>
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NET POSITION

Net investment in capital assets	(141,413)
Unrestricted	<u>(862,745)</u>
Total net position	<u><u>\$ (1,004,158)</u></u>

See accompanying notes

ACADEMY FOR CAREER EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 1,199,699	\$ 74,312	\$ 95,032	\$ (1,030,355)
Special programs	81,896	-	81,277	(619)
Vocational programs	528,007	-	159,661	(368,346)
Totals	<u>\$ 1,809,602</u>	<u>\$ 74,312</u>	<u>\$ 335,970</u>	(1,399,320)
GENERAL REVENUE				
Distributive school account				1,320,945
Investment earnings				1,852
Other				3,426
Total general revenue				<u>1,326,223</u>
CHANGE IN NET POSITION				<u>(73,097)</u>
NET POSITION, beginning of year				<u>(931,061)</u>
NET POSITION, end of year				<u>\$ (1,004,158)</u>

See accompanying notes

ACADEMY FOR CAREER EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

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	General Fund	School Grants Fund	Total
<hr/>			
ASSETS			
Cash	\$ 630,710	\$ -	\$ 630,710
Due from other fund	55,027	-	55,027
Due from other governments	7,857	55,027	62,884
Accounts receivable	2,753	-	2,753
Prepaid expenses	50,808	-	50,808
	<hr/>	<hr/>	<hr/>
Total assets	\$ 747,155	\$ 55,027	\$ 802,182
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts payable	\$ 29,228	\$ -	\$ 29,228
Accrued payroll and benefits	83,505	-	83,505
Book deposits	10,071	-	10,071
Unearned revenue	2,968	-	2,968
Due to other fund	-	55,027	55,027
	<hr/>	<hr/>	<hr/>
Total liabilities	125,772	55,027	180,799
	<hr/>	<hr/>	<hr/>
FUND BALANCES			
Nonspendable	50,808	-	50,808
Unassigned	570,575	-	570,575
	<hr/>	<hr/>	<hr/>
Total fund balance	621,383	-	621,383
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	\$ 747,155	\$ 55,027	\$ 802,182
	<hr/>	<hr/>	<hr/>
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION			
Total fund balance reported above			\$ 621,383
Add capital assets net of depreciation as they are not financial resources and therefore are not reported in the governmental funds			33,365
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			(1,813,029)
Deferred inflows related to pension			(121,405)
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			450,306
			<hr/>
NET POSITION			\$ (1,004,158)
			<hr/>

See accompanying notes

ACADEMY FOR CAREER EDUCATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	School Grants Fund	Total
REVENUE			
Local sources	\$ 173,738	\$ -	\$ 173,738
State sources	1,320,945	217,984	1,538,929
Federal sources	-	23,838	23,838
Total revenue	<u>1,494,683</u>	<u>241,822</u>	<u>1,736,505</u>
EXPENDITURES			
Programs			
Regular programs	1,180,336	537	1,180,873
Special programs	-	81,277	81,277
Vocational programs	<u>365,118</u>	<u>160,008</u>	<u>525,126</u>
Total expenditures	<u>1,545,454</u>	<u>241,822</u>	<u>1,787,276</u>
Excess (deficiency) of revenue over expenditures	(50,771)	-	(50,771)
FUND BALANCES, beginning of year	<u>672,154</u>	<u>-</u>	<u>672,154</u>
FUND BALANCES, end of year	<u><u>\$ 621,383</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 621,383</u></u>

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Deficiency of revenue over expenditures above	\$ (50,771)
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	(11,900)
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	(294,623)
Change in deferred inflows of resources of pension deferrals	75,052
Change in deferred outflows of resources of pension deferrals	197,713
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.	<u>11,432</u>
Change in net position reported on the Statement of Activities	<u><u>\$ (73,097)</u></u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

ACADEMY FOR CAREER EDUCATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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.

ACADEMY FOR CAREER EDUCATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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, 2017.

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 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.

ACADEMY FOR CAREER EDUCATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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 \$1,484,128 in unrestricted net position. In the fund financial statements the PERS 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 each 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 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Cost of assets:				
Leasehold improvements	\$ 1,102,352	\$ --	\$ --	\$ 1,102,352
Furniture and equipment	132,962	--	--	132,962
Vehicles	75,496	--	--	75,496
Technology equipment	<u>12,234</u>	<u>--</u>	<u>--</u>	<u>12,234</u>
Total	<u>\$ 1,323,044</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,323,044</u>
Accumulated depreciation:				
Leasehold improvements	\$ 1,090,605	\$ 5,874	\$ --	\$ 1,096,479
Furniture and equipment	101,028	4,563	--	105,591
Vehicles	75,496	--	--	75,496
Technology equipment	<u>10,650</u>	<u>1,463</u>	<u>--</u>	<u>12,113</u>
Total	<u>\$ 1,277,779</u>	<u>\$ 11,900</u>	<u>\$ --</u>	<u>\$ 1,289,679</u>

Depreciation expense was charged to functions as follows:

Regular programs	<u>\$ 11,900</u>
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ACADEMY FOR CAREER EDUCATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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 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, 2017:

Total cash on hand and in bank	\$ 652,996
Insured (FDIC)	(250,000)
Collateralized	(402,696)
Uninsured cash balance	<u>\$ 300</u>

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 for one year in February 2017 until March 31, 2018. Monthly rental payments of \$7,637 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 \$89,839 and in kind donations of \$66,928 were recorded for the year ended June 30, 2017. The future minimum lease payments for the lease are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2018	<u>\$ 68,734</u>

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, ACE 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.

Changes in general long term debt during the year ended June 30, 2017 are as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due in one</u> <u>One Year</u>
Note payable	<u>\$ 174,778</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 174,778</u>	<u>\$ --</u>

NOTE 7 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

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.

ACADEMY FOR CAREER EDUCATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (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, 2017 and June 30, 2016, the school's contractually required contribution rate was 28.00% of annual payroll for employer-pay plans and 14.50% for employer/employee-pay plans, respectively, 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 \$234,085 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of \$1,813,029 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2016, the School's proportion was 0.01347 percent, which was an increase from its proportion measured as of June 30, 2015 of 0.01325 percent.

ACADEMY FOR CAREER EDUCATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

For the year ended June 30, 2017, the School recognized pension expense of \$243,390 in the Government-wide Statement of Activities. At June 30, 2017, 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	\$ -	\$ 121,405
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	168,543	-
Changes in proportion and differences between School contributions and proportionate share of contributions	47,678	-
School contributions subsequent to the measurement date	234,085	-
Total	<u>\$ 450,306</u>	<u>\$ 121,405</u>

The amount of \$234,085 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30:

2018	\$ (13,969)
2019	(13,969)
2020	59,747
2021	28,899
2022	(11,126)
Thereafter	(2,453)

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

ACADEMY FOR CAREER EDUCATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

Inflation Rate	3.50%
Payroll growth	5.00%, including inflation
Investment rate of return	8.00%
Productivity pay increase	0.75%
Salary increases	Regular: 4.60% to 9.75% depending on service Police/Fire: 5.25% to 14.5%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males or Females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2013.

The System's policies which determine the investment portfolio target asset allocation are established by the Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the system. The following was the PERS' Board's adopted policy target allocation as of June 30, 2016:

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 8 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 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

ACADEMY FOR CAREER EDUCATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
School's proportionate share of the net pension liability	\$ 2,657,029	\$ 1,813,029	\$ 1,110,185

Reconciliation of the net pension liability at June 30, 2017 is as follows:

Net pension liability, beginning of year	\$ 1,518,406
Difference between expected and actual experience in the measurement of the total pension liability	75,052
Benefit payments	(221,532)
Pension expense	243,390
Changes in proportion	<u>197,713</u>
Net pension liability, end of year	<u>\$ 1,813,029</u>

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 \$55,027 at the end of the year. This interfund balance is to cover expenses of the School Grants Fund.

NOTE 9 - RELATED PARTY TRANSACTIONS

The School utilized attorney services in the amount of \$53,788 for the year ended June 30, 2017 from an attorney who is employed by the same company of which a board member is an employee. \$7,330 is due to this company at June 30, 2017.

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.

REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY FOR CAREER EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUE				
Local sources	\$ 141,886	\$ 175,961	\$ 173,738	\$ (2,223)
State sources	1,352,922	1,293,402	1,320,945	27,543
Total revenue	<u>1,494,808</u>	<u>1,469,363</u>	<u>1,494,683</u>	<u>25,320</u>
EXPENDITURES				
Programs				
Regular programs	1,176,476	1,184,049	1,180,336	3,713
Vocational programs	428,626	367,122	365,118	2,004
Total expenditures	<u>1,605,102</u>	<u>1,551,171</u>	<u>1,545,454</u>	<u>5,717</u>
Excess (deficiency) of revenue over expenditures	(110,294)	(81,808)	(50,771)	31,037
FUND BALANCE, beginning of year	690,430	672,153	672,154	1
FUND BALANCE, end of year	<u>\$ 580,136</u>	<u>\$ 590,345</u>	<u>\$ 621,383</u>	<u>\$ 31,038</u>

See accompanying notes

ACADEMY FOR CAREER EDUCATION
BUDGETARY COMPARISON SCHEDULE
SCHOOL GRANTS FUND - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
REVENUE				
State sources	\$ 77,949	\$ 221,806	\$ 217,984	\$ (3,822)
Federal sources	-	23,838	23,838	-
Total revenue	<u>77,949</u>	<u>245,644</u>	<u>241,822</u>	<u>(3,822)</u>
EXPENDITURES				
Programs				
Regular programs	-	537	537	-
Special programs	77,949	81,277	81,277	-
Vocational programs	-	163,830	160,008	3,822
Total expenditures	<u>77,949</u>	<u>245,644</u>	<u>241,822</u>	<u>3,822</u>
Excess (deficiency) of revenue over expenditures	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes

ACADEMY FOR CAREER EDUCATION
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.01347%	0.01325%	0.01324%	0.01324%
School's proportionate share of the net pension liability (asset)	\$ 1,813,029	\$ 1,518,406	\$ 1,380,356	\$ 1,741,650
School's covered-employee payroll	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	221%	191%	177%	221%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	75.13%	76.31%	68.68%

See accompanying notes

ACADEMY FOR CAREER EDUCATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 234,085	\$ 222,653	\$ 198,434	\$ 196,433
Contributions in relation to the contractually required contribution	234,085	222,653	198,434	196,433
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 862,760	\$ 819,980	\$ 793,138	\$ 780,023
Contributions as a percentage of covered-employee payroll	27%	27%	25%	25%

See accompanying notes

OTHER SUPPLEMENTARY INFORMATION

ACADEMY FOR CAREER EDUCATION
SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2017

<u>Contract/Grant</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION		
Passed through the State of Nevada		
Washoe County School District		
Special Education Grants to State	84.027	\$ <u>23,838</u>
Total Federal Expenditures		\$ <u>23,838</u>