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**NORTHERN ARIZONA VOCATIONAL  
INSTITUTE OF TECHNOLOGY**

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**ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2022**



**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
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**YEAR ENDED JUNE 30, 2022**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Northern Arizona Vocational Institute of Technology  
Snowflake, Arizona

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northern Arizona Vocational Institute of Technology (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northern Arizona Vocational Institute of Technology, as of June 30, 2022, 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.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*CWDL, Certified Public Accountants*

Scottsdale, Arizona  
February 16, 2023

# **NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2022**

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As management of the Northern Arizona Vocational Institute of Technology, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

## **FINANCIAL HIGHLIGHTS**

- The District's total net position of governmental activities increased \$1,130,876. This represents an 11% increase from fiscal year 2021.
- General revenues accounted for \$5,646,936 in revenue, or 94% of all fiscal year 2022 revenues. Program specific revenues in the form of grants and contributions accounted for \$386,095 or 6% of total fiscal year 2022 revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,956,991, an increase of \$2,652,384 in comparison with the prior year.
- At the end of fiscal year 2022, unassigned fund balance for the General Fund was \$7,523,048, or 160% of total General Fund expenditures.

## **OVERVIEW OF FINANCIAL STATEMENTS**

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

### **Government-wide financial statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

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

The government-wide financial statements can be found immediately following the MD&A.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

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**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District are reported as governmental funds.

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

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

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Classroom Site Fund which are considered major funds. Information for the other four funds are consolidated as Nonmajor Governmental Funds.

An operating budget for expenditures is prepared and adopted by the District each fiscal year for the General Fund and major special revenue funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained through the use of periodic reports that compare actual expenditures against budgeted amounts. The expenditure budget can be revised annually, per Arizona Revised Statutes. The District also maintains an encumbrance accounting system as one technique of maintaining budgetary control. Encumbered amounts lapse at year-end. An annual budget of revenue from all sources is not prepared.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

**Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 16 - 29 of this report.



**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

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**Required Supplementary Information Other than MD&A**

Governments have the option of reporting the General Fund and major special revenue budgetary statements as part of the basic financial statements or as required supplementary information (RSI) other than the MD&A. The District has elected to present the General Fund and the Classroom Site Fund budgetary comparison schedules as RSI other than the MD&A which can be found starting on page 30 of this report. Notes to the RSI are presented on page 33. The District reports a multi-year schedule of the District's proportionate share of net pension liability and contributions to its cost-sharing pension plan on page 32.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as useful indicators of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,259,367 at the close of the most recent fiscal year.

The following table presents a summary of the District's net position as of June 30, 2022 and 2021.

	<b>Governmental Activities</b>		
	<b>2022</b>	<b>2021</b>	<b>Net Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current and other assets	\$ 11,110,174	\$ 10,402,352	\$ 707,822
Capital assets	764,992	856,298	(91,306)
Deferred outflows	113,001	95,293	17,708
<b>Total Assets and Deferred Outflows</b>	<b>11,988,167</b>	<b>11,353,943</b>	<b>634,224</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current liabilities	136,821	642,905	(506,084)
Long-term liabilities	455,221	569,689	(114,468)
Deferred inflows	136,758	12,858	123,900
<b>Total Liabilities and Deferred Inflows</b>	<b>728,800</b>	<b>1,225,452</b>	<b>(496,652)</b>
<b>NET POSITION</b>			
Investment in capital assets	764,992	856,298	(91,306)
Restricted	3,433,943	3,162,787	271,156
Unrestricted	7,060,432	6,109,406	951,026
<b>Total Net Position</b>	<b>\$ 11,259,367</b>	<b>\$ 10,128,491</b>	<b>\$ 1,130,876</b>

By far the largest portion of the District's net position reflects unrestricted net position, which can be used to support the operations of the District. The District also reported a position balance in its investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net position.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

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**Changes in net position.** The District's total revenues for the fiscal years ended June 30, 2022 and 2021, were \$6,033,031 and \$5,764,282, respectively. The total cost of all programs and services for the fiscal years ended June 30, 2022 and 2021 were \$4,902,155 and \$4,531,763, respectively. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and 2021.

	<b>Governmental Activities</b>		
	<b>2022</b>	<b>2021</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 8,093	\$ 14,177	\$ (6,084)
Operating grants and contributions	378,002	479,536	(101,534)
General revenues:			
Property taxes	880,673	841,369	39,304
State equalization and additional state aid	4,515,825	4,097,839	417,986
County equalization	168,647	193,561	(24,914)
Interest and other	81,791	137,800	(56,009)
<b>Total Revenues</b>	<b>6,033,031</b>	<b>5,764,282</b>	<b>268,749</b>
<b>EXPENSES</b>			
Instruction	4,073,052	3,797,989	275,063
Support Services:			
Students and instructional staff	297,025	211,081	85,944
General and school administration	253,206	217,909	35,297
Business and other support services	193,279	193,965	(686)
Operation and maintenance of plant	80,046	110,799	(30,753)
<b>Total Expenses</b>	<b>4,902,155</b>	<b>4,531,743</b>	<b>370,412</b>
<b>Change in net position</b>	<b>1,130,876</b>	<b>1,232,539</b>	<b>(101,663)</b>
<b>Net Position - Beginning</b>	<b>10,128,491</b>	<b>8,895,952</b>	<b>1,232,539</b>
<b>Net Position - Ending</b>	<b>\$ 11,259,367</b>	<b>\$ 10,128,491</b>	<b>\$ 1,130,876</b>

Charges for services decreased \$6,084 due to decrease in auxiliary operations.

Operating grants decreased by \$101,534 due to decreases in federal COVID relief funding.

State equalization and additional state aid increased \$417,986 (10%) due to increases in enrollment and changes in the budget formula.

County equalization decreased \$24,914 (13%) due to decreases in the budget formula.

Property taxes increased \$39,304 due to increases in net assessed property tax valuations.

The interest and other income decreased \$56,009 (41%) due to decreases in returns in the county investment pool.

The District incurred an 8% increase in expenses in the current year. The District's mission is to provide an appropriate and outstanding educational experience for every student served within budget constraints. The increase was mainly due to increases in passthrough payments to member districts.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

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

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

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

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$10,956,991, an increase of \$2,652,384 in comparison with the prior year. Approximately 69% of this total amount (\$7,523,048) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remaining fund balance is restricted to indicate that it is not available for new spending.

Fund balances as of June 30, 2022, and the changes in fund balances from prior year are summarized as follows:

<b>GOVERNMENTAL FUND</b>	<b>Balance</b>	<b>Increase (Decrease) From 2020-21</b>
General Fund	\$ 7,523,048	\$ 943,330
Classroom Site Fund	1,935,701	1,552,030
Nonmajor Governmental Funds	1,498,242	157,024

The General Fund increase of \$943,330 was mainly due to consistent funding and continued conservative spending practices.

The Classroom Site Fund increase of \$1,552,030 was primarily due to intergovernmental revenues received during the current year that were not expended and an increase in classroom site program funding.

The Nonmajor Funds increase of \$157,024 was primarily due to intergovernmental revenues received during the current year that were not fully expended.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District can revise the annual General Fund expenditure budget. In Arizona, school districts build their original “adopted” budget based on a projection of the coming fiscal year’s 100th day average daily attendance. In May, the District is allowed to increase or decrease its budget for differences between expected and actual student growth. Differences between the original and the final amended General Fund budget represented a 4% increase. The \$310,783 increase was due to the increase in instruction costs. Actual General Fund expenditures were \$3,655,183 less than budget during the fiscal year. The District expended below budget largely due to regular instruction expenditures falling below budget by \$3,186,805.

A schedule showing the original and final budget amounts compared to the District’s actual financial activity for the General Fund and the Classroom Site Fund are provided in this report as required supplementary information.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$764,992 (net of accumulated depreciation). This investment in capital assets includes land and land improvements; building and building improvements; and vehicles, equipment, and furniture. The net decrease in the District's investment in capital assets for the current fiscal year was \$91,306 due to current year depreciation expense.

Additional information on the District's capital assets can be found in Note 5 on page 23 of this report.

**Debt Administration**

The District did not have any outstanding bonds or other long-term debt other than pensions, other postemployment benefits and compensated absences.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following factors were considered in the preparation of the District's 2022-23 budget:

- Operating expenses.
- Costs related to the District's central programs.
- Allocations to member schools.
- Federal and state budget funding in relation to COVID-19.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District'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 Northern Arizona Vocational Institute of Technology, 951 W. Snowflake Blvd., Snowflake, Arizona 85937. The District can also be contacted via telephone at (928) 536-6100 or via the District website, [www.navitschools.org](http://www.navitschools.org).

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 11,050,152
Property taxes receivable	21,287
Intergovernmental receivable	28,166
Accounts receivable	10,569
Capital assets, not depreciated	92,000
Capital assets, net of accumulated depreciation	672,992
<b>Total Assets</b>	<b>11,875,166</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	113,001
<b>LIABILITIES</b>	
Accounts payable	65,257
Refundable deposits	71,564
Long-term liabilities:	
Due within one year	40,011
Net pension liability	415,210
<b>Total Liabilities</b>	<b>592,042</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	136,758
<b>NET POSITION</b>	
Investment in capital assets	764,992
Restricted:	
Teacher compensation and other qualified programs (A.R.S. 15-977)	1,935,701
Instructional improvement programs	211,956
Federal and state instructional programs	517,336
Community programs	757,296
Extracurricular activities	1,000
Student activities	10,654
Unrestricted	7,060,432
<b>Total Net Position</b>	<b>\$ 11,259,367</b>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
Instruction	\$ 4,073,052	\$ 8,093	\$ 378,002	\$ -	\$ (3,686,957)
Support services:					
Students	186,439	-	-	-	(186,439)
Instructional staff	110,586	-	-	-	(110,586)
General administration	253,206	-	-	-	(253,206)
Business and other support services	193,279	-	-	-	(193,279)
Operation and maintenance of plant	80,046	-	-	-	(80,046)
<b>Total</b>	<b>\$ 4,902,155</b>	<b>\$ 8,093</b>	<b>\$ 378,002</b>	<b>\$ -</b>	<b>(4,516,060)</b>
<b>General revenues:</b>					
Property taxes					880,673
Grants and contributions not restricted to specific programs:					
State equalization and additional state aid					4,515,825
County equalization					168,647
Investment earnings					58,128
Other					23,663
Total general revenues					5,646,936
Change in net position					1,130,876
Net position - beginning					10,128,491
Net position - ending					\$ 11,259,367

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	<b>General Fund</b>	<b>Classroom Site Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 7,654,301	\$ 1,936,279	\$ 1,459,572	\$ 11,050,152
Receivables:				
Property taxes	21,287	-	-	21,287
Intergovernmental	-	-	28,166	28,166
Accounts receivable	-	-	10,569	10,569
<b>Total Assets</b>	<b>\$ 7,675,588</b>	<b>\$ 1,936,279</b>	<b>\$ 1,498,307</b>	<b>\$ 11,110,174</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 64,614	\$ 578	\$ 65	\$ 65,257
Refundable deposits	71,564	-	-	71,564
<b>Total Liabilities</b>	<b>136,178</b>	<b>578</b>	<b>65</b>	<b>136,821</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	16,362	-	-	16,362
<b>FUND BALANCES</b>				
Restricted	-	1,935,701	1,498,242	3,433,943
Unassigned	7,523,048	-	-	7,523,048
<b>Total Fund Balances</b>	<b>7,523,048</b>	<b>1,935,701</b>	<b>1,498,242</b>	<b>10,956,991</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,675,588</b>	<b>\$ 1,936,279</b>	<b>\$ 1,498,307</b>	<b>\$ 11,110,174</b>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET POSITION  
JUNE 30, 2022**

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**Total Fund Balance - Governmental Funds** \$ 10,956,991

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	1,791,673	
Accumulated depreciation	(1,026,681)	764,992

Property tax revenue not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds:	16,362
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Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported.

Long-term liabilities relating to governmental activities consist of:

Net pension liability	(415,210)	
Compensated absences	(40,011)	(455,221)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods.

In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred outflows of resources relating to pensions:	113,001	
Deferred inflows of resources relating to pensions:	(136,758)	(23,757)

<b>Total Net Position - Governmental Activities</b>		<b>\$ 11,259,367</b>
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**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	General Fund	Classroom Site Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 881,253	\$ -	\$ -	\$ 881,253
Intergovernmental	4,684,472	205,356	172,646	5,062,474
Auxiliary operations	8,093	-	-	8,093
Student activities	-	-	5,596	5,596
Investment earnings	58,120	8	-	58,128
Other	-	-	18,067	18,067
<b>Total Revenues</b>	<b>5,631,938</b>	<b>205,364</b>	<b>196,309</b>	<b>6,033,611</b>
<b>EXPENDITURES</b>				
Current				
Instruction	3,987,312	741	34,111	4,022,164
Support services:				
Students	176,023	-	-	176,023
Instructional staff	16,517	90,491	3,578	110,586
General administration	255,102	-	1,596	256,698
School administration	-	-	-	-
Business and other support services	173,608	-	-	173,608
<b>Total Expenditures</b>	<b>4,688,608</b>	<b>91,232</b>	<b>39,285</b>	<b>4,819,125</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>943,330</b>	<b>114,132</b>	<b>157,024</b>	<b>1,214,486</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>943,330</b>	<b>114,132</b>	<b>157,024</b>	<b>1,214,486</b>
<b>Fund Balance - Beginning</b>	<b>6,579,718</b>	<b>1,821,569</b>	<b>1,341,218</b>	<b>9,742,505</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,523,048</b>	<b>\$ 1,935,701</b>	<b>\$ 1,498,242</b>	<b>\$ 10,956,991</b>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

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**Net Change in Fund Balances - Governmental Funds** \$ 1,214,486

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense.

Depreciation expense: (91,306)

Some revenues reported in the governmental funds that did not provide current financial resources in prior years have been recognized previously in the statement of activities and therefore are not reported as revenues in the statement of activities.

Property taxes (580)

Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions.

Pension contributions 42,472  
Pension expense (33,682)

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.

Net decrease(increase) in compensated absences (514)

**Change in Net Position of Governmental Activities** \$ 1,130,876

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

The accompanying financial statements of the Northern Arizona Vocational Institute of Technology (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows.

**Reporting Entity**

The District is a special-purpose government that a separately elected governing body governs. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements present only the funds of those organizational entities for which its elected governing board is financially accountable.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

*Major Governmental Funds*

The *General Fund* is the District's primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. For budget purposes, it is described as the Maintenance and Operation Fund by Arizona Revised Statutes (A.R.S.).

The *Classroom Site Fund* is a special revenue fund used to account for revenues and expenditures of State apportioned classroom site dollars approved by the voters of Arizona.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Deferred Outflows of resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance**

**Deposits and Investments**

A.R.S. authorize the District to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

Statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholding accounts for taxes, employee insurance programs, and federal savings bonds. Some of these bank accounts may be interest bearing.

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Statute requires collateral for deposits of monies at 102% of all deposits not covered by federal depository insurance.

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

**Property Taxes Receivables**

Navajo, Apache, and Gila Counties levy real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessments attaches on the first day of January preceding assessment and levy thereof.

**Intergovernmental Receivable**

Intergovernmental receivables are comprised of grants revenues of \$28,166.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Deferred Outflows of resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**Capital Assets (Continued)**

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<b>Asset Class</b>	<b>Years</b>
Land improvements	10-30 years
Building and improvements	10-30 years
Vehicles, equipment, furniture	5-20 years

**Deferred Outflows of Resources**

The District recognizes the liquidation of net position that is applicable to a future reporting period in the government-wide financial statements as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68 and OPEB under GASB 75.

**Compensated Absences**

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Pension Plans**

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

**Deferred Inflows of Resources**

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2022 or within 60 days of fiscal year-end. These deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

The District also recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Deferred Outflows of resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**Net Position**

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The net investment in capital assets is separately reported because the District's capital assets make up a significant portion of total net position. Restricted net position account for the portion of net position restricted by parties outside the District. Unrestricted net position is the remaining net position not included in the previous two categories.

**Fund Balances**

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

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

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the District's Governing Board, which is the highest level of decision-making authority within the District. Only the District Governing Board can remove or change the constraints placed on committed fund balances through formal board action at a public meeting. Fund balances must be committed prior to fiscal year-end. Assigned fund balances are resources constrained by the District's intent to be used for specific purposes but are neither restricted nor committed.

The District's Governing Board has not authorized any management officials to make assignments of resources for a specific purpose.

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

The District has not adopted a spending priority policy. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, in accordance with GASB 54, the District uses restricted fund balance first. For the disbursement of unrestricted fund balances, the District follows the spending policy described in GASB 54 to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Deferred Outflows of resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**Net Position (Continued)**

The fund balance classifications of the governmental funds as of June 30, 2022, were as follows:

	General Fund	Classroom Site Fund	Non-Major Governmental Funds	Total Governmental Activities
<b>Restricted</b>				
Teacher compensation and other qualified programs (A.R.S. 15-977)	\$ -	\$ 1,935,701	\$ -	\$ 1,935,701
Instructional improvement programs	-	-	211,956	211,956
Federal and state instructional programs	-	-	517,336	517,336
Community programs	-	-	757,296	757,296
Extracurricular activities	-	-	1,000	1,000
Student activities	-	-	10,654	10,654
Total restricted	-	1,935,701	1,498,242	3,433,943
<b>Unassigned</b>	7,523,048	-	-	7,523,048
<b>Total</b>	\$ 7,523,048	\$ 1,935,701	\$ 1,498,242	\$ 10,956,991

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The District adopts an annual operating budget for expenditures for all governmental fund types on essentially the same modified accrual basis of accounting used to record actual expenditures (See Notes to Required Supplementary Information for exceptions). The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted the budget can be increased or decreased only for specific reasons set forth in the A.R.S. All appropriations lapse at year-end.

The District did not have any over-expenditures during the current year.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Deposits and investments at June 30, 2022 consist of the following:

Deposits:	
Cash in bank	\$ 234,389
Investments:	
Cash on deposit with county treasurer	10,815,763
Total cash and cash equivalents	<u>\$ 11,050,152</u>



**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

**Deposits**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At June 30, 2022, the carrying amount of the District’s deposits was \$234,389 and the bank balance was \$234,389. At June 30, 2022, the entire bank balance was covered by Federal Depository Insurance.

**Investments**

At June 30, 2022, the District’s investments consisted of investment in the County Treasurer’s Investment pool. The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer’s investment pool, and that pool’s structure does not provide for shares.

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

Credit Risk – The District has no investment policy that would further limit its investment choices. As of June 30, 2022, the District’s investment in the County Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

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

**NOTE 4 – RECEIVABLES**

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows of resources. Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned.

At June 30, 2022, deferred inflows of resources reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable:	
General Fund	\$ 16,362

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 92,000	\$ -	\$ -	\$ 92,000
Total capital assets not being depreciated	92,000	-	-	92,000
Capital assets being depreciated				
Land improvements	34,428	-	-	34,428
Buildings and improvements	1,192,661	-	-	1,192,661
Vehicles, equipment, and furniture	493,820	-	(21,236)	472,584
Total capital assets being depreciated	1,720,909	-	(21,236)	1,699,673
Less accumulated depreciation				
Land improvements	(17,157)	(1,721)	-	(18,878)
Buildings and improvements	(580,239)	(49,964)	-	(630,203)
Vehicles, equipment, and furniture	(359,215)	(39,621)	21,236	(377,600)
Total accumulated depreciation	(956,611)	(91,306)	21,236	(1,026,681)
Total capital assets, being depreciated, net	764,298	(91,306)	-	672,992
Governmental activities capital assets, net	\$ 856,298	\$ (91,306)	\$ -	\$ 764,992

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 64,022
Support Services:	
Business and Other Support Services	21,737
Operations and Maintenance of Plant	5,547
	<u>\$ 91,306</u>

**NOTE 6 – LONG-TERM OBLIGATIONS**

**Compensated Absences**

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2022, the District paid for compensated absences from the General Fund.

Changes in long-term liabilities for the year ended June 30, 2022 are as follows:

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
Compensated absences	\$ 39,497	\$ 39,761	\$ (39,247)	\$ 40,011	\$ 40,011

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 7 – RISK MANAGEMENT**

Northern Arizona Vocational Institute of Technology is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The District continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8 – PENSION PLAN**

**Cost Sharing Pension Plan**

At June 30, 2022, the District reported the following related to the pension plan to which it contributes:

	Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Expense
Pension plan	\$ 415,210	\$ 113,001	\$ 136,758	\$ 33,682

**Arizona State Retirement System**

**Plan Description**

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

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

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**NOTE 8 – PENSION PLAN (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Benefits Provided**

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

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

*\*With actuarially reduced benefits.*

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

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 8 – PENSION PLAN (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Contributions**

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.41% (12.22% for retirement and 0.19% for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 12.41% (12.01% for retirement, 0.21% for health insurance premium benefit, and 0.19% for long-term disability) of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 10.22% (10.13% for retirement and 0.09% for long-term disability) of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS.

During the fiscal year ended June 30, 2022, the District paid for ASRS pension contributions 100% from the General Fund.

**Pension Liability**

At June 30, 2022, the District reported the following liability for its proportionate share of the ASRS net pension liability:

	Net (Assets) Liability	District % Proportion	Increase (Decrease)
Pension	\$ 415,210	0.00382%	0.00076%

The net asset and net liabilities were measured as of June 30, 2021. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5% to 7.0% and changing the projected salary increases from 2.7–7.2% to 2.9–8.4%. The District's proportion of the net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021, and the change from its proportions measured as of June 30, 2020, were as noted above.

**Pension Expense**

For the year ended June 30, 2022, the District recognized pension expense for ASRS of \$33,682.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 8 – PENSION PLAN (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Deferred Outflows/Inflows of Resources**

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,329	\$ -
Changes of assumptions or other inputs	54,043	-
Net difference between projected and actual earnings on pension plan investments	-	131,553
Changes in proportion and differences between contributions and proportionate share of contributions	10,157	5,205
Contributions subsequent to the measurement date	42,472	-
Total	\$ 113,001	\$ 136,758

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in expense as follows:

Year Ending June 30:	Deferred Outflows (Inflows) of Resources
2023	\$ 1,805
2024	6,301
2025	(29,001)
2026	(45,334)
Total	\$ (66,229)

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 8 – PENSION PLAN (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Actuarial Assumptions**

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
Inflation rate	2.3%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP
Recovery rates	2012 GLDT

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.00% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive	10%	0.70%
Real Estate	20%	5.70%
Total	100%	

**Discount Rate**

The discount rate used to measure the ASRS total pension/OPEB liability was 7.00%, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 8 – PENSION PLAN (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Sensitivity of the District’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate**

The following table presents the District’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.00%, as well as what the District’s proportionate share of the net pension/OPEB (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ 653,091	\$ 415,210	\$ 216,883

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 805,323	\$ 805,323
Intergovernmental	-	-	4,278,918	4,278,918
<b>Total Revenues</b>	-	-	5,084,241	5,084,241
<b>EXPENDITURES</b>				
Special education:				
Instruction	6,542,281	6,853,064	3,666,259	3,186,805
Support services - students	308,000	312,500	165,563	146,937
Support services - instructional staff	65,000	65,000	4,529	60,471
Support services - general administration	392,000	392,000	255,102	136,898
Support services - central services	237,750	237,750	170,210	67,540
Operations and maintenance of plant	136,000	136,000	79,468	56,532
<b>Total Expenditures</b>	<b>7,681,031</b>	<b>7,996,314</b>	<b>4,341,131</b>	<b>3,655,183</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(7,681,031)	(7,996,314)	743,110	8,739,424
<b>Fund Balance - Beginning</b>	-	-	3,333,650	3,333,650
<b>Fund Balance - Ending</b>	\$ (7,681,031)	\$ (7,996,314)	\$ 4,076,760	\$ 12,073,074

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
 BUDGETARY COMPARISON SCHEDULE FOR THE CLASSROOM SITE FUND  
 YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Final to Actual
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 205,356	\$ 205,356
<b>EXPENDITURES</b>				
Special education:				
Instruction	921,632	924,935	741	924,194
Support services - instructional staff	1,050,000	1,050,000	90,491	959,509
<b>Total Expenditures</b>	<b>1,971,632</b>	<b>1,974,935</b>	<b>91,232</b>	<b>1,883,703</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(1,971,632)	(1,974,935)	114,132	2,089,067
<b>Fund Balance - Beginning</b>	-	-	1,821,569	1,821,569
<b>Fund Balance - Ending</b>	<b>\$ (1,971,632)</b>	<b>\$ (1,974,935)</b>	<b>\$ 1,935,701</b>	<b>\$ 3,910,636</b>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2022**

**ARIZONA RETIREMENT SYSTEM**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	Reporting Fiscal Year (Measurement Date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2016 (2015)
Proportion of the net pension liability	0.0038%	0.0031%	0.0032%	0.0032%	0.0032%	0.0033%	0.0034%	0.0034%
Proportionate share of the net pension liability	\$ 415,210	\$ 530,192	\$ 461,272	\$ 447,682	\$ 492,266	\$ 539,110	\$ 534,925	\$ 496,935
Covered payroll	\$ 359,144	\$ 347,265	\$ 334,088	\$ 319,049	\$ 308,385	\$ 320,749	\$ 316,309	\$ 302,738
Proportionate share of the net pension liability as a percentage of its covered payroll	115.61%	152.68%	138.07%	140.32%	159.63%	168.08%	169.11%	164.15%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

**SCHEDULE OF CONTRIBUTIONS**

	Reporting Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 42,472	\$ 39,358	\$ 39,749	\$ 37,351	\$ 34,773	\$ 33,244	\$ 33,921	\$ 34,446
Contributions in relation to the actuarially determined contribution	42,472	39,358	39,749	37,351	34,773	33,244	33,921	34,446
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 359,144	\$ 359,144	\$ 347,265	\$ 344,088	\$ 319,049	\$ 308,385	\$ 320,749	\$ 316,309
Contributions as a percentage of covered payroll	11.83%	10.96%	11.45%	10.86%	10.90%	10.78%	10.58%	10.89%

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022**

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**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

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

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

Consequently, the following adjustments are necessary to present the General Fund actual revenues, expenditures, other financing sources (uses), and fund balance at June 30, 2022 on a budgetary basis in order to provide a meaningful comparison.

	General Fund			
	Total	Total	Fund balance beginning of year	Fund balance end of year
	Revenues	Expenditures		
Statement of revenues, expenditures and changes in fund balance	\$ 5,631,938	\$ 4,688,608	\$ 6,579,718	\$ 7,523,048
Non-maintenance and operation activity included in the General Fund	(547,697)	(347,477)	(3,246,068)	(3,446,288)
Schedule of revenues, expenditures, and changes in fund balance - budget to actual	<u>\$ 5,084,241</u>	<u>\$ 4,341,131</u>	<u>\$ 3,333,650</u>	<u>\$ 4,076,760</u>

**NOTE 2 – AVAILABILITY OF PRIOR YEAR PENSION INFORMATION**

Information prior to the measurement date of June 30, 2015, was not available. Additional years' information will be displayed as it becomes available.

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# **GOVERNMENT AUDITING STANDARDS REPORT**

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**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**

Governing Board  
Northern Arizona Vocational Institute of Technology  
Snowflake, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northern Arizona Vocational Institute of Technology (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 16, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northern Arizona Vocational Institute of Technology'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*.

**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 result 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.



Scottsdale, Arizona  
February 16, 2023