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# NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY

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## **FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION**

Fiscal Year Ended June 30, 2021

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
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**YEAR ENDED JUNE 30, 2021**

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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 Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Arizona Vocational Institute of Technology (District), as of and for the year ended June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, each major fund, and the aggregate remaining fund information of the Northern Arizona Vocational Institute of Technology, as of June 30, 2021, 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.

## ***Emphasis of a Matter***

For the year ended June 30, 2021, fund balances were restated in the General Fund and Nonmajor Governmental Funds. In addition, the General Fund and Nonmajor Governmental Funds fund balance and Governmental Activities net position were restated for the implementation of GASB Statement No. 84, *Fiduciary Activities*. Lastly, fund balance within the General Fund was restated to properly record auxiliary operations revenue in the year measurable and available. See Note 9 for further information on these restatements. Our auditors' opinion was not modified with respect to these restatements.

## **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, schedule of the proportionate share of the net pension liability and contributions, as listed within the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 22, 2022, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Scottsdale, Arizona  
February 22, 2022

# **NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2021**

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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, 2021.

## **FINANCIAL HIGHLIGHTS**

- The District's total net position of governmental activities increased \$1,232,539. This represents a 14% increase from fiscal year 2020.
- General revenues accounted for \$5,270,569 in revenue, or 91% of all fiscal year 2021 revenues. Program specific revenues in the form of grants and contributions accounted for \$493,713 or 9% of total fiscal year 2021 revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,742,505, an increase of \$2,760,041 in comparison with the prior year.
- At the end of fiscal year 2021, unassigned fund balance for the General Fund was \$6,579,718, or 153% 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, 2021**

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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 11 - 14 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 15 - 28 of this report.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

**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 29 of this report. Notes to the RSI are presented on page 32. 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 31.

**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 \$10,128,491 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, 2021 and 2020.

	<b>Governmental Activities</b>		
	<b>(Restated)</b>		
	<b>2021</b>	<b>2020</b>	<b>Net Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current and other assets	\$ 10,402,352	\$ 9,818,584	\$ 583,768
Capital assets	856,298	861,105	(4,807)
Deferred outflows	95,293	52,633	42,660
<b>Total Assets and Deferred Outflows</b>	<b>11,353,943</b>	<b>10,732,322</b>	<b>621,621</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current liabilities	642,905	1,340,499	(697,594)
Long-term liabilities	569,689	461,272	108,417
Deferred inflows	12,858	34,599	(21,741)
<b>Total Liabilities and Deferred Inflows</b>	<b>1,225,452</b>	<b>1,836,370</b>	<b>(610,918)</b>
<b>NET POSITION</b>			
Investment in capital assets	856,298	861,105	(4,807)
Restricted	3,162,787	3,183,994	(21,207)
Unrestricted	6,109,406	4,850,853	1,258,553
<b>Total Net Position</b>	<b>\$ 10,128,491</b>	<b>\$ 8,895,952</b>	<b>\$ 1,232,539</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, 2021**

**Changes in net position.** The District's total revenues for the fiscal years ended June 30, 2021 and 2020, were \$5,764,282 and \$6,004,097, respectively. The total cost of all programs and services for the fiscal years ended June 30, 2021 and 2020 were \$4,531,763 and \$5,037,417, respectively. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and 2020.

	<b>Governmental Activities</b>		
	<b>2021</b>	<b>(Restated) 2020</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 14,177	\$ 22,239	\$ (8,062)
Operating grants and contributions	479,536	36,493	443,043
Capital grants and contributions	-	93,079	(93,079)
General revenues:			
Property taxes	841,369	845,083	(3,714)
State equalization and additional state aid	4,097,839	4,656,637	(558,798)
County equalization	193,561	201,480	(7,919)
Interest and other	137,800	149,086	(11,286)
<b>Total Revenues</b>	<b>5,764,282</b>	<b>6,004,097</b>	<b>(239,815)</b>
<b>EXPENSES</b>			
Instruction	3,797,989	4,290,235	(492,246)
Support Services:			
Students and instructional staff	211,081	227,240	(16,159)
General and school administration	217,909	272,465	(54,556)
Business and other support services	193,965	160,089	33,876
Operation and maintenance of plant	110,799	87,388	23,411
<b>Total Expenses</b>	<b>4,531,743</b>	<b>5,037,417</b>	<b>(505,674)</b>
<b>Change in net position</b>	<b>1,232,539</b>	<b>966,680</b>	<b>265,859</b>
<b>Net Position - Beginning, As Restated</b>	<b>8,895,952</b>	<b>7,926,272</b>	<b>969,680</b>
<b>Net Position - Ending</b>	<b>\$ 10,128,491</b>	<b>\$ 8,892,952</b>	<b>\$ 1,235,539</b>

Charges for services decreased \$8,062 due to decrease in auxiliary operations related to COVID-19.

Unrestricted state aid and operating grants had a net decrease \$123,674 (3%) due to decreases in the state's budget formula and a decrease in student population. These decreases were offset by an increase in operating grants and contributions from COVID-19 related funding.

County equalization decreased \$7,919 (4%) due to decreases in enrollment.

The District did not receive any capital grants and contributions in the current fiscal year.

Property taxes decreased \$3,714 due to decreases in net assessed property tax valuations.

The interest and other income decreased \$11,286 (8%) due to decreases in returns in the county investment pool.

The District incurred a 10% decrease in expenses in the current year. The decrease was mainly due decreases to the satellite campus distributions by 6% and other cost savings related to COVID-19.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

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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 \$9,742,505, an increase of \$2,760,041 in comparison with the prior year. Approximately 68% of this total amount (\$6,579,718) 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, 2021, and the changes in fund balances from prior year are summarized as follows:

	<b>Balance</b>	<b>Increase (Decrease) From 2019-20</b>
<b>GOVERNMENTAL FUND</b>		
General Fund	\$ 6,579,718	\$ 961,646
Classroom Site Fund	1,821,569	1,606,385
Nonmajor Governmental Funds	1,341,218	192,010

The General Fund increase of \$961,646 was mainly due to consistent funding and continued conservative spending practices.

The Classroom Site Fund increase of \$1,606,385 was primarily due to intergovernmental revenues received during the current year that were not expended.

The Nonmajor Funds increase of \$192,010 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 5% increase. The \$299,189 increase was due to the increase in instruction costs. Actual General Fund expenditures were \$3,043,271 less than budget during the fiscal year. The District expended below budget largely due to regular instruction expenditures falling below budget by \$2,567,194.

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, 2021**

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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, 2021, amounts to \$856,298 (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 \$4,807.

The District had current year capital asset additions for a welder, printer, and other program equipment. The net decrease is mostly related to current year depreciation expense exceeding current year acquisitions.

Additional information on the District's capital assets can be found in Note 5 on page 22 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 2021-22 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, 2021**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,128,298
Property taxes receivable	20,859
Intergovernmental receivable	1,241,089
Accounts receivable	12,106
Capital assets, not depreciated	92,000
Capital assets, net of accumulated depreciation	764,298
<b>Total Assets</b>	<b>11,258,650</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	95,293
<b>LIABILITIES</b>	
Accounts payable	576,253
Refundable deposits	66,652
Long-term liabilities:	
Due within one year	39,497
Net pension liability	530,192
<b>Total Liabilities</b>	<b>1,212,594</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	12,858
<b>NET POSITION</b>	
Investment in capital assets	856,298
Restricted:	
Teacher compensation and other qualified programs (A.R.S 15-977)	1,821,569
Instructional improvement programs	203,707
Federal and state instructional programs	383,671
Community programs	740,825
Extracurricular activities	1,000
Student activities	12,015
Unrestricted	6,109,406
<b>Total Net Position</b>	<b>\$ 10,128,491</b>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

Function/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Primary Government:</b>					
Governmental Activities:					
Instruction	\$ 3,797,989	\$ 14,177	\$ 462,332	\$ -	\$ (3,321,480)
Support services:					
Students	176,720	-	17,204	-	(159,516)
Instructional staff	34,361	-	-	-	(34,361)
General administration	217,909	-	-	-	(217,909)
Business and other support services	193,965	-	-	-	(193,965)
Operation and maintenance of plant	110,799	-	-	-	(110,799)
<b>Total</b>	<b>\$ 4,531,743</b>	<b>\$ 14,177</b>	<b>\$ 479,536</b>	<b>\$ -</b>	<b>(4,038,030)</b>
General revenues:					
Property taxes					841,369
Grants and contributions not restricted to specific programs:					
State equalization and additional state aid					4,097,839
County equalization					193,561
Investment earnings					117,794
Other					20,006
Total general revenues					5,270,569
Change in net position					1,232,539
Net position - beginning, as restated					8,895,952
Net position - ending					\$ 10,128,491

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	<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	\$ 5,973,110	\$ 1,822,430	\$ 1,332,758	\$ 9,128,298
Receivables:				
Property taxes	20,859	-	-	20,859
Intergovernmental	1,241,089	-	-	1,241,089
Accounts receivable	-	-	12,106	12,106
<b>Total Assets</b>	<b>\$ 7,235,058</b>	<b>\$ 1,822,430</b>	<b>\$ 1,344,864</b>	<b>\$ 10,402,352</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 571,746	\$ 861	\$ 3,646	\$ 576,253
Refundable deposits	66,652	-	-	66,652
<b>Total Liabilities</b>	<b>638,398</b>	<b>861</b>	<b>3,646</b>	<b>642,905</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	16,942	-	-	16,942
<b>FUND BALANCES</b>				
Restricted	-	1,821,569	1,341,218	3,162,787
Unassigned	6,579,718	-	-	6,579,718
<b>Total Fund Balances</b>	<b>6,579,718</b>	<b>1,821,569</b>	<b>1,341,218</b>	<b>9,742,505</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,235,058</b>	<b>\$ 1,822,430</b>	<b>\$ 1,344,864</b>	<b>\$ 10,402,352</b>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET POSITION  
JUNE 30, 2021**

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**Total Fund Balance - Governmental Funds** \$ 9,742,505

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	1,812,909	
Accumulated depreciation	<u>(956,611)</u>	856,298

Property tax revenue not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds:	16,942
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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	(530,192)	
Compensated absences	<u>(39,497)</u>	(569,689)

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:	95,293	
Deferred inflows of resources relating to pensions:	<u>(12,858)</u>	82,435

<b>Total Net Position - Governmental Activities</b>		<u>\$ 10,128,491</u>
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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, 2021**

	General Fund	Classroom Site Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 841,376	\$ -	\$ -	\$ 841,376
Intergovernmental	4,291,400	137,178	342,358	4,770,936
Auxiliary operations	14,177	-	-	14,177
Student activities	-	-	3,687	3,687
Investment earnings	117,794	-	-	117,794
Other	500	-	15,819	16,319
<b>Total Revenues</b>	<b>5,265,247</b>	<b>137,178</b>	<b>361,864</b>	<b>5,764,289</b>
<b>EXPENDITURES</b>				
Current				
Instruction	3,620,848	40,055	159,564	3,820,467
Support services:				
Students	173,616	-	1,724	175,340
Instructional staff	29,296	1,811	3,254	34,361
General administration	216,092	-	-	216,092
School administration	163,498	-	-	163,498
Business and other support services	100,251	-	312	100,563
Operations and maintenance of plant	-	-	5,000	5,000
<b>Total Expenditures</b>	<b>4,303,601</b>	<b>41,866</b>	<b>169,854</b>	<b>4,515,321</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>961,646</b>	<b>95,312</b>	<b>192,010</b>	<b>1,248,968</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>961,646</b>	<b>95,312</b>	<b>192,010</b>	<b>1,248,968</b>
<b>Fund Balance - Beginning, as restated</b>	<b>5,618,072</b>	<b>1,726,257</b>	<b>1,149,208</b>	<b>8,493,537</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,579,718</b>	<b>\$ 1,821,569</b>	<b>\$ 1,341,218</b>	<b>\$ 9,742,505</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, 2021**

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**Net Change in Fund Balances - Governmental Funds** \$ 1,248,968

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.

Expenditures for capital outlay:	\$ 84,772	
Depreciation expense:	<u>(89,579)</u>	(4,807)

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	(7)
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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	39,358
Pension expense	(43,877)

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	<u>(7,096)</u>
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**Change in Net Position of Governmental Activities** \$ 1,232,539

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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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. During the year ended June 30, 2021, the District implemented the provisions of GASB Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and provides guidance as to how those activities should be reported (see Note 9).

**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, 2021**

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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. Acquisitions under capital leases are reported as other financing sources.

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, 2021**

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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 state equalization (\$1,241,089).

**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, 2021**

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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, 2021 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, 2021**

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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 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, 2021**

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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, 2021, 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)	\$ -	\$ 1,821,569	\$ -	\$ 1,821,569
Instructional improvement programs	-	-	203,707	203,707
Federal and state instructional programs	-	-	383,671	383,671
Community programs	-	-	740,825	740,825
Extracurricular activities	-	-	1,000	1,000
Student activities	-	-	12,015	12,015
Total restricted	-	1,821,569	1,341,218	3,162,787
<b>Unassigned</b>	6,579,718	-	-	6,579,718
<b>Total</b>	\$ 6,579,718	\$ 1,821,569	\$ 1,341,218	\$ 9,742,505

**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, 2021 consist of the following:

Deposits:	
Cash in bank	\$ 225,281
Investments:	
Cash on deposit with county treasurer	8,903,017
Total cash and cash equivalents	<u>\$ 9,128,298</u>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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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, 2021, the carrying amount of the District’s deposits was \$225,281 and the bank balance was \$225,648. At June 30, 2021, the entire bank balance was covered by Federal Depository Insurance.

**Investments**

At June 30, 2021, 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, 2021, 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, 2021, deferred inflows of resources reported in the governmental funds were as follows:

	<b>Unavailable</b>
	<hr/>
Delinquent property taxes receivable:	
General Fund	\$ 16,942
	<hr/>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021
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	423,523	84,772	(14,475)	493,820
Total capital assets being depreciated	1,650,612	84,772	(14,475)	1,720,909
Less accumulated depreciation				
Land improvements	(15,435)	(1,722)		(17,157)
Buildings and improvements	(519,811)	(60,428)		(580,239)
Vehicles, equipment, and furniture	(346,261)	(27,429)	14,475	(359,215)
Total accumulated depreciation	(881,507)	(89,579)	14,475	(956,611)
Total capital assets, being depreciated, net	769,105	(4,807)	-	764,298
Governmental activities capital assets, net	\$ 861,105	\$ (4,807)	\$ -	\$ 856,298

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 62,294
Support Services:	
Business and Other Support Services	21,737
Operations and Maintenance of Plant	5,548
	<u>\$ 89,579</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 2021, the District paid for compensated absences from the General Fund.

Changes in long-term liabilities for the year ended June 30, 2021 are as follows:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 32,401	\$ 36,741	\$ (29,645)	\$ 39,497	\$ 39,497

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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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, 2021, 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	\$ 530,192	\$ 95,293	\$ 12,858	\$ 43,877

**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, 2021**

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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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22% (12.04% for retirement and 0.18% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.22% (11.65% for retirement, 0.39% for health insurance premium benefit, and 0.18% for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2021, were \$39,358, \$1,298, and \$422 respectively.

During the fiscal year ended June 30, 2021, the District paid for ASRS pension and OPEB as follows: 100% from the General Fund.

**Pension Liability**

At June 30, 2021, the District reported the following liability for its proportionate share of the ASRS net pension/OPEB asset or liability:

	Net (Assets) Liability	District % Proportion	Increase (Decrease)
Pension	\$ 530,192	0.00306%	-0.00011%

The net asset and net liabilities were measured as of June 30, 2020. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020.

The District's proportion of the net asset or 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, 2020, and the change from its proportions measured as of June 30, 2019.

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE 8 – PENSION PLAN (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Deferred Outflows/Inflows of Resources**

At June 30, 2021, 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	\$ 4,797	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	51,138	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	12,858
Contributions subsequent to the measurement date	39,358	-
Total	<u>\$ 95,293</u>	<u>\$ 12,858</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB 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, 2022. 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
2022	\$ (1,713)
2023	10,476
2024	18,497
2025	15,817
Total	<u>\$ 43,077</u>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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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, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation rate	2.3%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension/OPEB plan investments was determined to be 7.5% 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 geometric 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%	6.39%
Fixed income - credit	20%	5.44%
Fixed income - interest rate sensitive	10%	0.22%
Real Estate	20%	5.85%
Total	100%	

**Discount Rate**

At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.5%. 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, 2021**

**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 liability calculated using the discount rate of 7.5%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 725,030	\$ 530,192	\$ 367,317

**Pension Plan Fiduciary Net Position**

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

**NOTE 9 – RESTATEMENTS**

At June 30, 2021, the District recorded a restatement of fund balance due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and provides guidance as to how those activities should be reported. The Student Activities Fund reported in the prior year as fiduciary activities does not meet these new fiduciary activities criteria and have been reclassified as a special revenue governmental fund, and the Employee Insurance Withholding Fund also did not meet the new fiduciary activities criteria and has been grouped into the General Fund. In addition, a restatement was recorded in the General Fund and Nonmajor Governmental Funds to properly reclassify funds that were previously recorded as special revenue funds that did not have a restricted or committed funding source to designate them as special revenue funds. These funds were recorded within the General Fund in the current year. Lastly, fund balance was restated in the General Fund to properly record revenue in the year it was measurable and available for District use. The net effects of the restatements on the Governmental Activities and Governmental Funds and are as follows:

**Governmental Funds**

	Fund balance as previously stated	Fund balance reclassification	Revenue Adjustment	Adoption of GASB Statement No. 84	Fund balance as restated
General Fund	\$ 2,571,599	\$ 2,874,896	\$ 119,401	\$ 52,176	\$ 5,618,072
Unrestricted Capital Outlay Fund	2,566,367	(2,566,367)	-	-	-
Nonmajor Governmental Funds	3,170,234	(308,529)	-	13,760	2,875,465
Total governmental funds	<u>\$ 8,308,200</u>	<u>\$ -</u>	<u>\$ 119,401</u>	<u>\$ 65,936</u>	<u>\$ 8,493,537</u>

**Governmental Activities**

	Net position as previously stated	Adoption of GASB Statement No. 84	Revenue Adjustment	Net position as restated
Governmental Activities	\$ 8,710,615	\$ 65,936	\$ 119,401	\$ 8,895,952

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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, 2021**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 767,005	\$ 767,005
Intergovernmental	-	-	3,909,816	3,909,816
<b>Total Revenues</b>	-	-	4,676,821	4,676,821
<b>EXPENDITURES</b>				
Special education:				
Instruction	5,553,972	5,853,161	3,285,967	2,567,194
Support services - students	300,000	300,000	164,373	135,627
Support services - instructional staff	65,000	65,000	4,446	60,554
Support services - general administration	377,000	377,000	213,458	163,542
Support services - central services	230,000	230,000	149,732	80,268
Operations and maintenance of plant	136,000	136,000	99,914	36,086
<b>Total Expenditures</b>	6,661,972	6,961,161	3,917,890	3,043,271
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(6,661,972)	(6,961,161)	758,931	7,720,092
<b>Fund Balance - Beginning</b>	-	-	2,572,184	2,572,184
<b>Fund Balance - Ending</b>	\$ (6,661,972)	\$ (6,961,161)	\$ 3,331,115	\$ 10,292,276

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
 BUDGETARY COMPARISON SCHEDULE FOR THE CLASSROOM SITE FUND  
 YEAR ENDED JUNE 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variances - Final to Actual</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 137,178	\$ 137,178
<b>EXPENDITURES</b>				
Special education:				
Instruction	1,779,816	1,782,830	40,055	1,742,775
Support services - instructional staff	80,470	80,607	1,811	78,796
<b>Total Expenditures</b>	<b>1,860,286</b>	<b>1,863,437</b>	<b>41,866</b>	<b>1,821,571</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(1,860,286)	(1,863,437)	95,312	1,958,749
<b>Fund Balance - Beginning</b>	-	-	1,726,257	1,726,257
<b>Fund Balance - Ending</b>	<b>\$ (1,860,286)</b>	<b>\$ (1,863,437)</b>	<b>\$ 1,821,569</b>	<b>\$ 3,685,006</b>

**NORTHERN ARIZONA VOCATIONAL INSTITUTE OF TECHNOLOGY  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2021**

**ARIZONA RETIREMENT SYSTEM**

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

	Reporting Fiscal Year (Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability	0.0031%	0.0032%	0.0032%	0.0032%	0.0033%	0.0034%	0.0034%
Proportionate share of the net pension liability	\$ 530,192	\$ 461,272	\$ 447,682	\$ 492,266	\$ 539,110	\$ 534,925	\$ 496,935
Covered payroll	\$ 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	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%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

**SCHEDULE OF CONTRIBUTIONS**

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

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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, 2021 on a budgetary basis in order to provide a meaningful comparison.

	General Fund			
	Total	Total	Fund balance beginning of	Fund balance
	Revenues	Expenditures	year	end of year
Statement of revenues, expenditures and changes in fund balance	\$ 5,265,247	\$ 4,303,601	\$ 5,618,072	\$ 6,579,718
Non-maintenance and operation activity included in the General Fund	(588,426)	(385,711)	(3,045,888)	(3,248,603)
Schedule of revenues, expenditures, and changes in fund balance - budget to actual	\$ 4,676,821	\$ 3,917,890	\$ 2,572,184	\$ 3,331,115

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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, 2021, and the related notes to the financial statements, which collectively comprise Northern Arizona Vocational Institute of Technology's basic financial statements, and have issued our report thereon dated February 22, 2022.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 may exist that have not been identified.

**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.

*CWDL, Certified Public Accountants*

Scottsdale, Arizona  
February 22, 2022