

GILA INSTITUTE FOR TECHNOLOGY

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2022

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GILA INSTITUTE FOR TECHNOLOGY

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Governing Board of
Gila Institute for Technology (GIFT)
Thatcher, Arizona

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gila Institute for Technology, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GIFT 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

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 GIFT'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GIFT'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 GIFT'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 on pages 7-17 and Budgetary Comparison information, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District Pension Contributions on pages 47-52 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 a report dated January 24, 2023, on our consideration of GIFT's internal control over financial reporting and 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 GIFT'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 GIFT's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "C. Cristine Swan". The signature is written in a cursive, flowing style.

C. Cristine Swan, CPA

Phoenix, Arizona
January 24, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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Our discussion and analysis of GIFT's financial performance provides an overview of GIFT's financial activities for the year ended June 30, 2022. Please read it in conjunction with GIFT's basic financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year June 30, 2022 were as follows:

- As of June 30, 2022, GIFT's total government-wide assets exceeded its liabilities by \$4.23 million.
- General revenues of \$2.68 million accounted for 94.1 percent of all fiscal year 2022 revenues. Program specific revenues in the form of charges for services, operating and capital grants and contributions of approximately \$168,000 accounted for the remaining 5.9 percent of total fiscal year 2022 revenues.
- GIFT had \$2.96 million in expenses related to governmental activities; of which over \$168,000 of these expenses were offset by program specific charges for services or operating or capital grants and contributions. General revenues of \$2.68 million and the prior year net position of \$4.34 million helped provide resources for the remaining \$2.79 million of costs of related to these programs.
- In fiscal year 2022 the General Fund reported \$2.55 million in revenues and \$2.73 million in expenditures. The revenues consisted primarily of \$2.18 million in State and County aid. The General Fund's fund balance decreased \$176,919 or 5.5 percent, to \$3,059,840 as of June 30, 2022.
- Fiscal year 2021 brought the end of the COVID-19 funding. GIFT received and spent a total of \$183,128 during fiscal year 2021 for the prevention, preparation and recovery efforts relative to responding to COVID-19 and did not receive any funding in fiscal year 2022.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to GIFT's basic financial statements. GIFT's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These three sections together provide a comprehensive overview of GIFT's finances. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund financial statements.

- *Government-wide financial statements*, which consist of the *Statement of Net Position* and the *Statement of Activities*, provide both short-term and long-term information about GIFT's overall financial position.
- *Fund financial statements*, which report on the individual funds of GIFT, focus on reporting GIFT's operations in more detail. These fund financial statements comprise the remaining statements.

**GILA INSTITUTE FOR TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Notes to the financial statements, which are included following the basic financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information section provides further explanations and additional support for the financial statements, including comparisons of GIFT's General Fund budget to actual revenues and expenditures for the year.

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

The *Statement of Net Position* presents information on all of GIFT's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of GIFT is improving or deteriorating.

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

The government-wide financial statements present functions of GIFT that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of GIFT are for public education and include instruction, support services, administration, and operation and maintenance of plant services.

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

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. GIFT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of GIFT are governmental funds.

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

GIFT maintains two 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 Special Revenue Fund, which are considered to be major funds. There are no non-major governmental funds.

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

**GILA INSTITUTE FOR TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Required Supplementary Information Other than MD&A

GIFT has the option of presenting the General Fund budget to actual statements and major special revenue funds budget and actual statements as part of the basic financial statements or as other required supplementary information. GIFT has elected to present those schedules as required supplementary information. Additionally, GIFT reports pension schedules as other required supplementary information. The required supplementary information other than MD&A can be found immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of changes in GIFT's Statement of Net Position is as follows:

	June 30, 2022	June 30, 2021	Change	Percentage
ASSETS				
Current assets	\$ 3,628,504	\$ 3,706,380	\$ (77,876)	-2.1%
Capital assets	971,299	1,011,537	(40,238)	-4.0%
Total assets	4,599,803	4,717,917	(118,114)	-2.5%
Deferred outflows of resources	84,026	85,692	(1,666)	-1.9%
LIABILITIES				
Current liabilities	11,391	6,858	4,533	66.1%
Noncurrent liabilities	329,483	459,120	(129,637)	-28.2%
Total liabilities	340,874	465,978	(125,104)	-26.8%
Deferred inflows of resources	116,615	1,867	114,748	6146.1%
NET POSITION				
Invested in capital assets	971,299	1,011,537	(40,238)	-4.0%
Restricted	556,799	462,375	94,424	20.4%
Unrestricted	2,698,242	2,861,852	(163,610)	-5.7%
Total net position	\$ 4,226,340	\$ 4,335,764	\$ (109,424)	-2.5%

Net Position. Net position may serve, over time, as useful indicators of a government's financial position and whether the financial position of the District is improving or deteriorating. In the case of GIFT, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.2 million as of June 30, 2022. The following are significant current year transactions that have had an impact on the Statement of Net Position:

- Capital assets decreased \$40,238 or 4.0 percent, entirely due to depreciation expense. No assets were purchased during the year.
- Current liabilities increased 66.1 percent due to an increase in accounts payable, due to increased expenditures.
- Decreases in noncurrent liabilities of \$129,637 decreases in deferred outflows of resources of \$1,666 and increases of \$114,748 in deferred inflows of resources were the result of investment activity and contributions in the Arizona State Retirement System.

**GILA INSTITUTE FOR TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)
Net Position (continued)**

The increase in the restricted net position of over \$94,000 or 20.4 percent relates to an increase in revenues without a corresponding increase in expenses. The loss of the COVID-19 revenues in 2022 did not affect the restricted net position as the COVID-19 revenues and expenses were the same in 2021.

- The decrease in the unrestricted net position of over \$163,000 from June 30, 2021 is primarily due to the increase in expenditures without the same proportionate increase in revenues.
- By far the largest portion of GIFT's net position, \$2,698,242 or 64 percent is considered unrestricted and may be used to meet GIFT's ongoing obligations, including compensated absences, pensions, and other post-employment benefits. The next largest portion of net position, \$971,299, or 23 percent, reflects its investment in capital assets (e.g., land, buildings, other improvements, equipment). GIFT uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. The remaining net position of \$556,799 or 13 percent, is restricted by statute for enabling legislation, grants and other specified purposes.

Changes in Net Position. GIFT's total revenues for the fiscal year ended June 30, 2022 were \$2.85 million. The total cost of all programs and services was \$2.96 million. The following table presents a two-year comparison of the changes in net position for the fiscal years ended June 30, 2022 and 2021.

	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Change	Percentage Change
Revenues:				
Program revenues:				
Charges for services	\$ 3,387	\$ 3,002	\$ 385	12.8%
Operating grants and contributions	110,554	241,812	(131,258)	-54.3%
Capital grants and contributions	55,019	49,099	5,920	12.1%
General revenues:				
Property taxes	348,882	361,998	(13,116)	-3.6%
Share of state sales tax, Prop 301	135,647	70,230	65,417	93.1%
State aid	2,129,761	1,769,864	359,897	20.3%
County aid	52,213	47,147	5,066	10.7%
Investment income	16,067	28,905	(12,838)	-44.4%
Total revenues	\$ 2,851,530	\$ 2,572,057	\$ 279,473	10.9%
Expenses:				
Instruction	2,390,726	1,794,196	596,530	33.2%
Support services - students	76,362	37,915	38,447	101.4%
Support services - staff	49,147	47,443	1,704	3.6%
Support services- administration	223,510	236,381	(12,871)	-5.4%
Central and other support services	149,191	158,028	(8,837)	-5.6%
Operation and maintenance of plant	72,018	79,292	(7,274)	-9.2%
Total expenses	\$ 2,960,954	\$ 2,353,255	\$ 607,699	25.8%
Change in net position	(109,424)	218,802	(328,226)	-150.0%
Net position, beginning	4,335,764	4,116,962	218,802	5.3%
Net position, ending	\$ 4,226,340	\$ 4,335,764	\$ (109,424)	-2.5%

**GILA INSTITUTE FOR TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF GIFT AS A WHOLE (continued)
Changes Net Position (continued)**

Total revenues increased over \$279,000 or 10.9 percent. Net revenues from operating grants decreased over \$131,000 due to combination of (1) the loss of over \$183,000 in COVID-19 funding (2) the increase of almost \$35,000 in revenues from CTED Completer Funds and (3) the increase of nearly \$17,000 in Arizona Industry Credentials Incentive funding for CTED's. State aid increased almost \$360,000 due to increased ADM and increased base support level amounts. Prop 301 revenues increased over \$65,000 or 93.1%. due to an increase in the weighted student count and an increase in the dollar amount per weighted student count.

Overall, expenditures increased almost \$608,000, or 25.8 percent. The increase was primarily related to Instruction expenses that increased approximately \$596,500 or 33.2 percent in the form of (1) increased support to Satellite schools of \$538,000 for new programs and special projects, including \$325,000 that was provided to Morenci for remodeling their culinary kitchen (2) increased tuition costs of \$57,000 due to an increase in the number of students and new programs offered.

Governmental Activities

The Statement of Activities on page 22 shows the cost of program services and the charges for services and grants offsetting those services. The following table displays the net cost services information from the Statement of Activities governmental activities

Expense Function	Net (Expenses)	Net (Expenses)	Change	Percentage Change
	Revenues June 30, 2022	Revenues June 30, 2021		
Instruction	\$ (2,239,425)	\$ (1,531,666)	\$ (707,759)	46.2%
Support services - Students	(62,196)	(29,913)	(32,283)	107.9%
Support services - Instruction	(45,654)	(29,062)	(16,592)	57.1%
Support Services - Administration	(223,510)	(236,381)	12,871	-5.4%
Central and other support	(149,191)	(158,028)	8,837	-5.6%
Operation and maintenance of plant	(72,018)	(74,292)	2,274	-3.1%
Total	\$ (2,791,994)	\$ (2,059,342)	\$ (732,652)	35.6%

The net cost of services increased \$732,652 or 35.6 percent, due to overall expenses increasing almost \$608,000, and program revenues decreasing almost \$125,000.

The program expense categories shown above are summarized below:

- *Instruction* expenses include the costs of activities directly dealing with the interaction between teachers and students and include expenditures that assist in the instructional process, including teachers and aids salaries.
- *Support services – students and instruction* include the costs of activities designed to assess and improve the students' well-being and to supplement the teaching process.
- *Support services - administration* include the costs of activities concerned with establishing and administering policy for the operation of GIFT and with the overall administrative responsibility for the school.

**GILA INSTITUTE FOR TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF GIFT AS A WHOLE (continued)
Changes Net Position (continued)**

- *Central and other support* include activities that support other administrative and instructional functions, including fiscal services, human resources, planning and administrative technology.
- *Operation and maintenance of plant* include the activities concerned with keeping the school grounds, buildings and equipment comfortable, safe for use and in effective working condition.

FINANCIAL ANALYSIS OF GIFT AT A FUND LEVEL

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

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

As of the end of the current fiscal year, GIFT's governmental funds reported combined fund balances of \$3,616,639, a decrease of \$82,163, or 2.2 percent.

The following table provides analysis of GIFT's major fund balances and the total change in fund balances from the prior year:

GOVERNMENTAL FUND BALANCES

Fund	June 30, 2022	June 30, 2021	Change	Percent Change
General	\$ 3,059,840	\$ 3,236,759	\$ (176,919)	-5.5%
Special Revenue Funds	556,799	462,043	94,756	20.5%
Total	\$ 3,616,639	\$ 3,698,802	\$ (82,163)	-2.2%

The following are significant current year transactions that have had an impact on the Governmental Funds' fund balances:

- In 2022, the General Fund paid for some of the expenses that the Special Revenue COVID-19 funding covered in 2021. In 2022, with the loss of the COVID-19 funding, those expenses were shifted back to the General Fund, creating a decrease of \$176,919.
- The Special Revenue Funds increase of \$94,756 was primarily due to an increase in the Classroom Site Funds fund balance of \$61,000 and an increase in the CTED Completer Funds fund balance of \$36,000, both due to an increase in revenues without a corresponding increase in expenses. Additionally, the Instructional Improvement Funds fund balance decreased \$2,500 due to increased spending in 2022, as a result of summer school being offered in 2022, but not offered in fiscal year 2021.

**GILA INSTITUTE FOR TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

GENERAL FUND BUDGETARY HIGHLIGHTS

GIFT's budget is prepared according to Arizona law and is based on the modified accrual basis of accounting. The General Fund Budgetary Comparison Schedule is required supplementary information and is presented on page 49 and 50. The original and final budget amounts as well as the variances between the final budget and the actual expenditures incurred are presented.

Over the course of the year, GIFT revised the General Fund annual expenditure budget twice. The first revision increased Instruction expenditures by over \$38,000, as a result of ADE not providing the updated base support level amounts for the original budget. The second revision increased Instruction expenditures almost \$78,000 to update the ADM and closer align the budget and actual expenditures. The actual amounts expended in the General Fund were \$1,948,321, or 42.7 percent, less than the final budget due to the budget carryover from the prior year.

GENERAL FUND BUDGET TO ACTUAL

Expenditures	Budgeted Expenditures	Actual Expenditures	Variance	Percent Variance
Special education	\$ 3,398,569	\$ 1,948,321	\$ 1,450,248	42.7%
Total	\$ 3,398,569	\$ 1,948,321	\$ 1,450,248	42.7%

CAPITAL ASSETS

GIFT's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$971,299 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, software and equipment. The total net decrease in GIFT's investment in capital assets for the year was \$40,238. This was a result of depreciation expense.

The following schedule presents a two-year comparison of capital asset balances for the fiscal years ended June 30, 2022 and 2021:

Governmental activities:	June 30, 2022	June 30, 2021	Change	Percentage Change
Land	\$ 60,071	\$ 60,071	\$ -	0.0%
Buildings and improvements	1,073,874	1,073,874	-	0.0%
Furniture, software and equipment	97,179	97,179	-	0.0%
Total	\$ 1,231,124	\$ 1,231,124	\$ -	0.0%
Less: Accumulated depreciation	(259,825)	(219,587)	(40,238)	18.3%
Capital assets, net	\$ 971,299	\$ 1,011,537	\$ (40,238)	-4.0%

Additional information on GIFT's capital assets can be found in Note 4 of this report.

LONG-TERM DEBT

The following schedule presents a two-year comparison of long-term debt balances. Overall liabilities decreased by \$129,637 or 28.24 percent. This was due to a decrease in compensated absences and a decrease in net pension liabilities. Detailed information related to changes in long-term liabilities for the fiscal year ended June 30, 2022 are provided in Notes 5 and 6.

**GILA INSTITUTE FOR TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

LONG-TERM DEBT (continued)

	June 30,2022	June 30,2021	Change	Percent Change
Compensated absences	\$ 6,250	\$ 8,630	\$ (2,380)	-27.6%
Net pension liabilities	323,233	450,490	\$ (127,257)	-28.25%
Total	<u>\$ 329,483</u>	<u>\$ 459,120</u>	<u>\$ (129,637)</u>	-28.24%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by GIFT's administration during the process of developing the budget for fiscal year 2023. The primary factors considered in developing GIFT's fiscal year 2023's budget were based on the prior year funding and expenses, expected funding and expected ADM.

FOR THE FUTURE

The following table presents a comparison of the General Fund's final budget for this fiscal year and the adopted budget for next fiscal year.

<u>Expenditures</u>	Final Budget FY 2022	Adopted Budget FY 2023	Increase / (Decrease)	Percentage Change
Special education	3,398,569	3,893,418	494,849	14.6%
	<u>\$ 3,398,569</u>	<u>\$ 3,893,418</u>	<u>\$ 494,849</u>	14.6%

Amounts available in the General Fund's fiscal year 2023 budget are \$3.89 million, an increase of 14.6 percent. This increase is primarily due to an increase in ADM and the anticipated increase in expenditures.

As of June 30, 2022, there were three pending general liability cases where students were injured in a van rollover accident that occurred during a student field trip with Eastern Arizona College. However, subsequent to June 30, 2022, the injury claims against GIFT have all been resolved by settlement through the Arizona School Risk Retention Trust, resulting in GIFT paying and owing nothing.

Although creating a "Special Projects Policy" was discussed by the Governing Board at its meeting on December 8, 2020 and approved at its February 9, 2021 meeting, specific wording was not approved until the January 11, 2022 board meeting. At its August 9, 2022 board meeting, the Governing Board revised the wording to create a "Special Projects Program" for member districts to access additional funds for purchases or projects that exceed the scope of their annual funding. Projects can range from positions, capital items or a combination of both. Expenditures for special projects over \$10,000 require the Governing Board approval. At its December 6, 2022 board meeting, the Governing Board amended the "Special Projects Program" language to clarify that in addition to the member district programs, the central campus programs are also included. Also, at its August 9, 2022 board meeting, the Governing Board authorized administration to hold in reserve 20% of the annual operating costs of the district. The reserve fund is to insure against sudden financial or material loss to the district including a change in funding, natural disaster, fire, or other unforeseen events. The "special projects program" is intended to be a means to spend down the unrestricted fund balance.

**GILA INSTITUTE FOR TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of GIFT'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 Gila Institute for Technology, 3998 West Ball Park Street, Thatcher, Arizona 85552.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**GILA INSTITUTE FOR TECHNOLOGY
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
Assets	
Cash and investments	\$ 3,573,785
Receivables (net of allowances for uncollectibles):	
Property taxes	4,520
Prepaid items	50,199
Capital assets, not being depreciated	60,071
Capital assets, being depreciated, net	911,228
Total assets	4,599,803
 Deferred Outflows of Resources	
Deferred outflows related to pensions	84,026
 Liabilities	
Accounts payable	11,391
Noncurrent liabilities	
Due within 1 year	4,250
Due in more than 1 year	325,233
Total liabilities	340,874
 Deferred Inflows of Resources	
Deferred inflows related to pensions	116,615
 Net Position	
Invested in capital assets	971,299
Restricted for:	
Federal and State Grants	152,690
Classroom Site Fund	404,109
Unrestricted	2,698,242
Total net position	\$ 4,226,340

The notes to financial statements are an integral part of this statement.

**GILA INSTITUTE FOR TECHNOLOGY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction	\$ 2,390,726	\$ -	\$ 96,282	\$ 55,019	\$ (2,239,425)
Support services:					
Students	76,362	3,387	10,779	-	(62,196)
Instruction	49,147	-	3,493	-	(45,654)
Administration	223,510	-	-	-	(223,510)
Central and other support services	149,191	-	-	-	(149,191)
Operation and maintenance of plant	72,018	-	-	-	(72,018)
Total governmental activities	<u>\$ 2,960,954</u>	<u>\$ 3,387</u>	<u>\$ 110,554</u>	<u>\$ 55,019</u>	<u>\$ (2,791,994)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					348,882
Shared revenue- state sales taxes					135,647
Intergovernmental revenues not restricted:					
State					2,129,761
County					52,213
Investment earnings					16,067
Total general revenues					<u>2,682,570</u>
Change in net position					(109,424)
Net position, July 1, 2021					<u>4,335,764</u>
Net position, June 30, 2022					<u><u>\$ 4,226,340</u></u>

The notes to financial statements are an integral part of this statement.

**FUND BASED
FINANCIAL STATEMENTS**

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**GILA INSTITUTE FOR TECHNOLOGY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Special Revenue Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 3,016,986	\$ 556,799	\$ 3,573,785
Receivables (net of allowances for uncollectibles):			
Property taxes	4,520	-	4,520
Prepaid Items	50,199	-	50,199
Total assets	<u>\$ 3,071,705</u>	<u>\$ 556,799</u>	<u>\$ 3,628,504</u>
Liabilities			
Accounts payable	\$ 11,391	\$ -	\$ 11,391
Total liabilities	<u>11,391</u>	<u>-</u>	<u>11,391</u>
Deferred Inflows of Resources			
Unavailable revenue- property taxes	474	-	474
Total deferred inflows of resources	<u>474</u>	<u>-</u>	<u>474</u>
Fund balances			
Nonspendable	50,199	-	50,199
Restricted	-	556,799	556,799
Unassigned	3,009,641	-	3,009,641
Total fund balances	<u>3,059,840</u>	<u>556,799</u>	<u>3,616,639</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,071,705</u>	<u>\$ 556,799</u>	<u>\$ 3,628,504</u>

The notes to financial statements are an integral part of this statement.

GILA INSTITUTE FOR TECHNOLOGY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2022

Fund balances—total governmental funds		\$ 3,616,639
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,231,124	
Less accumulated depreciation	<u>(259,825)</u>	971,299
Some receivables, including property tax revenues, are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		474
Long-term liabilities, including net pension liabilities are not due and payable in the current period and, therefore, are not reported as a liabilities in the funds.		
Compensated absences payable	(6,250)	
Net pension liability	<u>(323,233)</u>	(329,483)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	84,026	
Deferred inflows of resources related to pensions	<u>(116,615)</u>	<u>(32,589)</u>
Net position of governmental activities		<u>\$ 4,226,340</u>

The notes to financial statements are an integral part of this statement.

**GILA INSTITUTE FOR TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	General Fund	Special Revenue Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 349,128	\$ -	\$ 349,128
Sales taxes	-	135,647	135,647
Intergovernmental grants and aid:			
Federal	-	106,791	106,791
State	2,129,761	58,782	2,188,543
County	52,213	-	52,213
Investment earnings	13,949	2,118	16,067
Other local	3,166	221	3,387
Total revenues	<u>2,548,217</u>	<u>303,559</u>	<u>2,851,776</u>
Expenditures:			
Current:			
Instruction	2,263,205	133,855	2,397,060
Support services:			
Students	45,594	31,504	77,098
Instruction	4,481	43,416	47,897
Administration	228,979	-	228,979
Central and other support services	150,012	-	150,012
Operation and maintenance of plant	33,847	-	33,847
Total expenditures	<u>2,726,118</u>	<u>208,775</u>	<u>2,934,893</u>
Excess (deficiency) of revenues over expenditures	<u>(177,901)</u>	<u>94,784</u>	<u>(83,117)</u>
Other financing sources (uses):			
Transfers in	1,421	343,380	(344,801)
Transfers out	(1,393)	(343,408)	344,801
Total other financing sources and uses	<u>28</u>	<u>(28)</u>	<u>-</u>
Net change in fund balances	<u>(177,873)</u>	<u>94,756</u>	<u>(83,117)</u>
Fund balances, July 1, 2021	3,236,759	462,043	3,698,802
Changes in nonspendable resources:			
Increase (decrease) in prepaid items	954	-	954
Fund balances, June 30, 2022	<u>\$ 3,059,840</u>	<u>\$ 556,799</u>	<u>\$ 3,616,639</u>

The notes to financial statements are an integral part of this statement.

GILA INSTITUTE FOR TECHNOLOGY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balances—total governmental funds	\$	(83,117)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		
Depreciation expense	(40,238)	(40,238)
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
GIFT's pension contributions	(22,862)	
Pension expense	33,705	10,843
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property tax revenues		(246)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.</p>		
(Increase) Decrease in compensated absences		2,380
<p>Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the Statement of Activities, however, they are reported as expenses when consumed.</p>		
Increase (Decrease) in prepaids		954
Change in net position of governmental activities	\$	(109,424)

The notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

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**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Gila Institute for Technology (GIFT) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

GIFT is one of 14 voter-approved career and technical education districts (CTED's), formerly referred to as joint technological education districts (JTED's) throughout Arizona. Its member school districts include Safford (and Mount Graham), Thatcher, Duncan, Fort Thomas, Morenci, and Pima. GIFT's primary income sources are state appropriations and secondary property taxes from homeowners in the 6 school districts that comprise GIFT.

The Governing Board is organized under §15-321 of the Arizona Revised Statutes (A.R.S.). The membership of the Governing Board consists of seven members. Members of the board are elected from the geographic area in which they reside. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. GIFT's major operations include educating students through Instructional expenses. The County Treasurers of Graham and Greenlee counties collect taxes for GIFT, but it exercises no control over its expenditures.

Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges to external users for support. GIFT does not have any business-type activities.

B. Basis of Presentation

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) focus on GIFT as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements - provide information about the primary government (GIFT). The statements include a *Statement of Net Position* and a *Statement of Activities*. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the governmental and business-type activities of GIFT. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. GIFT had no business-type activities during the fiscal year. Eliminations have been made to minimize the effect of the interfund activities.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of GIFT's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges to customers for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions.

Property taxes, state aid, and investment earnings are revenues that are not classified as program revenues and are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of GIFT.

Fund Financial Statements - provide information about GIFT's funds. Separate financial statements are presented for the governmental fund categories. The emphasis of fund financial statements is on major governmental funds rather than reporting funds by type. Each major fund is presented in a separate column. All remaining governmental funds are aggregated and reported in a single column as nonmajor funds.

GIFT reports the following major governmental funds:

Major Governmental Funds:

General Fund - The General Fund is GIFT's primary operating fund. It accounts for all financial resources used for GIFT's maintenance and operation, except those required to be accounted for and reported in another fund. It includes Unrestricted Capital Outlay, Indirect Costs and Auxiliary Operations.

Special Revenue Funds- account for the revenue and expenditures of state and federally funded projects that are restricted to specific purposes. It includes Classroom Site Funds, Instructional Improvement Funds, CTED Soft Capital Funds, JTED Completer Funds, and Arizona Industry Credentials Incentive.

GIFT has no Non-major governmental funds.

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are presented using the *economic resources* measurement focus and the *accrual basis* of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Under the terms of grant agreements, GIFT funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. GIFT applies grant resources to such programs before using general revenues.

Governmental Fund Financial Statements - Governmental funds in the fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when they become both measurable and available. GIFT considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end.

GIFT's major revenue sources that are susceptible to accrual are property taxes, intergovernmental grants and state aid, and investment earnings. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenues are considered to be measurable and available only when cash is received by GIFT.

Expenditures generally are recorded when the related fund liability is incurred, except for compensated absences, claims and judgments, which are recognized to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Cash and Investments

All investments are stated at fair value.

Arizona Revised Statutes require GIFT to involuntarily deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes, except for cash in the bond building and debt service funds, if any, which may be invested separately. Interest earned from the investments purchased with pooled monies is allocated to each of GIFT's funds based on average balances.

GIFT's cash and cash investments include cash on hand, demand deposits, cash and investments held by the County Treasurer. Arizona Revised Statutes authorizes GIFT 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.

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Investments (continued)

Statute authorizes GIFT to deposit monies of the auxiliary operations in bank accounts. GIFT may also invest these monies. In addition, statute authorizes GIFT to maintain various bank accounts such as revolving accounts to pay minor disbursements.

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

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements. Prepaid items are recorded as expenditures when purchased in the fund financial statements and are shown on the balance sheet as an asset for informational purposes only, and as Nonspendable fund balance to indicate that they do not constitute "available spendable resources."

F. Property Tax Calendar

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

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

Property tax receivables are reported at full value as they are considered 100 percent collectible due to Graham and Greenlee County attaching a lien against all amounts past due.

G. Capital Assets

Capital assets, which include land, other improvements, buildings and equipment, are reported in the government-wide financial statements. Such assets are recorded at actual cost or estimated historical cost if purchase records are not available. Donated capital assets are reported at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized and are expensed as incurred.

The capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) are \$5,000 for all assets. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15-50 years
Furniture, software and equipment	5-15 years

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred Outflows and Inflows of Resources

The *Statement of Net Position* and *Balance Sheet* include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods. Delinquent property taxes that will not be collected within the 60-day availability period are reported as deferred inflows of resources in the governmental fund financial statements.

I. Compensated Absences

Compensated absences payable consists of General Leave earned by employees based upon services already rendered.

Full-time employees earn one day per month of general leave allowance up to ten or twelve days, determined by the number of months of their contract. After five years of service, employees who have accrued more than fifty (50) days of general leave may request compensation for the unused days accumulated during that fiscal year at one-half of the employee's then current daily rate of pay. In the event of termination, an employee who retires or separates from GIFT employment in good standing after five years will be compensated for general leave at one-half of the employee's then current daily rate of pay, up to a maximum of ninety (90) days.

All twelve-month employees earn vacation leave. However, vacation days do not vest. Professional staff earn vacation leave in accordance with their employment agreement and may accumulate to a maximum of twenty-two days after which unused excess days become null and void. Support staff earn one working day per month of vacation leave during the first year of employment. After the first year, vacation leave is earned at the rate of one and one-fourth (1 ¼) working days per month and may accumulate to a maximum of fifteen days, after which no more vacation leave can be earned. As accumulated vacation days are used and drop below fifteen days, the employee may again accumulate vacation up to the maximum limit. If unused, the employee forfeits the days at the time of terminating employment.

A liability for general leave amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

J. Postemployment benefits

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

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Net Position

In the government-wide financial statements, net position is reported in three categories: 1) net position invested in capital assets, net of related debt; 2) restricted net position; and 3) unrestricted net position. Net position invested in capital assets, net of related debt, consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any bonds, capital leases or construction contract payables used to acquire, construct or improve these assets. The restricted net position accounts for the portion of net position restricted by parties outside GIFT. The constraints placed on the net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by enabling legislation. Unrestricted net position is the remaining net position that does not meet the definition of either of the first two categories of net position.

L. Fund Balance Classifications

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

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

Restricted fund balance - The restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws or regulations.

Unrestricted fund balance - The unrestricted fund balance is comprised of committed, assigned, and unassigned resources.

The Committed fund balances are self-imposed limitations approved by GIFT's Governing Board, which is the highest level of decision-making authority within GIFT. Only the Governing Board can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by GIFT's intent to be used for specific purposes, but are neither restricted nor committed. The Governing Board has authorized the Superintendent and the Business Manager to make assignments of resources for a specific purpose.

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.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is GIFT's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is GIFT's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

M. Investment Earnings

Investment earnings are composed of interest, dividends, and net changes in the fair value of applicable investments.

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the *Statement of Activities*. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds.

P. Intergovernmental Agreements

GIFT entered into intergovernmental agreements with the participating school districts to provide satellite and central campus career and technical educational courses to students in their individual school district and to reimburse the satellite district. The curriculum and instructional programs for the satellite course(s) must be approved both by GIFT and the participating school's (satellite) governing boards, must be a class that meets the criteria of programs identified by the Arizona Department of Education.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits- Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. GIFT does not have a formal policy with respect to custodial credit risk. At June 30, 2022, the carrying amount of GIFT's bank deposits were \$9,920 and the bank balance was \$10,100. The Federal Deposit Insurance Corporation protects GIFT against loss on the first \$250,000 of demand deposits and \$250,000 of time deposits located within the state. At June 30, 2022, the cash balances were entirely covered by federal depository insurance. Therefore, GIFT's deposits were not subject to custodial risk.

External Investment Pool- A.R.S. §15-996 authorizes the Graham County Treasurer to receive and hold all District monies and pool the monies with other school districts for investment purposes. As of June 30, 2022, GIFT reported \$3,563,865 on deposit with the Graham County Treasurer's investment pool (GCTIP) in the governmental funds. The Graham County Treasurer invests the cash in a pool under policy guidelines established by the County. Graham County accounts for the investment pool in their Fiduciary Investment Trust Fund. Interest rate risk, credit risk, custodial credit risk and concentration of credit risk regarding the GCTIP are included in the Comprehensive Annual Financial Report of Graham County. The fair value of each participants' position in the GCTIP approximates the value of the participant's shares in the pool. The Graham County Treasurer's investment pool is an external investment pool with no regulatory oversight. The GCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2022, GCCTIP had not received a quality credit rating from a national rating agency.

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. GIFT does not have a formal investment policy regarding interest risk.

Credit Risk - Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. GIFT does not have a formal investment policy with respect to credit risk that would further limit its investment choices than what is allowable per A.R.S.

At June 30, 2022 GIFT had the following investments in debt securities:

A reconciliation of cash and investments to amounts shown on the Statements of Net Position follows:

Cash and investments:

Deposits in bank	\$ 9,920
Cash & investments held by County Treasurer	3,563,865
Total	<u>\$ 3,573,785</u>

**Governmental
activities**

Statement of Net Position:

Cash in bank	\$ 9,920
Cash & invest held by County Treasurer	3,563,865
Total	<u>\$ 3,573,785</u>

NOTE 3- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

GIFT operates within the budget requirements for school districts as specified by State law and as interpreted by the Arizona Department of Education and the Auditor General. The financial reports reflect the following budgetary standards.

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 expenditure budget can be revised only by the Governing Board for specific reasons set for in the A.R.S. The budget was increased twice in fiscal year 2022 by over \$116,000. The first revision increased Instruction expenditures by over \$38,000, as a result of ADE not providing the updated base support level amounts for the original budget. The second revision increased Instruction expenditures almost \$78,000 to update the ADM and closer align the budget and actual expenditures. Budget amendments and budget transfers between GIFT funds by management are not allowed without Governing Board approval. All appropriations lapse at year end. Amounts available in the General Fund's fiscal year 2023 budget are \$3.89 million, an increase of 14.6 percent. This increase is primarily due an increase in ADM and the anticipated increase in expenditures.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within three subsections (nonspendable, restricted and unrestricted), any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

GIFT 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. A revenue budget was not prepared by GIFT.

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 60,071	\$ -	\$ -	\$ 60,071
Total capital assets not being depreciated	<u>60,071</u>	<u>-</u>	<u>-</u>	<u>60,071</u>
Capital assets being depreciated:				
Buildings and improvements	1,090,633	-	-	1,090,633
Computer software	39,162	-	-	39,162
Furniture and equipment	41,258	-	-	41,258
Total capital assets being depreciated	<u>1,171,053</u>	<u>-</u>	<u>-</u>	<u>1,171,053</u>
Less accumulated depreciation for:				
Buildings and improvements	159,459	37,000	-	196,459
Computer software	18,872	3,236	-	22,108
Furniture and equipment	41,256	2	-	41,258
Total accumulated depreciation	<u>219,587</u>	<u>40,238</u>	<u>-</u>	<u>259,825</u>
Net capital assets being depreciated	<u>951,466</u>	<u>(40,238)</u>	<u>-</u>	<u>911,228</u>
Governmental activities capital assets, net	<u>\$ 1,011,537</u>	<u>\$ (40,238)</u>	<u>\$ -</u>	<u>\$ 971,299</u>

Depreciation expense was charged to governmental functions as follows:

Support services-administration	\$ 2,067
Support services- operation and maintenance of plant	38,171
Total governmental activities depreciation expense	<u>\$ 40,238</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt as of June 30, 2022, including the current portion due with one year, was as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 8,630	\$ 3,184	\$ (5,564)	\$ 6,250	\$ 4,250
Net pension liability	450,490	74,035	(201,292)	323,233	
Total governmental activities	<u>\$ 459,120</u>	<u>\$ 77,219</u>	<u>\$ (206,856)</u>	<u>\$ 329,483</u>	<u>\$ 4,250</u>

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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

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.

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)
Benefits provided (continued)

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 records as of the effective disability date if their service is greater than 30 years.

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, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent 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 percent (10.13 percent for retirement and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill. The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, all of which were equal to the required contributions, were \$33,770, \$466 and \$485, respectively.

During fiscal year 2022, the District paid for pension and OPEB contributions as follows: 94.3 percent from the General Fund and 5.7 percent from Special Revenue Funds. GIFT's OPEB balance and related activity for the fiscal year ending June 30, 2022, was immaterial, therefore, related disclosures have been omitted.

Liability—At June 30, 2022, the District reported a liability of \$323,233 for its proportionate share of the ASRS' net pension liability. 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 percent to 7.0 percent and changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent.

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, 2021. The District's proportion measured at June 30, 2021 was .00246 percent, which was a decrease of .00014 from its proportion measured as of June 30, 2020.

Expense and deferred outflows/inflows of resources—For the year ended June 30, 2022, the District recognized pension expense for ASRS of \$22,862. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)
Expense and deferred outflows/inflows of resources (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,927	-
Changes of assumptions or other inputs	42,071	-
Net difference between projected and actual earnings on plan investments	-	102,412
Changes in proportion and differences between District contributions and proportionate share of contributions	2,308	14,203
District contributions subsequent to the measurement date	34,720	-
Total	<u>\$ 84,026</u>	<u>\$ 116,615</u>

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 an increase of the net asset or a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2023	\$ (3,874)
2024	(5,566)
2025	(22,577)
2026	(35,292)

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension/OPEB 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% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

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

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)
Actuarial assumptions (continued)**

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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%	4.90%
Fixed income-credit	20%	5.20%
Fixed income-interest rate sensitive	10%	.70%
Real estate	<u>20%</u>	5.70%
Total	<u>100%</u>	

Discount rate— At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0 percent, 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 statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.0 percent, 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District’s proportionate share of the net pension liability	\$508,419	\$323,233	\$168,840

Plan Fiduciary Net Position—Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

Interfund transfers- Interfund transfers for the year ended June 30, 2022, were as follows:

<u>Transfer from:</u>	<u>Transfer to:</u>
Special Revenue Fund	<u>General Fund</u>
	\$28

Transfers were made from the Special Revenue Fund to the General Fund based on small balances in funds that had been discontinued and were dormant for several years.

NOTE 8 - FUND BALANCE CLASSIFICATION OF GOVERNMENTAL FUNDS

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Fund balances:			
Nonspendable:			
Prepaid Items	\$ 50,199	\$ -	\$ 50,199
Total Nonspendable	<u>50,199</u>	<u>-</u>	<u>50,199</u>
Restricted for:			
Instruction	-	356,988	356,987
Support services:			-
Students	-	84,021	84,021
Instruction	-	115,790	115,790
Operation and maintenance of plant	-	-	-
Total Restricted	<u>-</u>	<u>556,799</u>	<u>556,799</u>
Unrestricted			
Assigned	-	-	-
Unassigned	3,009,641	-	3,009,641
Total fund balances	<u>\$ 3,059,840</u>	<u>\$ 556,799</u>	<u>\$ 3,616,639</u>

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 - CONTINGENT LIABILITIES

Federal grants - In the normal course of operations, GIFT receives grant funds from various federal agencies. The grant programs are subject to audit by the granting agencies, the purpose of which is to ensure compliance with conditions of the contracts. GIFT does not believe the liability, if any, which may arise as the result of any audits by the granting agency audits would be material.

Litigation - Each year GIFT receives notices of claims for damages generally occurring from negligence, bodily injury, breach of contract, and other legal matters. The filing of such claims commences a statutory period for initiating a lawsuit against GIFT arising from those matters. GIFT has comprehensive general liability insurance with the Arizona School Risk Retention Trust. GIFT is not aware of any litigation that might result in a materially adverse outcome. See also Note 11.

Contingencies – On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects of global markets, supply chains, businesses, and communities. Management believes GIFT is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated since it is still developing.

NOTE 10 - RISK MANAGEMENT

GIFT is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. GIFT is a member of the Arizona School Risk Retention Trust (ASRRT), together with other school districts in the state. ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for member school districts. GIFT 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.

For employee health insurance, GIFT is a member of the Arizona School Board Association Insurance Trust (ASBAIT), together with other school districts. ASBAIT was established in 1981 by the Arizona School Board Association. Its formation was in response to Arizona school administrators desire to obtain comprehensive health benefits at reasonable costs. ASBAIT is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. ASBAIT operates by an "Agreement and Declaration of Trust" in accordance with the laws of the State of Arizona. The agreement provides that ASBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts GIFT pays a monthly premium to ASBAIT for employees' health and accident insurance coverage.

GIFT is a member of the Arizona School Alliance for Workers' Compensation, Inc. (the Alliance). The Alliance was established in 1996 and is structures as a self-insurance pool that is owned and governed by its members. The agreement provides that the Alliance will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

**GILA INSTITUTE FOR TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 – SUBSEQUENT EVENTS

As of June 30, 2022, there were three pending general liability cases where students were injured in a van rollover accident that occurred during a student field trip with Eastern Arizona College. However, subsequent to June 30, 2022, the injury claims against GIFT have all been resolved by settlement through the Arizona School Risk Retention Trust, resulting in GIFT paying and owing nothing.

Although creating a “Special Projects Policy” was discussed by the Governing Board at its meeting on December 8, 2020 and approved at its February 9, 2021 meeting, specific wording was not approved until the January 11, 2022 board meeting. At its August 9, 2022 board meeting, the Governing Board revised the wording to create a “Special Projects Program” for member districts to access additional funds for purchases or projects that exceed the scope of their annual funding. Projects can range from positions, capital items or a combination of both. Expenditures for special projects over \$10,000 require the Governing Board approval. At its December 6, 2022 board meeting, the Governing Board amended the “Special Projects Program” language to clarify that in addition to the member district programs, the central campus programs are also included. Also, at its August 9, 2022 board meeting, the Governing Board authorized administration to hold in reserve 20% of the annual operating costs of the district. The reserve fund is to insure against sudden financial or material loss to the district including a change in funding, natural disaster, fire, or other unforeseen events. The “special projects program” is intended to be a means to spend down the unrestricted fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

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**GILA INSTITUTE FOR TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 349,128	\$ 349,128	\$ 349,128	\$ -
State and County aid	1,686,823	1,686,823	1,686,823	-
Other	9,530	9,530	9,530	-
Total revenues	<u>2,045,481</u>	<u>2,045,481</u>	<u>2,045,481</u>	<u>-</u>
Expenditures:				
Special education:				
Instruction	2,615,018	2,731,377	1,491,480	1,239,897
Support services:				
Students	84,967	84,967	42,175	42,792
Instruction	55,200	55,200	3,808	51,392
Administration	258,596	258,596	228,081	30,515
Central and other support services	191,829	191,829	148,930	42,899
Operation and maintenance of plant	76,600	76,600	33,847	42,753
Total special education	<u>3,282,210</u>	<u>3,398,569</u>	<u>1,948,321</u>	<u>1,450,248</u>
Total expenditures	<u>3,282,210</u>	<u>3,398,569</u>	<u>1,948,321</u>	<u>1,450,248</u>
Excess (deficiency) of revenues over expenditure:	<u>(1,236,729)</u>	<u>(1,353,088)</u>	<u>97,160</u>	<u>(1,450,248)</u>
Other financing sources (uses):				
Transfers in			1,421	(1,421)
Net change in fund balances	<u>(1,236,729)</u>	<u>(1,353,088)</u>	<u>98,581</u>	<u>(1,451,669)</u>
Fund balances, July 1, 2021	2,013,849	2,013,849	2,013,849	-
Changes in nonspendable resources:				
Increase (decrease) in prepaid items			954	(954)
Fund balances (deficits), June 30, 2022	<u>\$ 777,120</u>	<u>\$ 660,761</u>	<u>\$ 2,113,384</u>	<u>\$ (1,452,623)</u>

See accompanying notes to schedule.

**GILA INSTITUTE FOR TECHNOLOGY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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 for in the A.R.S. All appropriations lapse at year end.

Budgetary control over expenditures is exercised at the fund level. However, for budgetary control, the General Fund includes only the maintenance and operation fund as defined by Arizona Revised Statutes, which is budgeted within three subsections titled regular education programs, special education programs, and pupil transportation, any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

Budgetary information is integrated into the accounting system to facilitate budgetary control. The budget balances are encumbered when purchase orders are issued. However, appropriations lapse at year end and any open purchase orders outstanding at year-end do not constitute expenditures or liabilities and are reversed before financial statements are prepared.

GIFT is not required by the State of Arizona to prepare a revenue budget. For presentation purposes the budgeted revenues shown are equal to the actual revenues.

Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.

GIFT's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following items:

- Prepaid items are not budgeted.
- Net changes in the fair value of investments are not budgeted.

The following schedule reconciles the excess of revenues over expenditures from the statement of revenues, expenditures, and changes in fund balances to the budgetary comparison schedule:

	General Fund					
	Total Revenues	Total Expenditures	Other Financing Sources	Fund Balance, Beginning of Year	Changes in Nonspendable Resources	Fund Balance, End of Year
Statement of Revenues, Expenditures and Changes in Fund Balance	2,548,217	2,726,118	28	3,236,759	954	3,059,840
Less: Non Maintenance and Operation Funds included in General Fund for GASB Statement No. 54 Purposes	<u>(502,736)</u>	<u>(777,797)</u>	<u>1,393</u>	<u>(1,222,910)</u>	<u>-</u>	<u>(946,456)</u>
Schedule of Revenues, Expenditures and Changes in Fund balance - Budget and actual	<u>\$ 2,045,481</u>	<u>\$ 1,948,321</u>	<u>\$ 1,421</u>	<u>\$ 2,013,849</u>	<u>\$ 954</u>	<u>\$ 2,113,384</u>

**GILA INSTITUTE FOR TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2022**

Arizona State Retirement System-Pension

**Reporting Fiscal Year
(Measurement Date)
Activities**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	
	(2021)	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)	through	
									2013	
District's proportion of the net pension liability	0.00246%	0.00260%	0.00255%	0.00259%	0.00252%	0.00256%	0.00243%	0.00251%	Information	
District's proportionate share of the net pension liability	\$ 323,233	\$450,490	\$371,056	\$361,214	\$393,567	\$413,210	\$378,824	\$370,696	not available	
District's covered payroll	\$ 292,212	\$285,906	\$298,281	\$273,131	\$258,227	\$196,633	\$192,820	\$177,934		
District's proportionate share of the net pension liability as a percentage of its covered payroll	110.62%	157.57%	124.40%	132.25%	152.41%	210.14%	196.47%	208.33%		
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%		

See accompanying notes

**GILA INSTITUTE FOR TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2022**

Arizona State Retirement System-Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 33,770	\$32,279	\$33,387	\$30,054	\$27,179	\$21,197	\$20,921	\$19,377	\$19,585	Information not available
District's contributions in relation to the statutorily required contribution	<u>\$ 33,770</u>	<u>\$32,279</u>	<u>\$33,387</u>	<u>\$30,054</u>	<u>\$27,179</u>	<u>\$21,197</u>	<u>\$20,921</u>	<u>\$19,377</u>	<u>\$19,585</u>	
District's contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered payroll	<u>\$ 292,212</u>	<u>\$285,906</u>	<u>\$298,281</u>	<u>\$273,131</u>	<u>\$258,227</u>	<u>\$196,633</u>	<u>\$192,820</u>	<u>\$177,934</u>	<u>\$183,037</u>	
District's contributions as a percentage of covered payroll.	11.56%	11.29%	11.19%	11.00%	10.53%	10.78%	10.85%	10.89%	10.70%	

See accompanying notes

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

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C. Cristine Swan

Certified Public Accountant

14226 South 8th Street
Phoenix, Arizona 85048-4433

460-460-7926
cristi@swans.org

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

The Governing Board of
Gila Institute for Technology
Thatcher, 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 Gila Institute for Technology, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Gila Institute for Technology's (GIFT's) basic financial statements and have issued our report thereon dated January 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered GIFT'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 GIFT's internal control. Accordingly, we do not express an opinion on the effectiveness of GIFT'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 GIFT'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 purposed described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GIFT'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.

A handwritten signature in black ink that reads "C. Cristine Swan". The signature is written in a cursive style with a large initial "C" and a long, sweeping underline.

C. Cristine Swan, CPA

Phoenix, Arizona
January 24, 2023