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2023

Graham County Community College District
**/ Annual Financial and
Single Audit Reports**

Graham County
Community College District
(Eastern Arizona College)
Annual Financial and Single Audit Reports
June 30, 2023

**Graham County Community College District
(Eastern Arizona College)
Annual Financial and Single Audit Reports
Year ended June 30, 2023**

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Graham County
Community College District
(Eastern Arizona College)
Annual Financial Report
June 30, 2023

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INDEPENDENT AUDITORS' REPORT

Members of the Arizona State Legislature
Arizona Auditor General
The Governing Board of
Graham County Community College District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and discretely presented component unit of the Graham County Community College District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Graham County Community College District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the other auditors' report.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Graham County Community College District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The other auditors did not audit the discretely presented component unit's financial statements in accordance with *Government Auditing Standards*.

Emphasis of matter

As discussed in Note 1 to the financial statements, the District has adopted new accounting guidance, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary information

Schedule of expenditures of federal awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. Such information is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2024 on our consideration of Graham County Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

 *WDL, Certified Public Accountants*

Mesa, Arizona
August 31, 2024

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EASTERN ARIZONA COLLEGE

Management's Discussion and Analysis

This discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2023. Please read it in conjunction with the District's basic financial statements, which immediately follow.

Basic Financial Statements:

The District's financial statements are presented in accordance with standards established by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing U.S. Generally Accepted Accounting Principles (GAAP) for state and local governments, including public institutions of higher education. These standards permit public colleges and universities to use the guidance for special-purpose governments engaged in business-type activities in their separately issued financial statements. As such, the reader will observe that the presentation is a consolidated, single-column, entity-wide format, similar to the type of financial statements one might encounter from a typical business enterprise. The basic financial statements consist of the following:

The *Statement of Net Position* reflects the financial position of the District at June 30, 2023. It shows the various assets that are owned by the District, deferred outflows of resources, liabilities, deferred inflows of resources, and the various categories of net position. Net position is an accounting concept defined as total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, and as such, represents institutional equity or ownership in the total assets of the District.

The *Statement of Revenues, Expenses, and Changes in Net Position* reflects the results of operations and other changes for the year ended June 30, 2023. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net position amount to the ending net position amount, which is shown on the *Statement of Net Position* described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2023. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the *Statement of Net Position* described above. In addition, this statement reconciles cash flows from operating activities to an operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* described above.

Financial Highlights and Analysis:

Consistent with its mission to prepare individuals to thrive through innovative educational programs, instruction is the primary function of the Graham County Community College District. Major funding sources supporting all functions include property taxes, state appropriations, government grants and contracts, and tuition and fees. The District exercises primary tax levy authority for generation of funds used for operations and capital equipment. The District continues to consider all ways to most efficiently allocate resources.

Condensed Financial Information:

The condensed financial information on the following page highlights the main categories of the *Statement of Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Significant variances in assets and liabilities are presented below.

**Condensed Schedule of Net Position
As of June 30, 2023 and June 30, 2022**

	<u>2023</u>	<u>2022</u>	<u>% Change</u>
Assets:			
Current assets	\$ 59,884,849	\$ 55,076,759	9%
Noncurrent assets			
Capital assets, net	<u>37,757,523</u>	<u>35,268,997</u>	7%
Total assets	<u>97,642,372</u>	<u>90,345,756</u>	8%
Deferred Outflows of Resources	<u>3,997,396</u>	<u>5,312,000</u>	-25%
Liabilities:			
Other liabilities	2,460,422	1,920,290	28%
Long-term liabilities	<u>29,307,010</u>	<u>23,504,453</u>	25%
Total liabilities	<u>31,767,432</u>	<u>25,424,743</u>	25%
Deferred Inflows of Resources	<u>1,263,613</u>	<u>8,459,054</u>	-85%
Net Position:			
Net investment in capital assets	37,757,523	35,072,478	8%
Restricted net position	4,065,178	1,464,996	177%
Unrestricted net position	<u>26,918,818</u>	<u>25,236,485</u>	7%
Total net position	<u>\$ 68,741,519</u>	<u>\$ 61,773,959</u>	11%

Financial Highlights and Analysis

Statement of Net Position:

The total net position for Graham County Community College District increased by \$6,967,560, or 11%, from the prior fiscal year due to the District's revenues exceeding expenses. As a result, the District's total assets increased by \$7,296,616 or 8%, and total liabilities increased by \$6,342,689, or 25%. The increase to net position was also affected by a decrease in deferred inflows of resources, as discussed below.

The District's current assets increased by \$4,808,090, or 9%, from the prior year. This increase was primarily due to an increase in cash of \$5,001,218, or 10%. For the fifth year in a row, the District recognized an increase in cash and investments. The change in revenues and expenses are further discussed in the next section. While the strategic cash position of the District has improved and is healthy, there is continued acknowledgement of a need to find ways to increase revenues and reduce expenses to continue this trend, while also properly maintaining properties, facilities, and other resources.

Deferred outflows of resources related to pensions decreased by \$1,314,604, or 25% due to a decrease in the net difference between expected and actual earnings on pension plan investments and changes in assumptions. The deferred outflows of resources amount is comprised of contributions related to the ASRS that have not yet been recognized as a reduction of the net pension liability and the net difference between projected and actual earnings on pension plan investments that have not yet been recognized as an expense.

Total liabilities increased by 25% with other liabilities increasing by 28%, and long-term liabilities increasing by 25%. The increase of 28% in other liabilities, or \$540,132, is mostly attributed to accrued payroll and employee benefits of \$612,646. The increase was partially offset by a decreases in accounts payable of \$217,597.

The 25% increase in long-term liabilities amounted to a \$5,802,557 impact. Within this category, lease and subscription liabilities associated with GASB 87 and 96 increased by \$757,510 which is a result of current period increases and offsetting decreases along with a prior period reclass. Additionally, the institution's net pension liability with ASRS increased by \$4,969,783, or 24%.

Deferred inflows of resources related to pensions decreased by \$7,195,441. This 85% decrease is a result of differences between the expected and actual pension experience and changes in assumptions or other inputs.

More details on assets, deferred outflows of resources, liabilities, and deferred inflows of resources can be found on the *Statement of Net Position*, as well as accompanying notes.

The condensed financial information on the following page highlights the main categories of the *Statement of Revenues, Expenses, and Changes in Net Position*.

**Condensed Schedule of Changes in Revenues, Expenses, and Net Position
For the Years Ended June 30, 2023 and 2022**

Operating revenues:	<u>2023</u>	<u>2022</u>	<u>% Change</u>
Tuition and fees, net of scholarship allowances	\$ 4,274,522	\$ 4,065,106	5%
Government contracts	8,824,984	6,436,364	37%
Other	3,960,344	1,813,488	118%
Total operating revenues	<u>17,059,850</u>	<u>12,314,958</u>	39%
Nonoperating revenues:			
Property taxes	7,661,685	7,402,318	4%
State appropriations	22,535,640	22,802,791	-1%
Government grants	7,239,929	23,676,719	-69%
Other	4,672,662	1,699,067	175%
Total nonoperating revenues	<u>42,109,916</u>	<u>55,580,895</u>	-24%
Total revenues	<u>59,169,766</u>	<u>67,895,853</u>	-13%
Operating expenses:			
Instruction	17,440,528	15,211,661	15%
Academic support	899,314	771,996	16%
Student services	8,470,783	6,729,968	26%
Institutional support	9,992,314	14,521,503	-31%
Operation and maintenance of plant	4,404,766	4,775,412	-8%
Scholarships	2,713,641	6,004,070	-55%
Auxiliary enterprises	5,528,556	3,700,234	49%
Depreciation and amortization	2,752,304	2,263,057	22%
Total operating expenses	<u>52,202,205</u>	<u>53,977,901</u>	-3%
Income before other revenues, expenses, gains, or losses	<u>6,967,561</u>	<u>13,917,952</u>	-50%
Capital appropriations	<u>0</u>	<u>379,999</u>	-100%
Increase (Decrease) in net position	6,967,561	14,297,951	-51%
Net position, beginning of year	<u>61,773,959</u>	<u>47,476,007</u>	30%
Net position, end of year	<u>\$ 68,741,519</u>	<u>\$ 61,773,959</u>	11%

Statement of Revenues, Expenses, and Changes in Net Position

Graham County Community College District has five major sources of revenue that account for 85% of all revenues. These are state appropriations (38%), government grants (12%), property taxes (13%), government contracts (15%), and tuition and fees (7%).

Total revenue for the District decreased by 13%, or \$8,726,087. Operating revenues were up by 39%, or \$4,744,892, due primarily to an increase in government contracts of \$2,388,620, food services activity of \$979,638, and tuition and fees and other revenues of \$1,376,634.

Nonoperating revenues decreased by 24%, or \$13,470,979 due to a decrease of government grants of \$16,436,790. This decrease was primarily a result of HEERF funding full consumption in the prior periods. This was offset by increases in property taxes of \$259,367, and an increase in state appropriations and other nonoperating revenues of \$2,706,444. As stated in the 2022 Annual Audit, the District does not anticipate further HEERF relief going forward, which is reflected in the decrease of government contracts.

Total operating expenses decreased by \$1,775,695 or 3%. This reflects a \$2,228,867 increase in instruction, \$127,318 increase in academic support, \$1,740,815 increase in student services, \$4,529,189 decrease in institutional support, a decrease of \$370,645 in operation and maintenance of plant, and a decrease of \$3,290,429 in scholarships. Aside from depreciation/amortization and changes noted above, auxiliary enterprises increased by \$1,828,322. The overall decrease was driven by the exhaustion of HEERF funding revenues and associated spending in prior periods.

Capital Assets Administration

As of June 30, 2023, the District's capital assets, net of accumulated depreciation/amortization, totaled \$37.8 million, a net increase of \$2,448,525. Capital assets include land, equipment, buildings, improvements other than buildings, library books, infrastructure, right-to-use lease and subscription assets, and construction in progress. Additional information on capital assets can be found in Note 3 to the District's financial statements.

Current Factors Having Probable Future Financial Significance

With the passing of the Fair Wages and Healthy Families Initiative for the State of Arizona, also known as Proposition 206, the minimum wage requirements in the state increased to \$10 an hour in January of 2017 and increased to \$13.85 an hour in January of 2023. This results in additional financial commitments related to part-time and work-study employment costs. The District will continue to monitor the effects of these increases and the amount of employment hours the District is able to support.

Although the District had seen a reduction in enrollment associated with the COVID-19 pandemic, normal dormitory capacity and resumed in-person classes have been re-introduced. With the direct impact of COVID-19 primarily past, the college is now working on addressing issues associated with recent inflation risks. With rising costs, the District will coordinate efforts to manage costs, including capital spending, and evaluate opportunities to increase operating revenue.

The college continually works to implement a variety of learning modalities. Recently, the college has implemented several virtual and actual classrooms updates to offer learning opportunities through a variety of sources. Additionally, the District continues to monitor spending in an effort to partially offset the drop in enrollment and associated revenues. Since the college is ultimately subject to the same economic variables that affect other financial entities, it is difficult to predict future outcomes. Leadership continues to focus on providing quality instruction and public services to the surrounding area.

(Eastern Arizona College)
Statement of Net Position – Primary Government
June 30, 2023

	Business-Type Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 54,927,227
Receivables (net of allowance for uncollectibles):	
Property taxes	301,716
Government grants and contracts	442,445
Other	4,055,799
Inventories	157,662
Total current assets	59,884,849
Noncurrent assets:	
Capital assets, not being depreciated/amortized	10,063,184
Capital assets, being depreciated/amortized, net	27,694,339
Total noncurrent assets	37,757,523
Total assets	97,642,372
Deferred Outflows of Resources	
Deferred outflows related to pensions	3,997,396
Total deferred outflows of resources	3,997,396
Liabilities	
Current liabilities:	
Accounts payable	340,381
Accrued payroll and employee benefits	1,143,696
Insurance claims payable	152,388
Deposits held in custody for others	786,066
Unearned revenues	37,891
Current portion of compensated absences payable	1,118,085
Total current liabilities	3,578,507
Noncurrent liabilities:	
Compensated absences payable	1,532,947
Net pension liability	25,898,468
Lease and subscription liabilities	757,510
Total noncurrent liabilities	28,188,925
Total liabilities	31,767,432
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,263,613
Total deferred inflows of resources	1,263,613
Net Position	
Net investment in capital assets	37,757,523
Restricted:	
Expendable for workforce development	768,720
Expendable for Smart and Safe Arizona Fund Appropriations	3,296,458
Unrestricted	26,918,818
Total net position	\$ 68,741,519

See accompanying notes to financial statements.

**Graham County Community College District
(Eastern Arizona College)
Statement of Financial Position—Component Unit
June 30, 2023**

	Eastern Arizona College Foundation
Assets	
Cash and cash equivalents	\$ 572,486
Investments	9,664,121
Property and equipment, net	46,325
Museum collection	221,075
Total assets	10,504,007
Liabilities	
Accounts payable	14,457
Accrued expenses	50,505
Liability under split-interest agreements	24,888
Total liabilities	89,850
Net Assets	
Without donor restriction	2,352,904
With donor restrictions	8,061,253
Total net assets	10,414,157
Total liabilities and net assets	\$ 10,504,007

See accompanying notes to financial statements.

**Graham County Community College District
(Eastern Arizona College)
Statement of Revenues, Expenses, and Changes in Net Position—Primary Government
Year Ended June 30, 2023**

	<u>Business-Type Activities</u>
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$3,955,154)	\$ 4,274,522
Government contracts	8,824,984
Private contracts	542,223
Food service income (net of scholarship allowances of \$269,936)	1,810,935
Dormitory rentals and fees (net of scholarship allowances of \$733,978)	277,628
Other	1,329,558
Total operating revenues	<u>17,059,850</u>
Operating expenses:	
Educational and general:	
Instruction	17,440,528
Academic support	899,314
Student services	8,470,783
Institutional support	9,992,314
Operation and maintenance of plant	4,404,766
Scholarships	2,713,641
Auxiliary enterprises	5,528,556
Depreciation and amortization	2,752,304
Total operating expenses	<u>52,202,206</u>
Operating loss	(35,142,356)
Nonoperating revenues:	
Property taxes	7,661,685
State appropriations	22,535,640
Government grants	7,239,929
Share of state sales taxes	878,759
Smart and Safe Arizona Funds	1,834,462
Investment earnings	1,898,429
Gain on disposal of capital assets	61,012
Total nonoperating revenues	<u>42,109,916</u>
Income before other revenues, expenses, gains, or losses	<u>6,967,560</u>
Increase in net position	6,967,560
Net position July 1, 2022	61,773,959
Net position, June 30, 2023	<u><u>\$ 68,741,519</u></u>

See accompanying notes to financial statements.

**Graham County Community College District
(Eastern Arizona College)
Statement of Activities—Component Unit
Year Ended June 30, 2023**

	Eastern Arizona College Foundation		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Foundation revenue	\$ 439,275	\$ -	\$ 439,275
Contributions	45,092	858,872	903,964
Investment income	32,676	118,962	151,638
Net realized and unrealized gains/(losses) on investments	197,771	724,689	922,460
Change in value of split-interest agreement	-	46,498	46,498
	<u>1,255,936</u>	<u>(1,255,936)</u>	<u>-</u>
Net assets released from restrictions: Satisfied by program services criteria			
	<u>1,255,936</u>	<u>(1,255,936)</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>1,970,750</u>	<u>493,085</u>	<u>2,463,835</u>
Expenses			
Program services:			
Scholarship Awards	650,268	-	650,268
College Support	414,177	-	414,177
Supporting Activities:			
General and administrative	202,136	-	202,136
Fundraising	391,037	-	391,037
Total Expenses	<u>1,657,618</u>	<u>-</u>	<u>1,657,618</u>
Change in net assets	313,132	493,085	806,217
Net assets at July 1, 2022	2,039,772	7,568,168	9,607,940
Net assets at June 30, 2023	<u>\$ 2,352,904</u>	<u>\$ 8,061,253</u>	<u>\$ 10,414,157</u>

See accompanying notes to financial statements.

**Graham County Community College District
(Eastern Arizona College)
Statement of Cash Flows—Primary Government
Year Ended June 30, 2023**

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 4,274,522
Government contracts	12,240,804
Private contracts	542,223
Food service receipts	1,810,935
Dormitory rentals and fees	277,628
Payments to suppliers and providers of goods and services	(12,954,047)
Payments for employee wages and benefits	(34,032,181)
Payments to students for scholarships	(2,707,971)
Funds held in custody for others received	606,167
Funds held in custody for others disbursed	(486,975)
Other	(1,923,864)
Net cash used for operating activities	(32,352,759)
Cash flows from noncapital financing activities:	
Property taxes	7,679,807
State appropriations	22,535,640
Government grants	6,930,682
Share of state sales taxes	878,759
Smart and Safe Arizona Funds	1,834,462
Net cash provided by noncapital financing activities	39,859,350
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	72,428
Principal paid on lease liabilities and subscriptions	(530,889)
Payments made to contractors	(2,078,759)
Purchases of capital assets	(1,866,582)
Net cash used for capital and related financing activities	(4,403,802)
Cash flows from investing activities:	
Interest received on investments	1,898,429
Net cash provided by investing activities	1,898,429
Net increase in cash and cash equivalents	5,001,218
Cash and cash equivalents, July 1, 2022	49,926,009
Cash and cash equivalents, June 30, 2023	\$ 54,927,227

(Continued)

See accompanying notes to financial statements.

**Graham County Community College District
(Eastern Arizona College)
Statement of Cash Flows—Primary Government
Year Ended June 30, 2023
(Continued)**

Reconciliation of operating loss to net cash used for operating activities:	Business-Type Activities
Operating loss	\$ (35,142,356)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation and amortization	2,752,304
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Net Pension Liability	4,969,783
Deferred outflows of resources related to pensions	1,314,604
Deferred inflows of resources related to pensions	(6,964,068)
Accounts payable	(217,597)
Government grants and contracts receivable	3,415,820
Other receivables	(3,253,422)
Unearned revenues	-
Deposits Held for others	119,192
Compensated absences payable	75,264
Insurance claims payable	6,887
Inventories	(41,816)
Accrued payroll and employee benefits	612,646
Net cash used for operating activities	\$ (32,352,759)
Noncash investing, capital and financing activities:	
Capital asset additions from new subscription-based information technology arrangements	\$ 1,051,564

See accompanying notes to financial statements.

**Graham County Community College District
(Eastern Arizona College)
Notes to Financial Statements
June 30, 2023**

Note 1 - Summary of Significant Accounting Policies

Graham County Community College District's accounting policies conform to generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The District is a special-purpose government that a separately elected governing body governs. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government) and its discretely presented component unit, the Eastern Arizona College Foundation.

For the year ended June 30, 2023, the District implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; (4) requires note disclosures regarding SBITA. As a result, the District's financial statements have been modified to reflect the implementation of this new standard.

The Eastern Arizona College Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships and programs. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can only be used by or for the benefit of the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

For financial reporting purposes, the Foundation follows the Financial Accounting Standards Board statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the District's respective counterpart financial statements. For financial reporting purposes, only the Foundation's statements of financial position and activities are included in the District's financial statements as required by generally accepted accounting principles for public colleges and universities. The Foundation has a June 30 year-end.

During the year ended June 30, 2023, the Foundation distributed \$1,121,156 to the District for both restricted and unrestricted purposes, including administrative and program support and scholarships. In addition, the District paid the Foundation \$396,500 under a contract for services to develop, coordinate, manage, and administer fundraising and alumni involvement programs for the District. Complete financial statements for the Foundation can be obtained from the Eastern Arizona College Foundation, 615 N. Stadium Ave., Thatcher, Arizona 85552.

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B. Basis of Presentation and Accounting

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

A statement of net position provides information about the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the District's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation/amortization. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net position provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported. Operating revenues and expenses generally result from exchange transactions such as providing instructional, public, and nonauxiliary services, which is consistent with the District's mission. Accordingly, revenues such as tuition and fees, government and private contracts, food service, and dormitory charges, in which each party receives and gives up essentially equal values, are considered operating revenues. Other revenues, such as property taxes, state appropriations, and government grants are not generated from operations and are considered nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets.

A statement of cash flows provides information about the District's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

The 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. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

The District eliminates all internal activity. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

C. Cash and Investments

For the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments in the State Treasurer's Local Government Investment Pool with a maturity of three months or less when purchased. All investments are stated at fair value.

D. Inventories

All inventories are stated at the lower of cost (first-in, first-out method) or market.

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E. Capital Assets

Capital assets of the District consist of land, buildings, improvements other than buildings, equipment, library materials, infrastructure, construction in progress, and intangible right-to-use lease and subscription assets. Capital assets are reported at actual cost. Donated assets are reported at acquisition value. Major outlays for assets or improvements to assets are capitalized as projects are constructed. These are categorized as construction in progress until completed, at which time they are reclassified to the appropriate asset category.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

Asset Category	Capitalization Threshold	Depreciation/Amortization Method	Estimated Useful Life
Land	\$1	Not applicable	Not applicable
Buildings	\$5,000	Straight-line	15-40 years
Improvements other than buildings	\$5,000	Straight-line	5-25 years
Equipment	\$5,000	Straight-line	5-15 years
Library materials	\$1	Straight-line	10 years
Infrastructure	\$5,000	Straight-line	50-75 years
Intangibles:			
Right-to-use subscription assets	\$5,000	Straight-line	Varies
Right-to-use lease assets - equipment	\$5,000	Straight-line	Varies

Intangible right-to-use lease assets - equipment are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain of being exercised—then the lease asset - equipment is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

F. Postemployment Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's 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.

G. Investment Earnings

Investment earnings are composed of interest.

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H. Scholarship Allowances

A scholarship allowance is the difference between the stated charge for goods and services the District provides and the amount that the student or third parties making payments on the student's behalf pays. Accordingly, some types of student financial aid, such as Pell grants and scholarships the District awards, are considered scholarship allowances. These allowances are netted against tuition and fees, food service income, and dormitory rentals and fees revenues, in the statement of revenues, expenses, and changes in net position.

I. Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered.

Employees may earn and accumulate vacation days according to their employment position and years of service. Vacation days earned per month range from .83 to 1.83 with a maximum accumulation ranging between 24 and 44 days. Vacation days in excess of the maximums are forfeited at the end of each month. Upon terminating employment, the District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees. Therefore, a liability for sick leave benefits is not accrued in the financial statements. However, for employees who meet certain requirements under the District's option plan, sick leave benefits do vest. The option provides payment up to the maximum of 100 days of accrued sick days multiplied by the employee's daily rate for employees who have at least 10 years of service and qualify for normal retirement, disability, or death benefit. An estimate of that amount is accrued as a liability in the financial statements.

J. Leases and subscription-based information technology arrangements

Leases

As lessee, the District recognizes lease liabilities with an initial, individual value of \$5,000 or more. The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The District's estimated incremental borrowing rate is based on the rate that would be charged for borrowing the lease payment amounts during the lease term. The estimate is based, in part, on municipal bond markets and yields.

Subscription-based information technology arrangements

The District recognizes subscription liabilities with an initial, individual value of \$5,000 or more. The District uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The District's estimated incremental borrowing rate is calculated as described above.

Note 2 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. A.R.S. does not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with another's

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property when making investment decisions about those monies. A.R.S. requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. A.R.S. does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

Deposits - At June 30, 2023, the carrying amount of the District's deposits was \$1,212,320 and the bank balance was \$2,157,160. The District does not have a formal policy with respect to custodial credit risk of deposits.

Investments - At June 30, 2023, the fair value of the District's share of the State Treasurer's Local Government Investment Pool 7 was \$53,702,207. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the District held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy regarding credit risk. The State Treasurer's Local Government Investment Pool 7 is unrated.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The District does not have a formal policy regarding interest rate risk. At June 30, 2023, the District's investment in the State Treasurer's Local Government Investment Pool 7 had a weighted average maturity of 28 days.

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Position follows:

<u>Cash, Deposits, and Investments</u>	<u>Amount</u>
Cash on Hand	\$ 12,700
Deposits	1,212,320
Investments	53,702,207
Total cash and cash equivalents	<u>\$ 54,927,227</u>

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Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance <u>1-Jul-22</u>	Increases	Decreases	Balance <u>30-Jun-23</u>
Capital assets not being depreciated/amortized:				
Land	\$ 7,717,343	\$ 267,082	\$ -	\$ 7,984,425
Construction in Progress	-	2,078,759	-	2,078,759
Total capital assets not being depreciated/amortized	<u>7,717,343</u>	<u>2,345,841</u>	<u>-</u>	<u>10,063,184</u>
Capital assets being depreciated/amortized:				
Infrastructure	26,827	-	-	26,827
Buildings	50,769,256	-	-	50,769,256
Equipment	16,922,073	756,101	(646,417)	17,031,757
Intangibles:				
Right-to-use subscription assets	-	1,051,564	-	1,051,564
Right-to-use lease assets - equipment	-	266,436	-	266,436
Improvements other than buildings	4,338,810	789,584	-	5,128,394
Library materials	414,595	42,719	(12,296)	445,018
Total capital assets being depreciated/amortized	<u>72,471,561</u>	<u>2,906,405</u>	<u>(658,713)</u>	<u>74,719,253</u>
Less accumulated depreciation/amortization for:				
Infrastructure	(3,938)	(537)	-	(4,475)
Buildings	(28,330,003)	(1,227,907)	-	(29,557,910)
Equipment	(13,728,171)	(920,363)	639,918	(14,008,616)
Intangibles:				
Right-to-use subscription assets	-	(257,990)	-	(257,990)
Right-to-use lease assets - equipment	-	(85,036)	-	(85,036)
Improvements other than buildings	(2,787,782)	(199,757)	-	(2,987,539)
Library materials	(70,012)	(60,714)	7,378	(123,349)
Total accumulated depreciation/amortization	<u>(44,919,906)</u>	<u>(2,752,304)</u>	<u>647,296</u>	<u>(47,024,914)</u>
Total capital assets being depreciated/amortized, net	27,551,654	154,101	(11,417)	27,694,339
Capital assets, net'	<u>35,268,997</u>	<u>2,499,942</u>	<u>(11,417)</u>	<u>37,757,523</u>

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Note 4 – Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2023:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>One year</u>
Net pension liability	\$ 20,928,685	\$ 4,969,783	\$ -	\$ 25,898,468	\$ -
Compensated absences payable	2,575,766	1,694,797	1,619,530	2,651,032	1,118,085
Lease liabilities	-	266,436	83,642	182,794	-
Subscription liabilities	-	1,021,964	447,246	574,717	-
Total long-term liabilities	<u>\$ 23,504,451</u>	<u>\$ 7,952,979</u>	<u>\$ 2,150,419</u>	<u>\$ 29,307,011</u>	<u>\$ 1,118,085</u>

The District has obtained the right to use various vehicles under the provisions of lease agreements. The lease agreements consist of various vehicle types. Each vehicle has an asset value, lease liability, and an associated contract period.

The total amount of lease assets and the related accumulated amortization are as follows:

<u>Asset Class</u>	<u>Subscription Asset Value</u>	<u>Accumulated Amortization</u>
Vehicles	\$ 266,436	\$ 85,036
Total Subscriptions	<u>266,436</u>	<u>85,036</u>

The following schedule details the minimum lease payments to maturity for the District's leases payable at June 30, 2023:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 52,557	\$ 2,427	\$ 54,984
2025	53,264	1,721	54,984
2026	52,268	999	53,267
2027	20,979	362	21,341
2028	3,725	38	3,762
Total Principal Payments	182,794	5,546	188,340

The District has also obtained the right to use various software applications under the provisions of subscription-based information technology arrangements (SBITAs). The subscription agreements are primarily associated with educational platforms and IT support services, including security. Each SBITA has an associated underlying asset value, liability, and annual fixed payments.

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The total amount of subscription assets and the related accumulated amortization are as follows:

Asset Class	Subscription Asset Value	Accumulated Amortization
Software	\$ 1,051,564	\$ 257,990
Total Subscriptions	1,051,564	257,990

The following schedule details minimum subscription payments to maturity for the District's subscription liability at June 30, 2023:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 307,405	\$ 14,515	\$ 321,920
2025	247,010	6,783	253,793
2026	20,301	531	20,833
Total Principal Payments	574,717	21,829	596,546

Note 5 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Arizona School Risk Retention Trust, Inc. (Trust), a public-entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, property, automobile, boiler and machinery, and commercial crime risks. The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any 1 year. The District will be charged for any such assessment in the following year. The District has never been charged such an assessment. The District also carries commercial insurance for other risks of loss, including workers' compensation, intercollegiate athletic injury liability, and student professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

The District finances uninsured risks of loss for medical benefits to eligible employees and their dependents. The healthcare plan provides coverage for amounts up to \$100,000 per insured individual. The District purchases commercial insurance for claims in excess of this limit and performs analysis to determine the required annual funding based upon anticipated utilization, cost trends, and benefit levels. Independent administrators provide claim and recordkeeping services for the self-insured plan.

The insurance claims payable, of \$152,388 at June 30, 2023, includes the amount payable for medical benefits. It is the estimated cost of settling claims that have been incurred and estimated future claims that may occur. Changes in the District's medical benefits payable for the years ended June 30, 2023 and 2022, are as follows:

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Medical benefits	<u>2023</u>	<u>2022</u>
Claims payable, beginning of year	\$ 145,501	\$ 213,310
Current year actual and estimated claims	2,614,519	3,141,120
Less: Claims Payments	2,607,632	3,208,930
Estimated claims payable, end of year	<u>\$ 152,388</u>	<u>\$ 145,501</u>

Note 6 - Pension

Plan description - District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. 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 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 earnings. 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.

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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.03 percent for retirement of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.92 percent for retirement of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially

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determined rate of 9.62 percent for retirement 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 plan for the year ended June 30, 2023, were \$2,491,335.

Pension liability - At June 30, 2023, the District reported a liability of \$25,898,468 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. The District's proportion of the net pension 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, 2022. The District's proportion measured as of June 30, 2022 was 0.16013 percent, which was an increase of 0.01146 from its proportion measured as of June 30, 2021.

Pension expense - For the year ended June 30, 2023, the District recognized pension expense for ASRS of \$1,811,654.

Deferred outflows/inflows of resources - At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 220,670	\$ -
Changes of assumptions or other inputs	1,285,391	-
Net difference between projected and actual earnings on pension plan investments	-	682,191
Changes in proportion and differences between district contributions and proportionate share of contributions	-	581,422
District contributions subsequent to the measurement date	2,491,335	-
Total	\$ 3,997,396	\$ 1,263,613

The \$2,491,335 reported as net deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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	
2024	\$ (80,205)
2025	(1,007,696)
2026	988,003
2027	(113,923)
2028	(28,627)

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

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2021, valuations were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 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. 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%	3.90%
Fixed Income - Credit	20%	5.30%
Fixed Income - Interest Rate Sensitive Bonds	10%	-0.20%
Real estate	20%	6.00%
Total	<u>100%</u>	

Discount rate – At June 30, 2022, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent. 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 plan’s 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:

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	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	\$ 38,212,420	\$ 25,898,468	\$ 15,630,556

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

Pension contributions payable - The District's accrued payroll and employee benefits included \$86,782 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2023.

Note 7 – Operating Expenses

The District's operating expenses are presented by functional classification in the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government. The operating expenses can also be classified into the following:

Personnel services	\$ 33,723,568
Contract services	2,961,233
Supplies and other services	5,895,599
Communications and utilities	1,471,318
Scholarships	2,713,641
Depreciation and amortization	2,752,304
Other	2,684,544
Total	\$ 52,202,206

Note 8 – Discretely Presented Component Unit Disclosures

The District's discretely presented component unit is comprised of the Eastern Arizona College Foundation.

A. Nature of Activities and Significant Accounting Policies

Nature of Activities – The Eastern Arizona College Foundation is an Arizona nonprofit corporation incorporated under the laws of the state of Arizona in 1966. The primary objective of the Foundation is to create a positive environment in which to cultivate gifts to Eastern Arizona College, located in Thatcher, Arizona. The Foundation funds its activities primarily through contributions and investment income. The primary source of Foundation revenue is alumni and friends of Eastern Arizona College as well as the College itself.

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

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The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and a board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates those resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Foundation's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

The Foundation's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Foundation's donor-restricted endowment funds that the Foundation is committed to maintaining in perpetuity are classified in net assets with donor restrictions, as is the Foundation's beneficial interest in a perpetual charitable trust held by a bank as trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt

Graham County Community College District
(Eastern Arizona College)
Notes to Financial Statements
June 30, 2023

securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Property and Equipment – Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for additions and betterments are capitalized and depreciated over the estimated remaining useful life of the related asset. Gains and losses on sales and retirements are reflected in income during the year of actual sale or retirement.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Assets - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

Contributed Services – During the year ended June 30, 2023 the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, individuals occasionally volunteer their time and perform a variety of tasks that assist the Foundation, but do not meet the requirements for financial statement recognition.

Revenue with and without Donor Restrictions – Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service.

All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Revenue Recognition – The Foundation recognizes contributions as revenue in the period it is received. The Foundation also receives contributions from the College at the beginning of the fiscal year, that is to help accomplish fund raising and other purposes of the Foundation for the fiscal year. The Foundation recognizes the contribution as revenue for the fiscal year it is received.

Investment Income and Gains – Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Functional Allocation of Expenses – The costs of providing the various programs and other activities of the Foundation are summarized on a functional basis in the accompanying consolidated statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Directly

**Graham County Community College District
(Eastern Arizona College)
Notes to Financial Statements
June 30, 2023**

identifiable expenses are charged to the applicable program and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation

Income Taxes - The Foundation is exempt from income taxes as a non-profit corporation under Internal Revenue Code 501(c)(3) and, accordingly, the financial statements do not reflect a provision for income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and been classified as an organization other than a private foundation under Section 509(a)(2).

Subsequent Events – Management has evaluated subsequent events through May 29, 2024, which is the date the financial statements were available to be issued.

B. Liquidity

Financial Assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

Financial assets at year end	\$ 10,236,606
Less those unavailable for general expenditures within one year	
Donor imposed restrictions	
Donor Restricted to scholarships	(7,932,189)
Investment held in gift annuity	(129,064)
Board designations	
Quasi-endowment fund	(1,936,055)
Financial assets available for general use within one year	\$ 239,298

C. Investments

Investments consist primarily of marketable securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income in the Statement of Activities is reported net of investment expenses, such as custodial and advisory fees, of \$151,638 for 2023.

Accounting principles generally accepted in the United State of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

**Graham County Community College District
(Eastern Arizona College)
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June 30, 2023**

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments at June 30, 2023, were comprised of the following:

	Level 1	Level 2	Level 3	Total
Managed investment account				
Government securities	\$ -	\$ 296,380	\$ -	\$ 296,380
Corporate bonds	-	377,028	-	377,028
Municipal bonds	-	241,589	-	241,589
Equities	3,439,272	-	-	3,439,272
Equity mutual funds	5,309,852	-	-	5,309,852
	<u>\$ 8,749,124</u>	<u>\$ 914,997</u>	<u>\$ -</u>	<u>\$ 9,664,121</u>

D. Property and Equipment

Property and equipment at June 30, 2023, are summarized as follows:

Real estate	<u>\$ 46,325</u>
Less accumulated depreciation	<u>-</u>
	<u>\$ 46,325</u>

There was no depreciation expense for the year ended June 30, 2023.

E. Museum Collection

Collections, which consist entirely of the museum collection of Native American artifacts, are stated at appraised market value at date of acquisition. The Foundation is responsible for the maintenance and preservation of the collection. Gains and losses from deaccessions of collection items are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. The proceeds from deaccession of collection items may be used for acquisitions of new collection items or the direct care of existing collections.

F. Split-Interest Gift Annuity

During 2015 the Foundation was the recipient of a gift annuity. Under the terms of the gift annuity the donor will be paid \$6,300 annually for the remainder of the joint annuitants' natural lives. At the end of the annuity the remaining assets are available for the Foundation's use. Assets held for the annuity are reported at fair value and

**Graham County Community College District
(Eastern Arizona College)
Notes to Financial Statements
June 30, 2023**

at June 30, 2023 and 2022, totaled \$129,064 and \$83,764, respectively (consisting of cash and marketable securities of \$1,309 and \$127,755 for fiscal year 2022 and \$6,249 and \$77,515, respectively). Fair value measurements at the reporting date are determined using quoted prices in active markets (Level 1 fair value hierarchy). On an annual basis, the Foundation revalues the annuity liability to make distributions to the annuitant based on actuarial assumptions. The present value of the estimated future payments of \$24,888 at June 30, 2023 is calculated using the trust rate of 9% and applicable mortality tables.

G. Retirement Plan

The Foundation has established a deferred compensation retirement plan under Section 403(b) of the Internal Revenue Code. The plan is administered by the Teachers Insurance and Annuity Association and College Retirement Fund (TIAA-CREF). Under the provisions of the plan, employees are required to have a portion of their salary withheld and contributed to TIAA-CREF which maintains an individual annuity contract for each employee. The Foundation then contributes a matching amount equal to a portion of each full-time employee's base salary to the annuity. For the year ended June 30, 2023, Foundation contributions to the plan on behalf of employees totaled \$18,222.

The Foundation's endowments consist of both donor-restricted contributions and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As of June 30, 2023, the Board of Directors has designated \$1,936,055 of net assets without donor restrictions as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

H. Endowments

The Foundation has interpreted the Arizona Management of Charitable Funds Act (MCFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with MCFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent rate of return.

The Foundation has a policy of appropriating for distribution each year a portion of the realized income from the endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and

**Graham County Community College District
(Eastern Arizona College)
Notes to Financial Statements
June 30, 2023**

investment income.

The endowment net asset composition by type of fund as of June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 7,640,485	\$ 7,640,485
Board-designated endowment funds	1,914,611	-	1,914,611
	<u>\$ 1,914,611</u>	<u>\$ 7,640,485</u>	<u>\$ 9,555,096</u>

Changes in endowment net assets for the year ending June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$1,817,551	\$6,955,909	\$8,773,460
Contributions	-	858,872	\$858,872
Investment income	32,676	118,962	\$151,638
Net unrealized gain (loss) on investments	197,771	724,689	922,460
Change in split-interest agreements	-	46,498	46,498
Appropriated for expenditure	(133,387)	(1,064,445)	(1,197,832)
Transfers	-	-	-
Endowment net assets, ending	<u>\$1,914,611</u>	<u>\$7,640,485</u>	<u>\$9,555,096</u>

I. Net Assets with Donor Restrictions

Restricted net assets are available for the following purposes:

Scholarships	\$ 7,932,189
Split-interest gift annuities	129,064
	<u>\$ 8,061,253</u>

J. Concentrations and Related Party Transactions

The Foundation maintains cash and cash equivalents at banks and other financial institutions located in Arizona, Massachusetts, and New York which throughout the year may exceed federally insured deposit limits.

The Foundation's investments in marketable securities are under the management of Edward Jones of Maryland Heights, Missouri. The managed investment account is managed by Merrill Lynch of New York, New York.

The Foundation receives a significant amount of support from Eastern Arizona College, a related party. This support accounted for 75%, or \$396,500 of total unrestricted Foundation non-investment revenue for the year ended June 30, 2023.

**Graham County Community College District
(Eastern Arizona College)
Schedule of the District's Proportionate Share of the Net Pension Liability
June 30, 2023**

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
District's proportion of the net pension liability	0.158670%	0.159280%	0.170030%	0.180710%	0.192780%	0.196470%	0.205850%	0.203200%	0.203913%	Information
District's proportionate share of the net pension liability	\$ 25,898,468	\$ 20,928,685	\$ 29,460,282	\$ 26,295,408	\$ 26,886,026	\$ 30,606,196	\$ 33,226,258	\$ 31,650,974	\$ 30,172,192	not available
District's covered payroll	\$ 19,296,151	\$ 18,240,981	\$ 18,870,256	\$ 19,269,010	\$ 19,716,720	\$ 19,734,192	\$ 19,774,535	\$ 19,067,413	\$ 19,043,860	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.22%	114.73%	156.12%	136.46%	136.36%	155.09%	168.03%	166.00%	158.44%	
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

**GRAHAM COUNTY COMMUNITY COLLEGE DISTRICT
(EASTERN ARIZONA COLLEGE)
Schedule of the District's pension contributions
Year Ended June 30, 2023**

Arizona State Retirement System

Reporting Fiscal Year

	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 2,491,335	\$ 2,268,925	\$ 2,086,026	\$ 2,127,903	\$ 2,131,032
District's contributions in relation to the statutorily required contribution	2,491,335	2,268,925	2,086,026	2,127,903	2,131,032
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 21,394,233	\$ 19,296,151	\$ 18,240,981	\$ 18,870,256	\$ 19,269,010
District's contributions as a percentage of covered payroll	11.64%	11.76%	11.44%	11.28%	11.06%

	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 2,086,307	\$ 2,064,797	\$ 2,091,140	\$ 2,033,427	\$ 1,979,071
District's contributions in relation to the statutorily required contribution	2,086,307	2,064,797	2,091,140	2,033,427	1,979,071
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 19,716,720	\$ 19,734,192	\$ 19,774,535	\$ 19,067,413	\$ 19,043,860
District's contributions as a percentage of covered payroll	10.58%	10.46%	10.57%	10.66%	10.39%

See accompanying notes to schedule.

Supplementary Information

**GRAHAM COUNTY COMMUNITY COLLEGE DISTRICT
(EASTERN ARIZONA COLLEGE)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Federal Agency/Assistance Number	Federal program name	Additional Award Identification	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures
State Library						
45 310	Institute of Museum and Library Services			Arizona State Library	2020-0340-WiFi-06	<u>\$ 12,030</u>
National Science Foundation						
47 041	Engineering Grants					3,648
47 076	Education and Human Resources			Arizona Science Center	DRL - 1612555 & 1902599	<u>5,664</u>
	<i>Total National Science Foundation</i>					9,312
Small Business Administration						
59 037	Small Business Development Centers			Maricopa County Community College District	SBAHQ-20-B-0074 SBAHQ-21-B-0042	<u>197,906</u>
Office of the Director of National Intelligence						
	The Intelligence Advanced Research Project Activity			University of Arizona	2020-20061700005	<u>20,000</u>
Department of Education						
84 007	Federal Supplemental Educational Opportunity Grants		Student Financial Assistance Cluster			110,378
84 033	Federal Work-Study Program		Student Financial Assistance Cluster			231,037
84 063	Federal Pell Grant Program		Student Financial Assistance Cluster			<u>4,003,050</u>
	<i>Total Student Financial Assistance Cluster</i>					4,344,465
84 031	Strengthening Institutions Program					570,675
84 048	Career and Technical Education—Basic Grants to States			Arizona Department of Education	21FCTDBG-112241-20A	373,295
84 116T	Open Educational Resource			Yavapai College		16,811
84 334	Gaining Early Awareness and Readiness for Undergraduate Programs					1,367,148
84 425	Education Stabilization Fund	COVID-19, 84.425F				-
84 425	Education Stabilization Fund	COVID-19, 84.425E				-
84 425	Education Stabilization Fund	COVID-19, 84.425M				<u>-</u>
	<i>Total Education Stabilization Fund</i>					-
	Total Department of Education					<u>6,672,394</u>
	Total expenditures of federal awards					<u>\$ 6,911,641</u>

See accompanying notes to schedule.

**GRAHAM COUNTY COMMUNITY COLLEGE DISTRICT
(EASTERN ARIZONA COLLEGE)
Schedule of expenditures of federal awards
Year Ended June 30, 2023**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Graham County Community College District for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2 - Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 - Federal Assistance Listing Numbers

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the *2023 Federal Assistance Listings*.

Note 4 - Indirect cost rate

The District did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

**Graham County
Community College District**
(Eastern Arizona College)
Single Audit Section
June 30, 2023



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

Members of the Arizona State Legislature
Arizona Auditor General
The Governing Board of
Graham County Community College District

We have audited, in accordance with U.S. generally accepted auditing standards 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 business-type activities and discretely presented component unit of Graham County Community College District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 31, 2024. Our report includes a reference to other auditors who audited the financial statements of the Eastern Arizona College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The Foundation's financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2023-01, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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*.

District response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The District is responsible for preparing a corrective action plan to address each finding. The District's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

Mesa, Arizona
August 31, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Members of the Arizona State Legislature
Arizona Auditor General
The Governing Board of
Graham County Community College District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Graham County Community College District's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General, and the audit requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Management's Responsibilities for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

Mesa, Arizona
August 31, 2024

**GRAHAM COUNTY COMMUNITY COLLEGE DISTRICT (EASTERN
ARIZONA COLLEGE)**
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Summary of Auditors' Results

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:	<u>Unmodified</u>
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	No
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	<u>No</u>
Identification of major programs:	

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, & 84.063</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

Financial statement findings

2023-01

The District's control procedures over P-card/credit cards was not operating as intended for all transactions selected for testing during the fiscal year ending June 30, 2023.

Condition—The District's control procedures for review and approval were not in place for all transactions tested. In addition, we noted opportunity for improvement of controls for purchases of gift cards.

Effect—There is an increased risk that the District may not adequately protect its use of purchases from fraud and misuse of public monies because it could not prevent, or detect and correct, employees intentionally or unintentionally spending on unapproved or unallowable items.

Cause—The District policies were not followed in all cases, and can be further improved to identify detailed controls over gift card purchase, inventory tracking, and distribution.

Criteria—Implementing effective internal controls that follow a best practices and/or industry source, such as the Government Accountability Office green book, or other industry guides, help the District to protect its use of purchases to achieve its financial reporting, compliance, and operational objectives. Effective internal controls include obtaining detailed itemized receipts, ensuring proper approvals are in place prior to commitment of District funds, and proper evidence of detailed monitoring and review.

Recommendations—The District should:

1. Make it a priority to ensure detailed itemized receipts are maintained for all P-card transactions.
2. Develop, document, and implement processes to ensure purchase of gift cards are approved, inventoried, and tracked from acquisition through distribution.

The District's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

June 18, 2024

John Dominguez
CWDL
Email: jdominguez@cwdl.com

Dear Mr. Dominguez:

We have prepared the accompanying corrective action plans as required by the standards applicable to financial audits contained in *Government Auditing Standards*.

Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact person responsible for the corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Heston Welker
Vice President of Administration/Chief Business Officer

Corrective Action Plan

The District agrees with the finding 2023-01. The District's has already implemented improved procedures over its use of P-cards. Improvements in controls include review, approval, and tracking of assets purchased through P-cards. All expenses, including P-card purchases, are monitored monthly by the business unit within the District and any deviations from expectations are investigated, which may result in requiring employees to pay the District back for unauthorized activity if identified. Monitoring, exception reporting, and additional efforts to increase controls are in place currently.