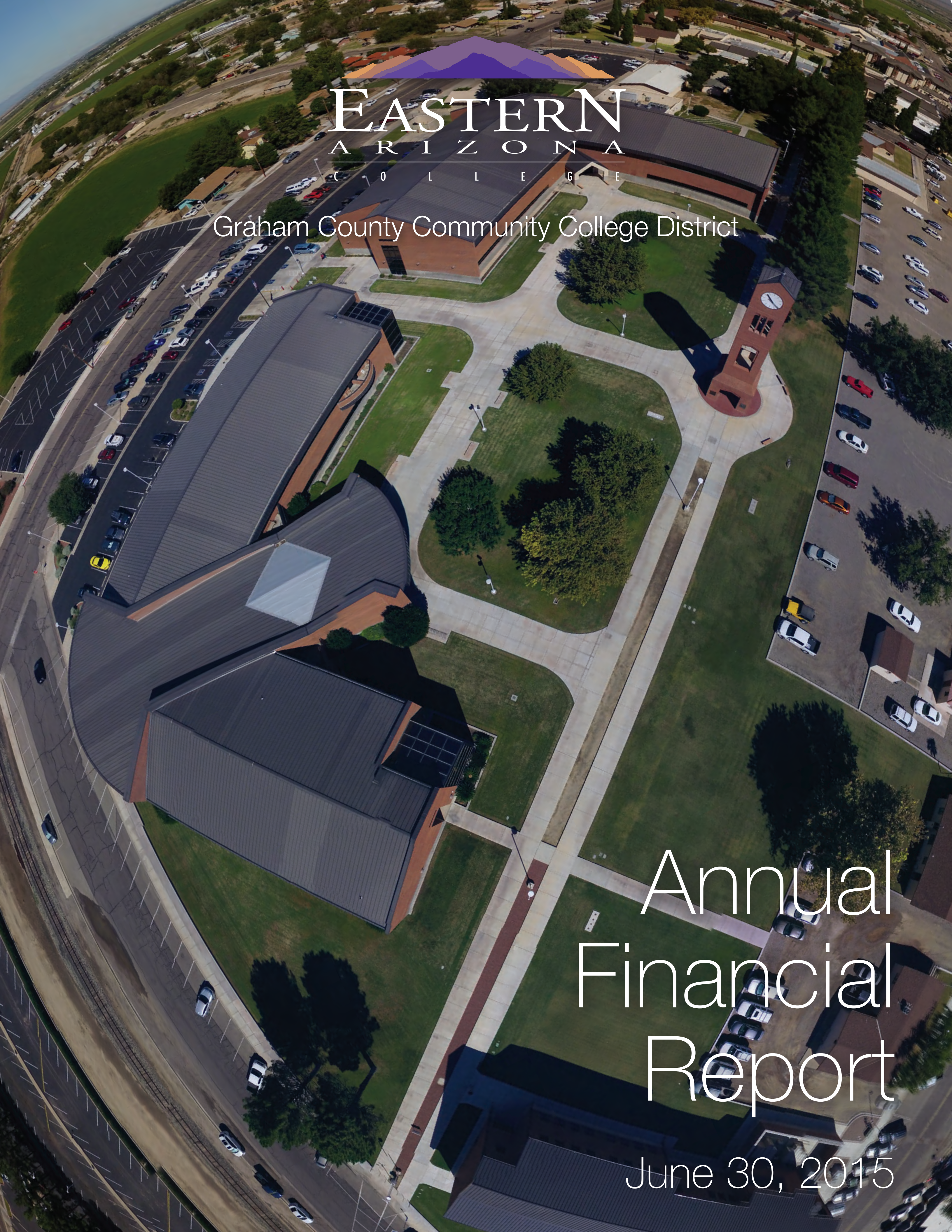

EASTERN ARIZONA COLLEGE

Graham County Community College District

Annual Financial Report

June 30, 2015

Graham County
Community College District
(Eastern Arizona College)
Single Audit Reporting Package
June 30, 2015

Graham County Community College District
(Eastern Arizona College)
Single Audit Reporting Package
Year Ended June 30, 2015

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(Eastern Arizona College)
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June 30, 2015

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Governing Board of
Graham County Community College District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Graham County Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 report of the other auditors. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Graham County Community College District as of June 30, 2015, and the respective

2910 NORTH 44th STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note 1 to the financial statements, for the year ended June 30, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 10, Schedule of the District's Proportionate Share of the Net Pension Liability on page 32, and Schedule of the District's Pension Contributions on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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 Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the 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 March 23, 2016*,* on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Debbie Davenport
Auditor General

March 23, 2016

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Management's Discussion and Analysis

This discussion and analysis provides an overview of the District's financial activities for the year ended June 30, 2015. Please read it in conjunction with the 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 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, 2015. 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, 2015. 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, 2015. 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 operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* described above.

Financial Highlights and Analysis:

Consistent with its mission to provide open access to quality higher education, 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 is striving to reduce expenses in the face of reduced state support.

Condensed Financial Information:

The condensed financial information below 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 discussed below.

Condensed Schedule of Net Position

As of June 30, 2015 and June 30, 2014

	2015	2014	% Change
Assets:			
Current assets	$ 38,785,297	$ 42,408,104	-9%
Noncurrent assets			
Capital assets, net	37,641,202	37,837,576	-1%
Total assets	76,426,499	80,245,680	-5%
Deferred Outflows of Resources	3,876,227	-	N/A
Liabilities:			
Other liabilities	4,228,934	3,802,601	11%
Long-term liabilities	32,326,850	1,928,573	1576%
Total liabilities	36,555,784	5,731,174	538%
Deferred Inflows of Resources	5,276,185	-	N/A
Net Position:			
Net investment in capital assets	37,641,202	37,837,576	-1%
Restricted net position	2,363,613	2,064,561	14%
Unrestricted net position	(1,534,058)	34,612,369	-104%
Total net position	$ 38,470,757	$ 74,514,506	-48%

Financial Highlights and Analysis

Statement of Net Position:

The total net position for Graham County Community College District decreased by $36,043,749, or 48% from the prior fiscal year. This significant decrease is primarily the result of the implementation of GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date* in fiscal year 2015. The District's beginning net position was reduced by $31,485,583 as a result of this accounting change, and it accounts for the majority of the reduction in net position. Net position also decreased due to the District's expenses exceeding revenues by $4,558,166.

In total, the District's current assets decreased by $3,622,807, or 9% from the prior year. This decline was largely due to a cash reduction of $3,699,849, and was offset only slightly by a small increase in receivables of $84,808. This decrease in cash followed the trend that began in the prior year when the District's expenses exceeded the revenues received. While the strategic cash position of the District has allowed it to cope with these reductions in cash, there is recognition that there is a need to find ways to grow revenues and reduce expenses.

The new accounting change discussed previously, also resulted in the recognition of deferred outflows of resources of $3,876,227. These outflows represent contributions to the Arizona State Retirement System that have not yet been recognized as expenses, and the difference between expected and actual pension experience.

Current liabilities increased by 11%, or $426,333, mostly due to a rise in accounts payable and insurance claims payable. Accounts payable increased by $226,559 due to expenses for the 2015 fiscal year not being billed until the following fiscal year. Insurance claims payable increased by $267,865 as the District continues to hedge against rising insurance costs. Deposits held in custody increased slightly by $38,097, while the current portion of compensated absences payable also slightly increased by $22,494, which was less than a 3% increase.

Long term liabilities changed measurably with an increase of $30,398,277, due to the accounting change discussed previously. The District recognized a net pension liability of $30,172,192 at fiscal year end in connection with the implementation of GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The remaining $226,085 was due to the long-term portion of compensated absences payable growing by 12%.

As with the deferred outflows of resources, deferred inflows of resources were newly included in the financials due to the accounting change, and were determined to be $5,276,185. These inflows chiefly represent the difference between projected and actual investment earnings in the pension plan. When these outflows and inflows are netted together, the result is a further decrease in net position of $1,399,958.

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 below 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, 2015 and 2014

Operating revenues:	2015	2014	% Change
Tuition and fees, net of scholarship allowances	$ 2,931,876	$ 2,669,033	10%
Government contracts	5,289,353	4,978,235	6%
Other	934,177	865,282	8%
Total operating revenues	9,155,406	8,512,550	8%
Nonoperating revenues:			
Property taxes	5,537,322	5,250,000	5%
State appropriations	17,927,300	18,420,800	-3%
Government grants	6,661,776	6,492,932	3%
Other	631,822	530,092	19%
Total nonoperating revenues	30,758,220	30,693,824	0%
Total revenues	39,913,626	39,206,374	2%
Operating expenses:			
Instruction	17,140,975	16,725,727	2%
Academic support	806,106	805,474	0%
Student services	5,698,507	5,646,481	1%
Institutional support	8,873,853	8,052,299	10%
Operation and maintenance of plant	4,178,491	4,227,621	-1%
Scholarships	2,984,691	2,975,667	0%
Auxiliary enterprises	2,714,370	2,678,034	1%
Depreciation	2,074,799	2,062,569	1%
Total operating expenses	44,471,792	43,173,872	3%
Income before other revenues, expenses, gains, or losses	(4,558,166)	(3,967,498)	15%
Capital appropriations	-	218,100	N/A
Decrease in net position	(4,558,166)	(3,749,398)	22%
Net position, beginning of year, as restated	43,028,923	78,263,904	-45%
Net position, end of year	$ 38,470,757	$ 74,514,506	-48%

Statement of Revenues, Expenses, and Changes in Net Position

Total revenue for the District increased slightly by 2%, or $707,252. Operating revenues were up 8% or $642,856, mainly due to the following items:

- Tuition and fees were up 10% due to a 4% increase in tuition and fees, and a 5% increase in enrollment.
- Government contracts were up by 6%, driven mainly by an increase in contract revenues with Gila County Provisional College of $402,703.
- Other revenues rose $68,895. This is largely due to additional bad debts that are being collected under our new collection process, which was implemented in the prior fiscal year.

Though there were changes in nonoperating revenues, in total they remained level year over year. The changes to the nonoperating revenues resulted in the following:

- Property taxes increased by $287,322 due to an increase in the property tax base of 10%.
- Government grants increased $168,844 attributed mostly to the new Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant, with funding of $134,598.
- Other nonoperating revenues increased by $101,730, due to an increase in the share of state sales tax of $15,838, a $78,835 rise in the gain on disposal of assets and an increase of investment income of $7,057.
- State appropriations decreased by $493,500, despite receiving $640,500 of state appropriations for STEM funding. This overall reduction of state appropriations offset the increases of the other nonoperating revenues.

Overall, operating expenses increased by 3%, or $1,297,920. The majority of the increase was in institutional support expenses, which increased 10% or $821,554 from the prior year. Of this increase, $210,145 was due to an increase in payroll expenses. Another portion of the increase was attributed to uncollectible accounts being written off to bad debt. These write offs increased the bad debt expense by $167,639, as the College is making a concentrated effort to update these accounts. The final significant increase in institutional support expenses can be attributed to an increase in spending of State appropriated Work Force Development and STEM funds of $138,860. The remaining increase in institutional support expenditures was due to an increase in other general expenses, none of which increased by more than 1% over the prior fiscal year.

Overall, operating expenses were kept relatively level in anticipation of decreased state funding and flat revenues.

Capital Assets Administration

As of June 30, 2015, the District's capital assets, net of accumulated depreciation, totaled $37.6 million, a decrease of $196,374, or less than 1% from the prior year. Capital assets include land, equipment, buildings, improvements other than buildings, library books, infrastructure and construction in progress. Additional information on capital assets can be found in Note 4 to the District's financial statements.

Current Factors Having Probable Future Financial Significance

State aid to community colleges has been reduced every year for the last several years. This trend of declining aid does not appear to be ending anytime in the near future. EAC continues to monitor this situation carefully and is factoring this trend into its long-term planning. The institution continues to scrutinize expenses and reduce budgets where possible, while also striving to not compromise the quality of education and service it provides to students and customers. With the decline in state aid, the District has reluctantly increased tuition by 4% in fiscal years 2015 and 2016, with another increase expected for the coming fiscal year. Despite these increases, Eastern's tuition level will still be among the lowest in the state, while still providing a high quality education to it's students. As stated in the District's Mission Statement, providing access to quality higher education requires that tuition and related costs remain affordable.

Graham County Community College District
(Eastern Arizona College)
Statement of Net Position – Primary Government
June 30, 2015

		Business-Type Activities
Assets		
Current assets:		
Cash and cash equivalents	$	36,431,861
Receivables (net of allowance for uncollectibles):		
Property taxes		338,868
Government grants and contracts		1,736,172
Other		219,479
Inventories		58,917
Total current assets		38,785,297
Noncurrent assets:		
Capital assets, not being depreciated		7,530,311
Capital assets, being depreciated, net		30,110,891
Total noncurrent assets		37,641,202
Total assets		76,426,499
Deferred Outflows of Resources		
Deferred outflows related to pensions		3,876,227
Total deferred outflows of resources		3,876,227
Liabilities		
Current liabilities:		
Accounts payable		490,744
Accrued payroll and employee benefits		759,213
Insurance claims payable		1,893,809
Deposits held in custody for others		181,139
Unearned revenues		40,148
Current portion of compensated absences payable		863,881
Total current liabilities		4,228,934
Noncurrent liabilities:		
Compensated absences payable		2,154,658
Net pension liability		30,172,192
Total noncurrent liabilities		32,326,850
Total liabilities		36,555,784
Deferred Inflows of Resources		
Deferred inflows related to pensions		5,276,185
Total deferred inflows of resources		5,276,185
Net Position		
Net investment in capital assets		37,641,202
Restricted:		
Expendable for workforce development		2,363,613
Unrestricted		(1,534,058)
Total net position	$	38,470,757

See accompanying notes to financial statements.

Graham County Community College District
(Eastern Arizona College)
Statement of Financial Position—Component Unit
June 30, 2015

	Eastern Arizona College Foundation
Assets	
Cash and cash equivalents	$ 336,947
Investments	4,702,800
Property and equipment, net	92,165
Museum collection	221,075
Total assets	5,352,987
Liabilities	
Accounts payable	1,863
Accrued expenses	33,923
Liability under split-interest agreements	126,522
Total liabilities	162,308
Net Assets	
Unrestricted	2,570,166
Temporarily restricted	1,961,294
Permanently restricted	659,219
Total net assets	5,190,679
Total Net Assets and Liabilities	$ 5,352,987

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, 2015

	Business-Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of $4,000,416)	$ 2,931,876
Government contracts	5,289,353
Private contracts	4,770
Food service income (net of scholarship allowances of $668,433)	241,662
Dormitory rentals and fees (net of scholarship allowances of $419,589)	299,788
Other	387,957
Total operating revenues	9,155,406
Operating expenses:	
Educational and general:	
Instruction	17,140,975
Academic support	806,106
Student services	5,698,507
Institutional support	8,873,853
Operation and maintenance of plant	4,178,491
Scholarships	2,984,691
Auxiliary enterprises	2,714,370
Depreciation	2,074,799
Total operating expenses	44,471,792
Operating loss	(35,316,386)
Nonoperating revenues:	
Property taxes	5,537,322
State appropriations	17,927,300
Government grants	6,661,776
Share of state sales taxes	528,327
Investment earnings	27,865
Gain on disposal of capital assets	75,630
Total nonoperating revenues	30,758,220
Decrease in net position	(4,558,166)
Net position as restated, July 1, 2014	43,028,923
Net position, June 30, 2015	$ 38,470,757

See accompanying notes to financial statements.

Graham County Community College District
(Eastern Arizona College)
Statement of Activities—Component Unit
Year Ended June 30, 2015

	Eastern Arizona College Foundation			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Foundation revenue	$ 256,791	$ -	$ -	$ 256,791
Contributions	16,461	473,878	165,591	655,930
Investment income	20,829	8,025	-	28,854
Net realized and unrealized gains on investments	3,127	15,355	-	18,482
Change in value of split-interest agreement	-	(7,179)	-	(7,179)
Net assets released from restrictions:				
Satisfaction of restrictions	215,882	(215,882)	-	
Total Revenue, Support, and Net Assets Released from Restrictions	513,090	274,197	165,591	952,878
Expenses				
General and administrative	316,459	-	-	316,459
Scholarship awards	242,799	-	-	242,799
Fundraising	24,454	-	-	24,454
Total Expenses	583,712	-	-	583,712
Change in net assets	(70,622)	274,197	165,591	369,166
Net assets at July 1, 2014	2,640,788	1,687,097	493,628	4,821,513
Net assets at June 30, 2015	$ 2,570,166	$ 1,961,294	$ 659,219	$ 5,190,679

See accompanying notes to financial statements.

Graham County Community College District
(Eastern Arizona College)
Statement of Cash Flows—Primary Government
Year Ended June 30, 2015

	Business-Type Activities
Cash flows from operating activities	
Tuition and fees	$ 2,931,876
Government contracts	4,962,165
Private contracts	4,770
Food service receipts	241,662
Dormitory rentals and fees	299,788
Other receipts	359,869
Payments to suppliers and providers of goods and services	(9,699,407)
Payments for employee wages and benefits	(29,008,009)
Payments to students for scholarships	(2,976,288)
Net cash used for operating activities	(32,883,574)
Cash flows from noncapital financing activities:	
Property taxes	5,544,740
State appropriations	17,927,300
Government grants	6,920,191
Share of state sales taxes	528,327
Deposits held in custody for others received	317,707
Deposits held in custody for others disbursed	(279,610)
Net cash provided by noncapital financing activities	30,958,655
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	82,756
Payments made to contractors	(62,045)
Purchases of capital assets	(1,823,506)
Net cash used for capital and related financing activities	(1,802,795)
Cash flows from investing activities:	
Interest received on investments	27,865
Net cash provided by investing activities	27,865
Net decrease in cash and cash equivalents	(3,699,849)
Cash and cash equivalents, July 1, 2014	40,131,710
Cash and cash equivalents, June 30, 2015	$ 36,431,861

(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, 2015
(Continued)

Reconciliation of operating loss to net cash used for operating activities:	Business-Type Activities
Operating loss	$ (35,316,386)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	2,074,799
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Net Pension Liability	(3,280,193)
Deferred outflows of resources related to pensions	(1,909,425)
Deferred inflows of resources related to pensions	5,276,185
Accounts payable	226,559
Government grants and contracts receivable	(327,188)
Other receivables	(28,088)
Compensated absences payable	248,579
Insurance claims payable	267,865
Inventories	7,766
Accrued payroll and employee benefits	(124,047)
Net cash used for operating activities	$ (32,883,574)

See accompanying notes to financial statements.

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).

For the year ended June 30, 2015, the District implemented the provisions of GASB Statement No. 68*, Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. 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 (Foundation).

The 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 (FASB) 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, 2015, the Foundation distributed $284,038 to the District for both restricted and unrestricted purposes, including administrative and program support and scholarships. In addition, the District paid the Foundation $254,712 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, Thatcher, Arizona, 85552.

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 assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District 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 District obligations. Net investment in capital assets represents the value of capital assets net of accumulated depreciation. 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, government contracts, food service, and dormitory charges, in which each party receives and gives up essentially equal values, are considered to be operating revenues. Other revenues, such as property taxes, state appropriations, and government grants are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation 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 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 imposed by the provider 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. 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.

E. Capital Assets

Capital assets of the District consist of land, buildings, improvements other than buildings, equipment, library materials, infrastructure and construction in progress. Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received. 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 methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

Asset Category	Capitalization Threshold	Depreciation 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

F. Deferred Outflows and Inflows of Resources

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

G. Pensions

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.

H. Investment Earnings

Investment earnings are composed of interest.

I. Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave earned by employees 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 termination of employment, all unused and unforfeited vacation benefits are paid 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. Scholarship Allowances

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

Note 2 - Change in Accounting Principle

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Primary Government
Net Position as previously reported at June 30, 2014	$ 74,514,506
Prior period adjustment - implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	(33,452,385)
Deferred outflows - district contributions made during fiscal year 2014	1,966,802
Total prior period adjustment	(31,485,583)
Net position as restated, July 1, 2014	$ 43,028,923

Note 3 - 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 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, 2015, the carrying amount of the District's deposits was $194,824 and the bank balance was $592,668. The District does not have a formal policy with respect to custodial credit risk of deposits.

Investments—At June 30, 2015, the fair value of the District's share of the State Treasurer's Local Government Investment Pool 7 was $36,237,037. The State Board of Investment provides oversight for the State Treasurer's pool. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

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, 2015, the District's investment in the State Treasurer's Local Government Investment Pool 7 had a weighted average maturity of 36 days.

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	$ 7,239,530	$ 225,389	$ -	$ 7,464,919
Construction in progress	17,976	62,045	(14,629)	65,392
Total capital assets not being depreciated	7,257,506	287,434	(14,629)	7,530,311
Capital assets being depreciated:				
Infrastructure	-	26,827	-	26,827
Buildings	45,546,239	-	-	45,546,239
Equipment	12,538,442	1,367,953	(319,074)	13,587,321
Improvements other than buildings	2,604,758	159,086	-	2,763,844
Library materials	974,514	58,880	(22,248)	1,011,146
Total capital assets being depreciated	61,663,953	1,612,746	(341,323)	62,935,376
Less accumulated depreciation for:				
Infrastructure	-	(179)	-	(179)
Buildings	(20,012,237)	(1,032,771)	-	(21,045,008)
Equipment	(8,234,917)	(928,761)	311,948	(8,851,730)
Improvements other than buildings	(2,122,460)	(65,209)	-	(2,187,669)
Library materials	(714,269)	(47,879)	22,248	(739,900)
Total accumulated depreciation	(31,083,883)	(2,074,799)	334,196	(32,824,486)
Total capital assets being depreciated, net	30,580,070	(462,053)	(7,126)	30,110,891
Capital assets, net	$ 37,837,576	$ (174,619)	$ (21,755)	$ 37,641,202

The District has no major active construction projects and no contractual commitments at June 30, 2015.

Note 5 – Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2015:

	Balance July 1, 2014, as restated	Additions	Reductions	Balance June 30, 2015	Due within one year
Net pension liability	$ 33,452,385	$ 3,962,794	$ 7,242,987	$ 30,172,192	
Compensated absences payable	2,769,960	967,517	718,938	3,018,539	863,881
Total long-term liabilities	$ 36,222,345	$ 4,930,311	$ 7,961,925	$ 33,190,731	$ 863,881

Note 6 - 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., 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 individual insured. 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 $1,893,809 at June 30, 2015, includes the amount payable for medical benefits. It is the estimated cost of settling claims that have been incurred and future claims that may occur. Changes in the District's medical benefits payable for the years ended June 30, 2014 and 2015, are as follows:

Medical benefits:	2015	2014
Claims payable, beginning of year	$ 1,625,944	$ 1,025,025
Current year actual and estimated claims	3,047,238	2,979,564
Less: Claims payments	2,779,373	2,378,645
Estimated claims payable, end of year	$ 1,893,809	$ 1,625,944

Note 7 - Pension and Other Postemployment Benefits

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

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

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

*With actuariallly reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. 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, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.31 percent for retirement, 0.20 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS. The District's contributions to the pension plan for the year ended June 30, 2015, were $2,033,427. The District's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Years ended June 30	Health Benefit Supplement Fund	Long – Term Disability Fund
2015	$96,290	$19,584
2014	97,495	38,998
2013	104,002	38,401

Pension liability - At June 30, 2015, the District reported a liability of $30,172,192 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. 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, 2013, to the measurement date of June 30, 2014. 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, 2014. The District's proportion measured as of June 30, 2014, was 0.203913 percent, which was an increase of 0.002688 from its proportion measured as of June 30, 2013.

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2015, the District recognized pension expense for ASRS of $2,119,994. At June 30, 2015, 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	$ 1,533,439	$ -
Net difference between projected and actual earnings on pension plan investments	-	5,276,185
Changes in proportion and differences between district contributions and proportionate share of contributions	309,361	-
District contributions subsequent to the measurement date	2,033,427	-
Total	$ 3,876,227	$ 5,276,185

The $2,033,427 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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		
2016	$	(517,829)
2017		(517,829)
2018		(1,078,681)
2019		(1,319,046)

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount rate - The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 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 pension 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 pension 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 8 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 (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	$ 38,136,103	$ 30,172,192	$ 25,851,370

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 $67,302 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2015.

Note 8 – 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:

Personal services	$ 29,486,973
Contract services	2,660,218
Supplies and other services	2,692,048
Communications and utilities	1,393,224
Scholarships	2,984,691
Depreciation	2,074,799
Other	3,179,839
Total	$ 44,471,792

Note 9 – 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

The primary objective of the Eastern Arizona College Foundation is to create a positive environment in which to cultivate gifts to Eastern Arizona College, located in Thatcher, Arizona. The Foundation makes use of unrestricted, temporarily restricted and permanently restricted funds, which are all related to the primary objective. The primary source of Foundation revenue is alumni and friends of Eastern Arizona College as well as the College itself.

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.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification. Under the Codification, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments, which consist of marketable securities in the form of mutual funds, have readily determinable fair values and are reported at their fair value 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 restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Contributions are recorded as income in the period received. Unconditional promises to give are booked when the "promise" is received or made, not when the gift is transferred. Conditional promises to give or receive are recorded when the specified future and uncertain event occurs or when the conditions outlined by the donor are substantially met.

Support and investment income that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted support and investment income are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. 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. The Foundation has been classified as a charitable organization that is not a private foundation under Section 509(a)(2).

B. 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 $29,534. 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.

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, 2015, were comprised of the following:

	Level 1	Level 2	Level 3	Total
Multi-strategy mutual funds	$ 119,197	$ -	$ -	$ 119,197
Corporate bonds	-	105,476	-	105,476
Managed investment account				
Multi-strategy mutual funds	4,478,127	-	-	4,478,127
	$ 4,597,324	$ 105,476	$ -	$ 4,702,800

C. 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 preservation of the collection.

D. Split-Interest Agreement and Gift Annuity

In 1989, the Foundation was named the remainder beneficiary and trustee of a charitable remainder unitrust. The Unitrust beneficiaries will be paid a percentage annually of the fair value of the trust assets in quarterly payments for the rest of their natural lives. At the end of the Trust's term, the remaining assets are available for the Foundation's use. Assets held in the charitable remainder unitrust are reported at fair value and at June 30, 2015, totaled $159,289, (consisting of cash and marketable securities of $104,336 and $54,953, 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 liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments ($50,653 at June 30, 2015) is calculated using the trust rate of 9% and applicable mortality tables.

During fiscal 2009, the Foundation was the recipient of a gift annuity. Under the terms of the gift annuity the donor will be paid $6,000 annually for the remainder of the annuitant's natural life. 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 at June 30, 2015, totaled $90,992 (consisting of cash and marketable securities of $7,387 and $83,605, 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 ($31,412 at June 30, 2015) is calculated using the trust rate of 6% and applicable mortality tables.

During fiscal 2014 the Foundation was the recipient of another 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 at June 30, 2015, totaled $92,898 (consisting of cash and marketable securities of $6,784 and $86,114, 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 ($44,457 at June 30, 2015) is calculated using the trust rate of 9% and applicable mortality tables.

E. Endowments

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, 2015, the Board of Directors has designated $1,848,854 of unrestricted net assets 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 unrestricted net assets.

The Foundation has interpreted Arizona's 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 permanently restricted net assets (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA. 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.

Changes in endowment net assets for the year ending June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	$1,911,730	$1,503,644	$493,628	$3,909,002
Contributions	-	473,878	165,591	639,469
Investment income	37,273	8,025	-	45,298
Net gain (loss) on investments	(18,078)	15,355	-	(2,723)
Appropriated for expenditure	(82,071)	(215,882)	-	(297,953)
Endowment net assets, ending	$1,848,854	$1,785,020	$659,219	$4,293,093

F. Concentrations

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

The Foundation’s investments in marketable securities are under the management of two financial managers; Edward Jones of Maryland Heights, Missouri and Argentus Capital Management of Dallas, Texas. The managed investment account is managed by the TIAA-CREF Trust Company, FSB, of Boston, Massachusetts.

Graham County Community College District
(Eastern Arizona College)
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
June 30, 2015

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006 Information not available
District's proportion of the net pension liability	0.203913%	
District's proportionate share of the net pension liability	$ 30,172,192	
District's covered-employee payroll	$ 16,256,924	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	185.60%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

Graham County Community College District
(Eastern Arizona College)
Required Supplementary Information
Schedule of the District's Pension Contributions
June 30, 2015

Arizona State Retirement System	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	$ 2,033,427	$ 1,966,802	Information not available
District's contributions in relation to the statutorily required contribution	2,033,427	1,966,802	
District's contribution deficiency (excess)	$ -	$ -	
District's covered-employee payroll	$ 19,102,350	$ 19,100,192	
District's contributions as a percentage of covered-employee payroll	10.64%	10.30%	

Supplementary Information

Graham County Community College District
(Eastern Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures
Department of the Interior					
15 231	Fish, Wildlife and Plant Conservation Resource Management				$ 58,562
Department of Labor					
17 282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants		Pinal County Community College District	TC-26465-14-60-A-4	134,598
National Science Foundation					
47 041	Engineering Grants				4,081
47 076	Education and Human Resources		Science Foundation Arizona	DUE-1400687	14,706
	Total National Science Foundation				18,787
Small Business Administration					
59 037	Small Business Development Centers		Maricopa County Community College District	SBAHQ-14-B-0050, SBAHQ-15-B-0040	98,884
Department of Education					
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	14FCTDBG-470551-01A, 15FCTDBG-512241-20A	240,097
84 334	Gaining Early Awareness and Readiness for Undergraduate Programs				759,009
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			103,578
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			222,054
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			4,901,940
	Total Student Financial Assistance Cluster				5,227,572
	Total Department of Education				6,226,678
	Total expenditures				$ 6,537,509

See accompanying notes to schedule

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Graham County Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance.*

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

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

The Governing Board of
Graham County Community College District

We have audited 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2016. 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. We conducted our audit 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. However, the financial statements of the Eastern Arizona College Foundation 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 Eastern Arizona College Foundation.

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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

2910 NORTH 44th STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Debbie Davenport
Auditor General

March 23, 2016

Graham County
Community College District
(Eastern Arizona College)
Single Audit Section
June 30, 2015

STATE OF ARIZONA

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Members of the Arizona State Legislature

The Governing Board of
Graham County Community College District

Report on Compliance for Each Major Federal Program

We have audited Graham County Community College District's compliance with the types of compliance requirements described 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, 2015. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Graham County Community College District complied, in all material respects, with the types of 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, 2015.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with OMB Circular A-133 and that is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-101. Our opinion on each major federal program is not modified with respect to this matter.

Graham County Community College District's response to the noncompliance finding identified in our audit is presented on pages 45 and 46. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-101, that we consider to be a significant deficiency.

Graham County Community College District's response to the internal control over compliance finding identified in our audit is presented on pages 45 and 46. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Debbie Davenport
Auditor General

March 23, 2016

Graham County Community College District
(Eastern Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Summary of Auditors' Results

Financial Statements

	Yes	No
Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	___	X
Significant deficiency identified?	___	X
Noncompliance material to the financial statements noted?	___	X

Federal Awards

	Yes	No
Internal control over major programs:		
Material weakness identified?	___	X
Significant deficiency identified?	X	___
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	X	___

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

	Yes	No
Auditee qualified as low-risk auditee?	X	___

Other Matters

	Yes	No
Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	___	X

Graham County Community College District
(Eastern Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Financial Statement Findings

None reported.

Federal Award Findings and Questioned Costs

2015-101

Cluster Name:	**Student Financial Assistance Cluster**
CFDA No. and Name:	84.007 **Federal Supplemental Educational Opportunity Grants** 84.033 **Federal Work-Study Program** 84.063 **Federal Pell Grant Program**
Award Number and Years:	P007A140114, P033A140114, P063P141064; July 1, 2014 through June 30, 2015
Federal Agency:	**Department of Education**
Compliance Requirement:	Special Tests and Provisions
Questioned Costs:	N/A

Criteria: 34 Code of Federal Regulations (CFR) §690.83(b)(2) requires institutions to accurately report Federal Pell Grant Program student status changes to the National Student Loan Data System (NSLDS) within 60 days of a change in student status in its response to an enrollment reporting roster file.

Condition and context: For 30 of 40 students receiving student financial assistance tested for the Federal Pell Grant Program, the District did not report student status changes to the NSLDS in its response to an enrollment reporting roster file within 60 days. In addition, the District inaccurately reported the student status changes to NSLDS for 5 of those students tested.

Effect: The District did not comply with the enrollment reporting requirements for the Federal Pell Grant Program. Consequently, student statuses in the NSLDS were not always accurate and up to date.

Cause: The District used a third-party servicer to report student status changes to the NSLDS. However, the District did not always submit complete data to the third-party servicer and did not effectively monitor the third-party servicer to ensure changes in student statuses were reported accurately to the NSLDS in a timely manner.

Recommendation: The District should develop and implement policies and procedures to help ensure that it identifies all student status changes required to be reported, accurately reports the changes to its third-party servicer, and monitors the reporting of student status changes by its third-party servicer to the NSLDS.

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Date: March 18, 2016

Debbie Davenport

Auditor General

2910 N. 44th St., Ste. 410

Phoenix, AZ 85018

Dear Ms. Davenport:

We have prepared the accompanying Corrective Action Plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by U.S. Office of Management and Budget Circular A-133. Specifically, for each federal award finding, we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Heston Welker

Director of Fiscal Control and Controller

Graham County Community College District
(Eastern Arizona College)
Corrective Action Plan
Year Ended June 30, 2015

Federal Award Findings and Questioned Costs

2015-101

CFDA No.: 84.007 Federal Supplemental Educational Opportunity Grants
84.033 Federal Work-Study Program
84.063 Federal Pell Grant Program

Contacts: Glen Snider, Director of Institutional Research
Bill Osborn, Director of Financial Aid

Anticipated completion date: March 31, 2016

District Response: Concur

Corrective Action Planned:

The Director of Institutional Research and the Director of Financial Aid will develop written procedures to identify all student status changes that are required to be reported to the National Student Loan Data System (NSLDS). These procedures will also be established to certify that the District submits accurate student status changes to the District's third-party servicer, National Student Clearinghouse Notification Service (NSC). Finally, these measures will include monitoring the reporting of student status changes submitted by NSC to NSLDS to ensure they are accurate and reported in a timely manner.