

Graham County Community College District

6.30.25

# Annual Financial Report

**Graham County**  
**Community College District**  
(Eastern Arizona College)  
Annual Financial Report  
June 30, 2025

**Graham County Community College District  
(Eastern Arizona College)  
Annual Financial Report  
Year ended June 30, 2025**

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# ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

## Independent auditors' report

Members of the Arizona State Legislature

The Governing Board of  
Graham County Community College District

### Report on the audit of the financial statements

#### ***Opinions***

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, 2025, 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 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 the District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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

## ***Management's responsibilities for the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- ▶ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion.
- ▶ 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 audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required supplementary information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 6 through 10, schedule of the District's proportionate share of the net pension liability on page 36, and schedule of District pension contributions on page 37 be presented to supplement the basic financial statements. Such information is management's responsibility 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 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.

### **Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

March 30, 2026

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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, 2025. 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, 2025. 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, 2025. 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, 2025. 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 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, 2025 and June 30, 2024**

	<u>2025</u>	<u>2024</u>	<u>% Change</u>
<b>Assets:</b>			
Current assets	\$54,895,176	\$55,200,515	-1%
Noncurrent assets			
Capital assets, net	54,972,036	48,142,401	14%
<b>Total assets</b>	<u><b>109,867,212</b></u>	<u><b>103,342,916</b></u>	6%
Deferred Outflows of Resources	<u>4,222,113</u>	<u>3,410,016</u>	24%
<b>Liabilities:</b>			
Current liabilities	6,213,397	6,479,630	-4%
Long-term liabilities	30,226,331	27,870,244	8%
<b>Total liabilities</b>	<u><b>36,439,728</b></u>	<u><b>34,349,874</b></u>	6%
Deferred Inflows of Resources	<u>1,766,152</u>	<u>946,848</u>	87%
<b>Net Position:</b>			
Net investment in capital assets	52,832,260	48,142,401	10%
Restricted net position	3,938,494	5,579,058	-29%
Unrestricted net position	19,112,691	17,734,751	8%
<b>Total net position</b>	<u><b>\$75,883,445</b></u>	<u><b>\$71,456,210</b></u>	6%

## **Financial Highlights and Analysis**

### **Statement of Net Position:**

The total net position for Graham County Community College District increased by \$4,427,235 or 6%, from the prior fiscal year due to the District's revenues exceeding expenses. As a result, the District's total assets increased by \$6,524,296 or 6%, and total liabilities increased by \$2,089,854 or 6%.

The District's current assets decreased by \$305,339 or 1%, from the prior year. This decrease was primarily due to a decrease in cash and cash equivalents of \$601,086 or 1% and receivables associated with the Gila Provisional District and other government grants and contracts of \$514,795. An increase of \$804,134 in other receivables partially offset the decreases noted above. Additionally, the District's noncurrent assets increased by \$6,829,635 or 14% which was largely driven by construction in progress associated with major capital projects including software development/implementation and purchases of equipment. The change in revenues and expenses are further discussed in the next section. While the strategic cash position of the District 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 increased by \$812,097 or 24% due to an increase in the net difference between expected and actual earnings on pension plan investments and changes in actuarial 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 \$2,089,854 or 6% with current liabilities decreasing by 4%, and long-term liabilities increasing by 8%. The decrease of 4% in current liabilities, or \$266,233, is mostly attributed to deposits held in custody as the District ended its partnership with the Gila County Community College Provisional District, offset by increases in accounts payable and compensated absences payable.

The 8% decrease in long-term liabilities amounted to a \$2,356,087 impact. Within this category, lease and subscription liabilities associated with GASB 87 and 96 increased by \$1,152,647 as balances associated with the Districts ERP project moved into production. Additionally, compensated absences payable increased by \$1,701,197 as the District adopted GASB 101. Under the new guidance, the District recognizes a liability for compensated absences based on leave that is attributable to services already rendered and that accumulates, regardless of whether the leave is expected to vest.

Deferred inflows of resources related to pensions increased by \$819,304. This 87% increase is a result of differences between the expected and actual pension experience and changes in actuarial 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, 2025 and 2024**

<b>Operating revenues:</b>	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Tuition and fees (net of scholarship allowances of \$3,757,493)	\$ 6,889,189	\$ 5,234,128	32%
Government contracts	8,277,333	8,886,926	-7%
Auxiliary Services	3,231,069	2,716,882	19%
Other	1,185,299	2,066,707	-43%
<b>Total operating revenues</b>	<b>19,582,890</b>	<b>18,904,643</b>	<b>4%</b>
<b>Nonoperating revenues:</b>			
Property taxes	7,963,125	7,882,207	1%
State appropriations	24,576,901	23,598,464	4%
Government grants	8,813,642	8,387,447	5%
Other	6,353,399	4,728,298	34%
<b>Total nonoperating revenues</b>	<b>47,707,067</b>	<b>44,596,416</b>	<b>7%</b>
<b>Total revenues</b>	<b>67,289,957</b>	<b>63,501,059</b>	<b>6%</b>
<b>Operating expenses:</b>			
Instruction	18,685,074	19,166,503	-3%
Academic support	1,589,086	1,571,010	1%
Student services	9,449,408	9,697,286	-3%
Institutional support	13,763,452	11,991,009	15%
Operation and maintenance of plant	5,263,643	5,522,580	-5%
Scholarships	5,773,167	3,680,312	57%
Auxiliary enterprises	5,180,201	6,220,904	-17%
Depreciation and amortization	3,158,691	2,936,764	8%
<b>Total operating expenses</b>	<b>62,862,722</b>	<b>60,786,368</b>	<b>3%</b>
Income before other revenues, expenses, gains, or losses	4,427,235	2,714,691	63%
<b>Increase (Decrease) in net position</b>	<b>4,427,235</b>	<b>2,714,691</b>	<b>63%</b>
<b>Net position, beginning of year</b>	<b>71,456,210</b>	<b>68,741,519</b>	<b>4%</b>
<b>Net position, end of year</b>	<b>\$ 75,883,445</b>	<b>\$ 71,456,210</b>	<b>6%</b>

**Statement of Revenues, Expenses, and Changes in Net Position**

Graham County Community College District has six major sources of revenue that account for 89% of all revenues. These are state appropriations (37%), government grants (13%), property taxes (12%), government contracts (12%), tuition and fees (10%), and auxiliary services (5%).

Total revenue for the District increased 6%, or \$3,788,898. Operating revenues were up by 4%, or \$678,247, due primarily to an increase in tuition and fees of \$1,655,061 associated with increased enrollment, and auxiliary services of \$514,187 due primarily to increased dorm rates and occupancy and large event revenues.

Nonoperating revenues increased by 7%, or \$3,110,651 due primarily to an increase in state appropriations of \$978,437, government grants of \$426,195, smart and safe funding of \$2,083,956, and partially offset by a decrease in investment earnings of \$451,783. The increase in state appropriations is largely attributable to changes in formula-based funding driven by enrollment (FTSE) and additional legislative appropriations. Grant

revenues fluctuated based on the timing and availability of federal and state program funding. Distributions from Smart and Safe Arizona funding increased in line with statewide collections and allocation formulas.

Total operating expenses increased by \$2,076,354 or 3%. This reflects a \$481,429 decrease in instruction, \$18,076 increase in academic support, \$247,878 decrease in student services, \$1,772,443 increase in institutional support, \$258,937 decrease in operation and maintenance of plant, and an increase of \$2,092,855 in scholarships. Aside from depreciation/amortization and changes noted above, auxiliary enterprises decreased by \$1,040,703. The overall increase is a result of continued growth and program expansions.

### **Capital Assets Administration**

As of June 30, 2025, the District's capital assets, net of accumulated depreciation/amortization, totaled \$55.0 million, a net increase of \$6,829,635. Capital assets include land, equipment, buildings, improvements other than buildings, library books, infrastructure, right-of-use lease and subscription assets, and construction and other capital in progress. The District engaged in significant capital projects during the year. At the end of the fiscal year, there was a net decrease of construction in progress of \$4,537,801 which was primarily associated with the renovations of the Activities Center and Mark Allen Dorms moving active capital status. Additionally, there was a \$3,644,290 decrease in other capital, non-constructions projects which is mainly associated with the conversion to the Anthology ERP system to active capital status. These projects were transitioned to capital assets being depreciated/amortized. Overall assets increased due to full capitalization of assets previously noted and purchases associated with real estate and capitalized equipment. 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 \$14.70 an hour in January of 2025. 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.

Economics continues to be a consideration across the higher education sector, influencing the cost of salaries, benefits, utilities, and essential supplies. The District remains committed to prudent financial stewardship, actively monitoring economic trends and adjusting our budgeting strategies to mitigate rising costs. Through responsible fiscal planning, strategic cost management, and efforts to enhance operational efficiency, we aim to preserve affordability for students while maintaining the quality of education and services that our community expects.

The District continually works to implement a variety of learning modalities. The college continues to provide virtual and actual classrooms updates to offer learning opportunities through a variety of sources. 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.

**Graham County Community College District  
(Eastern Arizona College)  
Statement of Net Position – Primary Government  
June 30, 2025**

	<b>Business-Type Activities</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 52,324,134
Receivables (net of allowance for uncollectibles):	
Property taxes	268,677
Government grants and contracts	1,074,812
Other	1,047,326
Inventories	180,227
Total current assets	54,895,176
Noncurrent assets:	
Capital assets, not being depreciated/amortized	12,584,679
Capital assets, being depreciated/amortized, net	42,387,357
Total noncurrent assets	54,972,036
Total assets	109,867,212
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	4,222,113
Total deferred outflows of resources	4,222,113
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	1,030,184
Accrued payroll and employee benefits	1,587,823
Insurance claims payable	389,104
Deposits held in custody for others	898,310
Unearned revenues	87,959
Current portion of compensated absences payable	1,686,162
Current portion of lease and subscription liabilities	533,855
Total current liabilities	6,213,397
Noncurrent liabilities:	
Compensated absences payable	3,206,819
Lease and subscription liabilities	1,605,921
Net pension liability	25,413,591
Total noncurrent liabilities	30,226,331
Total liabilities	36,439,728
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	1,766,152
Total deferred inflows of resources	1,766,152
<b>Net Position</b>	
Net investment in capital assets	52,832,260
Restricted:	
Expendable for workforce development	934,815
Expendable for Smart and Safe Arizona Fund Appropriations	3,003,679
Unrestricted	19,112,691
Total net position	\$ 75,883,445

See accompanying notes to financial statements.

**Graham County Community College District  
(Eastern Arizona College)  
Statement of Financial Position—Component Unit  
June 30, 2025**

	Eastern Arizona College Foundation
<b>Assets</b>	
Cash and cash equivalents	\$ 420,130
Investments	13,200,514
Property and equipment, net	46,325
Museum collection	221,075
<b>Total assets</b>	<b>13,888,044</b>
<b>Liabilities</b>	
Accounts payable	5,285
Accrued expenses	47,766
Liability under split-interest agreements	23,658
<b>Total liabilities</b>	<b>76,709</b>
<b>Net Assets</b>	
Without donor restrictions	2,608,377
With donor restrictions	11,202,958
<b>Total net assets</b>	<b>13,811,335</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,888,044</b>

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, 2025**

	Business-Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$3,757,493)	\$ 6,889,189
Government contracts	8,277,333
Private contracts	849,268
Food service income (net of scholarship allowances of \$256,446)	2,130,507
Dormitory rentals and fees (net of scholarship allowances of \$697,297)	483,280
Campus store	617,282
Other	336,031
Total operating revenues	19,582,890
Operating expenses:	
Educational and general:	
Instruction	18,685,074
Academic support	1,589,086
Student services	9,449,408
Institutional support	13,763,452
Operation and maintenance of plant	5,263,643
Scholarships	5,773,167
Auxiliary enterprises	5,180,201
Depreciation and amortization	3,158,691
Total operating expenses	62,862,722
Operating loss	(43,279,832)
Nonoperating revenues:	
Property taxes	7,963,125
State appropriations	24,576,901
Government grants	8,813,642
Share of state sales taxes	992,915
Smart and Safe Arizona Funds	3,003,679
Investment earnings	2,380,035
Loss on disposal of capital assets	(23,230)
Total nonoperating revenues	47,707,067
Increase in net position	4,427,235
Net position, July 1, 2024	71,456,210
Net position, June 30, 2025	\$ 75,883,445

See accompanying notes to financial statements.

**Graham County Community College District  
(Eastern Arizona College)  
Statement of Activities—Component Unit  
Year Ended June 30, 2025**

	Eastern Arizona College Foundation		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Foundation revenue	\$ 320,850	\$ -	\$ 320,850
Contributions	115,735	1,037,405	1,153,140
Investment income	36,082	265,533	301,615
Net realized and unrealized gains/(losses) on investments	215,267	834,155	1,049,422
Change in value of split-interest agreement	-	(3,122)	(3,122)
Net assets released from restrictions:			
Satisfied by program services criteria	832,992	(832,992)	-
Total Revenue, Gains and Other Support	1,520,926	1,300,979	2,821,905
Expenses			
Program services:			
Scholarship Awards	696,703	-	696,703
College Support	148,551	-	148,551
Supporting Activities:			
General and administrative	190,329	-	190,329
Fundraising	210,405	-	210,405
Total Expenses	1,245,988	-	1,245,988
Change in net assets	274,938	1,300,979	1,575,917
Net assets at July 1, 2024	2,333,439	9,901,979	12,235,418
Net assets at June 30, 2025	\$ 2,608,377	\$ 11,202,958	\$ 13,811,335

See accompanying notes to financial statements.

**Graham County Community College District  
(Eastern Arizona College)  
Statement of Cash Flows—Primary Government  
Year Ended June 30, 2025**

	<b>Business-Type Activities</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	6,889,189
Government contracts	8,792,127
Private contracts	849,268
Food service receipts	2,130,507
Dormitory rentals and fees	483,280
Campus Store	617,282
Payments to suppliers and providers of goods and services	(15,854,499)
Payments for employee wages and benefits	(36,055,745)
Payments to students for scholarships	(5,773,167)
Funds held in custody for others disbursed	(1,733,399)
Funds held in custody for others received	702,960
Other	(468,103)
<b>Net cash used for operating activities</b>	<b>(39,420,300)</b>
<b>Cash flows from noncapital financing activities:</b>	
Property taxes	7,973,091
State appropriations	24,576,901
Government grants	8,783,119
Share of state sales taxes	992,915
Smart and Safe Arizona Funds	3,003,679
<b>Net cash provided by noncapital financing activities</b>	<b>45,329,705</b>
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from sale of capital assets	5,985
Principal paid on lease liabilities and subscriptions	(712,618)
Purchases of capital assets	(8,183,893)
<b>Net cash used for capital and related financing activities</b>	<b>(8,890,526)</b>
<b>Cash flows from investing activities:</b>	
Interest received on investments	2,380,035
<b>Net cash provided by investing activities</b>	<b>2,380,035</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(601,086)</b>
Cash and cash equivalents, July 1, 2024	52,925,220
<b>Cash and cash equivalents, June 30, 2025</b>	<b>52,324,134</b>

See accompanying notes to financial statements.

**Graham County Community College District  
Statement of Cash Flows  
Year Ended June 30, 2025**

<b>Reconciliation of operating loss to net cash used for operating activities:</b>	<b>Business-Type Activities</b>
Operating loss:	\$ (43,279,832)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation and amortization	3,158,691
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Government grants and contracts receivable	514,795
Other receivables	(804,134)
Inventories	(16,374)
Deferred outflows of resources related to pensions	(812,097)
Accounts payable	468,483
Accrued payroll and employee benefits	(50,369)
Insurance claims payable	14,861
Deposits Held for others	(1,030,439)
Compensated absences payable	2,094,568
Net Pension Liability	(497,757)
Deferred inflows of resources related to pensions	819,304
<b>Net cash used for operating activities</b>	<b>\$ (39,420,300)</b>
Non-cash transactions not included in the above statement	
Net Book Value of Capital Assets Sold	\$ 29,215
Intangible Right-to-Use Subscription Assets Additions	\$ 1,833,651

See accompanying notes to financial statements.

**Graham County Community College District  
(Eastern Arizona College)  
Notes to Financial Statements  
June 30, 2025**

**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, 2025, The District implemented the provisions of GASB Statement No. 101, Compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The adoption of GASB Statement No. 101 did not result in any material adjustments to the District's previously reported amounts and thus a restatement of beginning net position was not deemed necessary.

The District evaluated the provisions of GASB Statement No. 102, Certain Risk Disclosures, which establishes financial reporting requirements for risks due to certain concentrations and constraints. The District performed an assessment of its exposure to such risks, including concentrations in revenue sources, workforce, and other operational dependencies, as well as constraints that could affect the availability of resources. Based on this evaluation, management determined that the District did not have any concentrations or constraints that meet the criteria for disclosure under GASB Statement No. 102.

**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.

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, 2025, the Foundation distributed \$845,254 to the District for both restricted and unrestricted purposes, including administrative and program support and scholarships. In addition, the District paid the Foundation \$316,750 under a contract for services to develop, coordinate, manage, and administer fundraising

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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.

**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, less any outstanding liabilities incurred to acquire the assets. 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 are 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.

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**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, construction in progress, and intangible right-of-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.

Effective July 1, 2024, the District increased its capitalization threshold for capital assets from \$5,000 to \$10,000. The revised threshold applies to assets acquired in the current and future reporting periods. Previously capitalized assets continue to be reported and depreciated in accordance with the policy in effect at the time of acquisition. 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:

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

Intangible right-of-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-of-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

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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.

**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 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 employee leave balances earned for vacation and sick leave but not used at fiscal year-end that will more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The District uses a last-in, first out flow assumption and historical data to determine the compensated absences liability. The District also provides other forms of leave, including holiday, jury duty, bereavement, administrative leave, and similar types of absences. These leave benefits do not accumulate and are not paid upon termination. Therefore, a liability is not recognized for these leave types, as they do not meet the recognition criteria under GASB Statement No. 101.

Employees may 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 non-forfeited vacation benefits to employees.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative. Under the District's policy, for employees who meet certain requirements under the District's option plan, a portion of accumulated sick leave may be paid upon separation, subject to a maximum of 100 days of accrued sick leave 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 benefits. With the implementation of GASB 101, the District performed a historical analysis to determine the trend of employees who are more likely than not to meet the 10-year service requirement and calculated the sick leave liability based on this updated population. In addition, the District recognizes a liability for sick leave earned but not used at fiscal year-end for leave that is more likely than not to be used or paid out in future periods.

**J. Leases and subscription-based information technology arrangements**

**Leases**

As lessee, the District recognizes lease liabilities with an initial, individual value of \$10,000 or more. Effective July 1, 2024, the District increased its lease recognition threshold from \$5,000 to \$10,000. The revised threshold applies to leases commencing in the current and future reporting periods. Leases recognized in prior periods continue to be reported in accordance with the policy in effect at the time of lease commencement.

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The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the implicit interest rate 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 (SBITAs)**

The District recognizes subscription liabilities with an initial, individual value of \$10,000 or more. Effective July 1, 2024, the District increased its SBITA recognition threshold from \$5,000 to \$10,000. The revised threshold applies to SBITAs commencing in the current and future reporting periods. SBITAs recognized in prior periods continue to be reported in accordance with the policy in effect at the time of SBITA commencement.

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. do 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, 2025, the carrying amount of the District's deposits was \$2,376,183 and the bank balance was \$3,369,736. The District does not have a formal policy with respect to custodial credit risk of deposits.

**Investments** - At June 30, 2025, the fair value of the District's share of the State Treasurer's Local Government Investment Pool 7 was \$49,934,934. 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, 2025, the District's investment in the State Treasurer's Local Government Investment Pool 7 had a weighted average maturity of 26 days.

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

<b>Cash, Deposits, and Investments</b>	<b>Amount</b>
Cash on Hand	\$ 13,017
Deposits	2,376,183
Investments	49,934,934
Total cash and cash equivalents	\$ 52,324,134

reported on the Statement of Net Position

**Note 3 – Capital Assets**

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance Jul 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated:				
Land	8,600,115	458,833	-	9,058,948
Construction in Progress	8,063,532	3,525,731	(8,063,532)	3,525,731
Other Capital in Progress (Non-construction)	3,644,290	-	(3,644,290)	-
Total capital assets not being depreciated/amortized	20,307,937	3,984,564	(11,707,822)	12,584,679
Capital assets being depreciated/amortized:				
Infrastructure	26,827	-	-	26,827
Buildings	51,948,996	10,414,883	-	62,363,879
Equipment	17,400,896	5,202,224	(271,002)	22,332,118
Improvements other than buildings	5,159,465	241,072	-	5,400,537
Library materials	441,228	48,969	(76,430)	413,767
Intangibles:				
Right-of-use subscription assets	1,602,124	1,833,651	-	3,435,775
Right-of-use lease assets - equipment	481,684	-	-	481,684
Total capital assets being depreciated/amortized	77,061,220	17,740,799	(347,432)	94,454,587
Less accumulated depreciation/amortization for:				
Infrastructure	(5,012)	(538)	-	(5,550)
Buildings	(30,778,754)	(1,280,918)	-	(32,059,672)
Equipment	(14,311,634)	(767,440)	270,199	(14,808,875)
Improvements other than buildings	(3,228,757)	(275,439)	-	(3,504,196)
Library materials	(153,097)	(73,303)	48,018	(178,382)
Intangibles:				
Right-of-use subscription assets	(590,398)	(664,790)	-	(1,255,188)
Right-of-use lease assets - equipment	(159,104)	(96,263)	-	(255,367)
Total accumulated depreciation/amortization	(49,226,756)	(3,158,691)	318,217	(52,067,230)
Total capital assets being depreciated/amortized, net	27,834,464	14,582,108	(29,215)	42,387,357
Capital assets, net	48,142,401	18,566,672	(11,737,037)	54,972,036

The District has major contractual commitments related to various capital projects at June 30, 2025, which are associated with the cosmetology and grey-shell medical buildings under development. Commitments related to these two projects are estimated to be \$12,992,487. Construction-in-progress projects will continue to be funded by the District's current and future cash resources and will not require external financing.

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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, 2025:

	<b>Balance July 1, 2024</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2025</b>	<b>Due in one year</b>
Net pension liability	\$ 25,911,348	\$ -	\$ 497,757	\$ 25,413,591	\$ -
Compensated absences payable	2,798,413	3,005,800	911,232	4,892,981	1,686,162
Lease liabilities	323,068	-	95,500	227,568	94,792
Subscription liabilities	695,678	1,833,651	617,121	1,912,208	439,063
<b>Total long-term liabilities</b>	<b>\$ 29,728,507</b>	<b>\$ 4,839,451</b>	<b>\$ 2,121,610</b>	<b>\$ 32,446,348</b>	<b>\$ 2,220,017</b>

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:

<b>Asset Class</b>	<b>Right-to-use lease assets - equipment</b>	<b>Less: accumulated amortization</b>	<b>Carrying value</b>
Vehicles	\$ 481,664	\$ 255,367	\$ 226,297
<b>Total Vehicles</b>	<b>481,664</b>	<b>255,367</b>	<b>226,297</b>

The following schedule details the minimum lease payments to maturity for the District's leases payable at June 30, 2025:

<b>Fiscal Year</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>
2026	94,792	1,900	96,692
2027	67,695	960	68,655
2028	51,544	309	51,853
2029	13,536	23	13,559
<b>Total Principal Payments</b>	<b>227,567</b>	<b>3,192</b>	<b>230,759</b>

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	Right-to-use subscription asset	Less: accumulated amortization	Carrying value
Software	\$ 3,435,775	\$ 1,255,188	\$ 2,180,587
Total Subscriptions	3,435,775	1,255,188	2,180,587

The following schedule details minimum subscription payments to maturity for the District's subscription liability at June 30, 2025:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 439,063	\$ 48,850	\$ 487,913
2027	425,917	36,603	462,520
2028	440,057	24,565	464,622
2029	380,347	12,127	392,474
2030	226,824	2,119	228,943
Total Principal Payments	1,912,208	124,264	2,036,472

**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 \$389,104 at June 30, 2025, 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, 2025 and 2024, are as follows:

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<b>Medical benefits</b>	<u><b>2025</b></u>	<u><b>2024</b></u>
Claims payable, beginning of year	\$ 374,243	\$ 152,388
Current year actual and estimated claims	3,685,672	4,292,294
Less: Claims Payments	<u>3,670,811</u>	<u>4,070,439</u>
Estimated claims payable, end of year	<u>\$ 389,104</u>	<u>\$ 374,243</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](http://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:

	<b>Retirement</b>	
	<b>Initial membership date:</b>	
	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
Years of Service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50 *	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, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.12 percent for retirement of the members' annual covered payroll, and statute

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required the District to contribute at the actuarially determined rate of 12.05 percent for retirement of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 10.14 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, 2025, were \$2,737,980.

**Pension liability** - At June 30, 2025, the District reported a liability of \$25,413,591 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2024. 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, 2023, to the measurement date of June 30, 2024.

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, 2024. The District's proportion measured as of June 30, 2024 was 0.158820 percent, which was an decrease of 0.001310 from its proportion measured as of June 30, 2023.

**Pension expense** - For the year ended June 30, 2025, the District recognized pension expense for ASRS of \$2,247,430.

**Deferred outflows/inflows of resources** - At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,418,563	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,622,936
Changes in proportion and differences between district contributions and proportionate share of contributions	65,570	143,216
District contributions subsequent to the measurement date	2,737,980	-
<b>Total</b>	<u>\$ 4,222,113</u>	<u>\$ 1,766,152</u>

The \$2,737,980 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, 2026. 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:

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Year ending June 30	
2026	\$ (748,703)
2027	1,175,330
2028	(410,818)
2029	(297,828)

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

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
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, 2023, 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>
Public equity	44%	4.48%
Credit	23%	4.40%
Real estate	17%	6.05%
Private equity	10%	6.11%
Interest rate sensitive	6%	-0.45%
Total	100%	

**Discount rate** – At June 30, 2024, the discount rate used to measure the ASRS total pension 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.

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**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:

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
District’s proportionate share of the net pension liability	\$ 38,913,405	\$ 25,413,591	\$ 14,162,675

**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 \$87,709 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2025.

**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	\$ 38,762,831
Contract services	4,443,491
Supplies and other services	6,170,319
Communications and utilities	1,523,361
Scholarships	5,773,167
Depreciation and amortization	3,158,691
Other	3,030,862
Total	\$ 62,862,722

**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 (the 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 Foundation itself.

**Basis of Accounting** - The financial statements of the Foundation have been prepared on the accrual basis of

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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.

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.

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**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 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, 2025 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

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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 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. All expenses besides scholarship and contribution are allocated between management and general and fundraising based on direct expenses.

The following program and supporting services are included in the accompanying financial statements:

**Scholarships** – provides scholarship money to students of Eastern Arizona College.

**College Support** – provides contributions to assist Eastern Arizona College to fund some of the college programs.

**Management and General** – includes the functions necessary to maintain and increase the Foundations investment activity.

**Fundraising** - includes the functions necessary to maintain and increase the Foundations and contributions.

**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 have been classified as an organization other than a private foundation under Section 509(a)(2).

**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 deaccession 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.

## **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:

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Financial assets at year end	\$ 13,620,644
Less those unavailable for general expenditures within one year	
Donor imposed restrictions	
Donor Restricted to scholarships	(11,108,060)
Investment held in gift annuity	(94,898)
Board designations	
Quasi-endowment fund	(2,199,162)
Financial assets available for general use within one year	\$ 218,524

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**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 \$89,373 for 2025.

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the Foundation 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, 2025, were comprised of the following:

	Level 1	Level 2	Level 3	Total
Managed investment account				
Government securities	\$ -	\$ 322,397	\$ -	\$ 322,397
Corporate bonds	-	476,412	-	476,412
Municipal bonds	-	233,424	-	233,424
Equities	4,833,845	-	-	4,833,845
Equity mutual funds	7,334,436	-	-	7,334,436
	\$ 12,168,281	\$ 1,032,233	\$ -	\$ 13,200,514

**Graham County Community College District  
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June 30, 2025**

**D. Property and Equipment**

Property and equipment at June 30, 2025, are summarized as follows:

Real estate	\$ 46,325
Less accumulated depreciation	-
	\$ 46,325

There was no depreciation expense for the year ended June 30, 2025.

**E. 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 at June 30, 2025, totaled \$118,557 (consisting of cash and marketable securities of \$4,774 and \$113,783). 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 \$23,658 at June 30, 2025 is calculated using the trust rate of 9% and applicable mortality tables.

**F. 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, 2025, Foundation contributions to the plan on behalf of employees totaled \$24,756.

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.

**G. Endowments**

As of June 30, 2025, the Board of Directors has designated \$2,608,377 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.

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

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June 30, 2025**

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 investment income.

The endowment net asset composition by type of fund as of June 30, 2025, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 11,202,958	\$ 11,202,958
Board-designated endowment funds	2,608,377	-	2,608,377
	<u>\$ 2,608,377</u>	<u>\$ 11,202,958</u>	<u>\$ 13,811,335</u>

Changes in endowment net assets for the year ending June 30, 2025, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$2,092,354	\$9,901,979	\$11,994,333
Contributions	115,735	1,037,405	1,153,140
Investment income	36,082	265,533	301,615
Net unrealized gain (loss) on investments	215,267	834,155	1,049,422
Change in split-interest agreements	-	(3,122)	(3,122)
Appropriated for expenditure	148,939	(832,992)	(684,053)
Endowment net assets, ending	<u>\$2,608,377</u>	<u>\$11,202,958</u>	<u>\$13,811,335</u>

**H. Net Assets with Donor Restrictions**

Restricted net assets are available for the following purposes:

Scholarships	\$ 11,108,060
Split-interest gift annuities	94,898
	<u>\$ 11,202,958</u>

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Notes to Financial Statements  
June 30, 2025**

**I. 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 88%, or \$316,750 of total unrestricted Foundation non-investment revenue for the year ended June 30, 2025.

**Graham County Community College District  
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Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension Liability  
June 30, 2025**

**Arizona State Retirement System**

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
District's proportion of the net pension liability	15.882000%	0.160130%	0.158670%	0.159280%	0.170030%	0.180710%	0.192780%	0.196470%	0.205850%	0.203200%
District's proportionate share of the net pension liability	\$ 25,413,591	\$ 25,911,348	\$25,898,468	\$20,928,685	\$29,460,282	\$26,295,408	\$26,886,026	\$30,606,196	\$33,226,258	\$31,650,974
District's covered payroll	\$ 22,731,388	\$ 21,394,233	\$19,296,151	\$18,240,981	\$18,870,256	\$19,269,010	\$19,716,720	\$19,734,192	\$19,774,535	\$19,067,413
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	111.80%	121.11%	134.22%	114.73%	156.12%	136.46%	136.36%	155.09%	168.03%	166.00%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

See accompanying notes to schedule.

**Graham County Community College District  
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Schedule of the District's Pension Contributions  
June 30, 2025**

**Arizona State Retirement System**

	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 2,737,980	\$ 2,676,989	\$ 2,491,335	\$ 2,268,925	\$ 2,086,026
District's contributions in relation to the statutorily required contribution	2,737,980	2,676,989	2,491,335	2,268,925	2,086,026
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 23,275,119	\$ 22,731,388	\$ 21,394,233	\$ 19,296,151	\$ 18,240,981
District's contributions as a percentage of covered payroll	11.76%	11.78%	11.64%	11.76%	11.44%

	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 2,127,903	\$ 2,131,032	\$ 2,086,307	\$ 2,064,797	\$ 2,091,140
District's contributions in relation to the statutorily required contribution	2,127,903	2,131,032	2,086,307	2,064,797	2,091,140
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 18,870,256	\$ 19,269,010	\$ 19,716,720	\$ 19,734,192	\$ 19,774,535
District's contributions as a percentage of covered payroll	11.28%	11.06%	10.58%	10.46%	10.57%