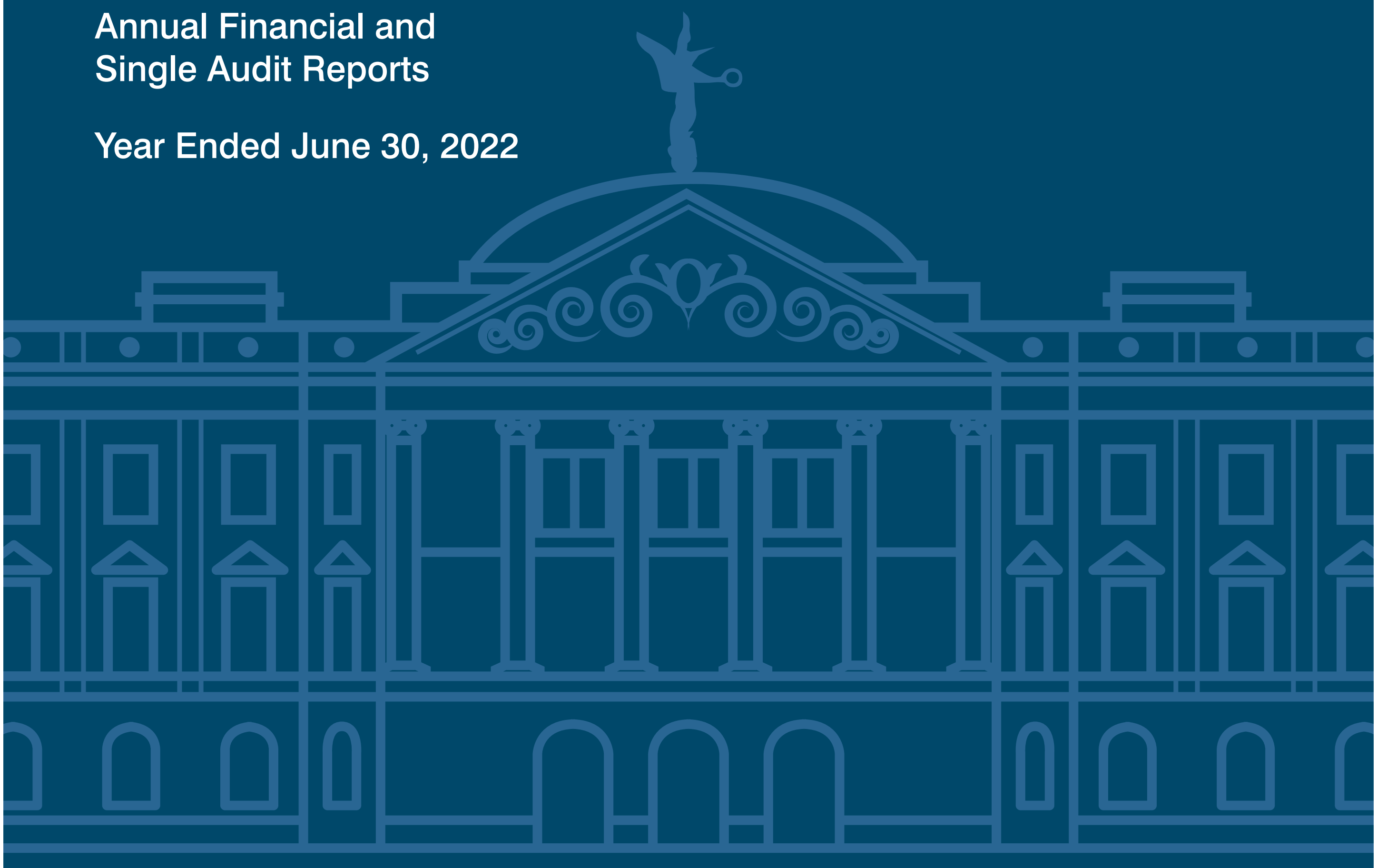
Yuma/La Paz Counties Community College District
(Arizona Western College)

Annual Financial and
Single Audit Reports

Year Ended June 30, 2022



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

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The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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ANNUAL FINANCIAL REPORT

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Governing Board of
Yuma/La Paz Counties 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 Yuma/La Paz Counties Community College District as of and for the year ended June 30, 2022, 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, 2022, 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of 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 a-1 through a-7, schedule of the District's proportionate share of the net pension liability on page 30, and schedule of District pension contributions on page 31 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.

Supplementary information

Schedule of expenditures of federal awards

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023, 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

January 23, 2023

Yuma/La Paz Counties Community College District
(Arizona Western College)
Management's discussion and analysis
Year ended June 30, 2022

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the District's basic financial statements, which immediately follow.

Basic Financial Statements

The District's annual financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These statements allow for the presentation in a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements typical of a business enterprise or a not-for-profit organization. The basic financial statements consist of the following:

The Statement of Net Position reflects the financial position of the District at June 30, 2022. It shows the various assets owned or controlled, outflows of resources applicable to future reporting periods, related liabilities and other obligations, inflows of resources applicable to future reporting periods, 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 District's total assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position reflects the results of operations and other changes for the year ended June 30, 2022. 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 presents the inflows and outflows of cash and cash equivalents for the year ended June 30, 2022. 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 income/loss on the Statement of Revenues, Expenses and Changes in Net Position described above.

This document's primary focus is on the results of activity for the fiscal year ended June 30, 2022. This Management's Discussion and Analysis (MD&A) uses prior fiscal year information for comparison purposes and illustrates where the District's financial performance may have changed.

Condensed Financial Information

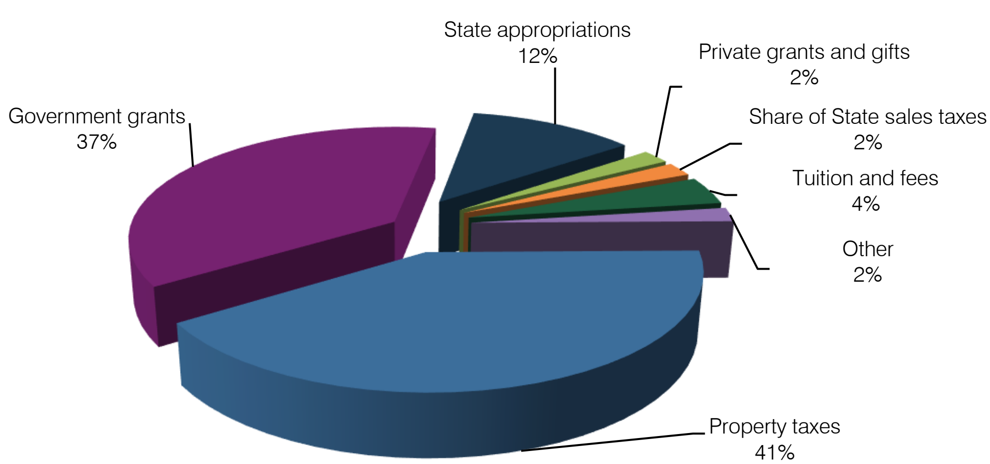
Net Position—Primary Government
As of June 30

	2022	2021
Assets:		
Current assets	$ 68,220,945	$ 72,077,202
Noncurrent assets, other than capital assets	31,600,483	246,256
Capital assets, net	74,513,917	73,637,992
Total assets	174,335,345	145,961,450
Deferred outflows of resources:	9,457,804	8,853,752
Liabilities:		
Current liabilities	18,974,431	10,240,229
Long-term liabilities	106,418,894	104,164,871
Total liabilities	125,393,325	114,405,100
Deferred inflows of resources:	10,212,367	587,102
Net Position:		
Net investment in capital assets	28,808,620	8,304,037
Restricted	9,882,609	25,126,489
Unrestricted	9,496,228	6,392,474
Total net position	$ 48,187,457	$ 39,823,000

Changes in Net Position—Primary Government
For the Year Ended June 30

	2022	2021
Revenues		
Operating		
Tuition and fees (net of scholarship allowances)	$ 3,996,153	$ 5,177,837
Other (net of scholarship allowances)	2,576,739	1,511,521
Nonoperating		
Property taxes	39,119,115	38,343,553
State appropriations	11,513,185	4,423,319
Government grants	35,399,383	25,387,069
Share of State sales taxes	1,533,539	1,170,479
Private grants and gifts	1,700,247	1,480,801
Investment earnings	(124,557)	114,359
Other nonoperating revenues	1,557	13,708
Gain on disposal of capital assets		1,959
Capital grants and gifts	6,769	2,808
Total revenues	95,722,130	77,627,413
Expenses		
Operating	84,946,936	69,716,892
Nonoperating	2,410,737	1,952,955
Total expenses	87,357,673	71,669,847
Increase/decrease in net position	8,364,457	5,957,566
Total net position, July 1	39,823,000	33,865,434
Total net position, June 30	$48,187,457	$39,823,000

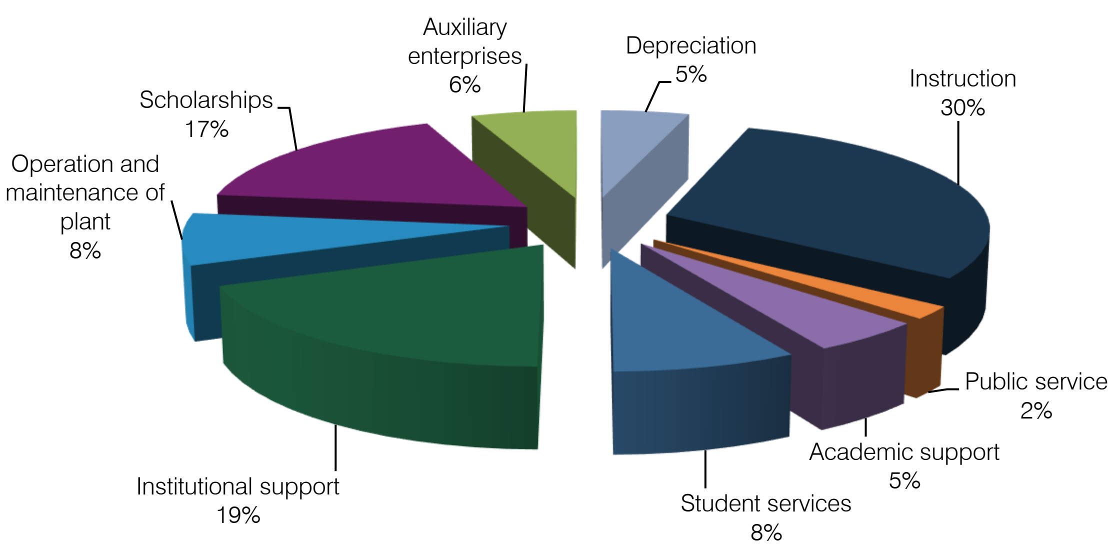
Percent of 2022 Revenues by Source



Expenses by Category—Primary Government
For the Year Ended June 30

	2022	2021
Operating expenses		
Educational and general:		
Instruction	$25,261,630	$23,305,280
Public service	1,416,901	1,256,071
Academic support	3,930,410	3,349,749
Student services	7,038,958	8,537,576
Institutional support	16,546,407	11,140,739
Operation and maintenance of plant	6,660,869	5,760,407
Scholarships	14,520,932	7,525,748
Auxiliary enterprises	4,990,535	4,146,617
Depreciation	4,580,294	4,694,705
Total operating expenses	84,946,936	69,716,892
Nonoperating expenses		
Interest expense on debt	2,140,282	1,582,522
Other nonoperating expenses	270,455	370,433
Total nonoperating expenses	2,410,737	1,952,955
Total expenses	$87,357,673	$71,669,847

Percent of 2022 Operating Expenses by Category



Financial Highlights and Analysis

Financial Position

The District's overall financial position improved in 2022. Total assets and deferred outflows of resources increased by approximately $29.0 million from fiscal year 2021 to fiscal year 2022. The year-to-year change in non-current assets includes a $31.3 million increase in cash and cash equivalents consisting of the District's unspent bond proceeds. The year-to-year change in current assets was a $3.9 million decrease. It includes increases of more than $511,000 in investments, $1.3 million in student accounts receivable, and $231,000 in prepaid expenses. The decreases of $5.8 million in grants and contracts receivable, $66,000 in property taxes receivable, and $62,000 in cash and cash equivalents offset the mentioned increases.

Total liabilities and deferred inflows of resources increased by over $20.6 million. This increase is due to an increase in accounts payable and accrued payroll of over $652,000, an increase in unearned revenues by over $7.7 million, an increase in employee absences payable of nearly $153,000, an increase of approximately $155,000 in current payments due on long term debt, and an increase of nearly $11.0 million in long-term debt. This increase was primarily due to paying down approximately $3.3 million of General Obligation Bonds, amortizing nearly $444,000 of bond premiums and paying nearly $324,000 of financed purchases, offset by nearly $15.2 million with the issuance of Revenue Bonds. Additionally, the District had a decrease in net pension liability by over $8.9 million and an increase in deferred inflows related to pensions of over $9.6 million due to ASRS reporting changes from the previous year.

Total net position for the District improved from fiscal year 2021 to fiscal year 2022 with an increase of nearly $8.4 million. By net position category, there was an increase in net investment in capital assets of $20.5 million because of unspent bond proceeds. A decrease in restricted assets by over $15.2 million is due to an increase in restricted federal and state grant activity offset by a decrease of $18.9 million in unspent bond proceeds. The increase in unrestricted net position of over $3.1 million is due to an increase in state appropriations, indirect costs recovery, tax levy, and tuition and fees offset by an increase in information technology professional services, scholarship allowance, and food service expenses.

The District's financial position remains strong with adequate resources to meet all current obligations.

Results of Operations

The District has four major revenue sources. These are property taxes, tuition and fees, state appropriations, and government grants. These revenues are further identified as operating or non-operating revenues.

For fiscal year 2022 the District's total revenues and capital gifts increased by approximately $18.2 million from fiscal year 2021. The following revenue sources make up a significant portion of this total increase:

- Tuition and fees decreased by nearly $1.2 million as a result of increased scholarship allowances of nearly $3.5 million.

- Other operating revenues increased by nearly $1.1 million primarily in food service and dormitory revenues as a result of the District's return to the normal capacity as the COVID19 virus severity weakens.
- Property taxes increased by $0.8 million due to increased property valuations and increased new construction.
- State appropriations increased over $7 million due to fiscal year 2022 being the first full year of the Smart and Safe Arizona fund appropriations and Arizona's Rural Community College appropriations of approximately $5.3 million coupled with an increase in Equalization Aid by over $461,000.
- Government grants increased by approximately $10.0 million due to: an increase of approximately $7.8 million from the Department of Treasury issuance of CARES Act funding; an increase of over $1.3 million from the Department of Education PELL grant, an increase of nearly $463,000 from the Arizona Department of Corrections contract; an increase over $339,000 for other Department of Education grants; $72,000 from Yuma County; and other state grants.
- Share of State sales taxes increased approximately $363,000 due to Proposition 301 sales tax distributions.
- Private grants and gifts increased by over $219,000.

Total operating expenses increased by over $15.2 million from fiscal year 2021 to fiscal year 2022. This reflects approximately $1.9 million increase in instruction, nearly $161,000 increase in public service, over $580,000 increase in academic support, approximately $1.5 million decrease in student services, over $900,000 increase in operations and maintenance, nearly $844,000 increase in auxiliary enterprises, approximately $114,000 decrease in depreciation, nearly $7.0 million increase in scholarships, and over $5.4 million increase in institutional support. Many of these increases were due to the Department of Treasury CARES Act support to create instructional spaces to mitigate the spread of viruses and scholarships directly to students, purchasing professional services, implementing information technology solutions, increased personnel salaries, partnering with AHCCCS to benefit a local hospital through the Disproportionate Share Hospital opportunity, and accounting for the net pension expense.

Non-operating expenses increased by approximately $458,000 primarily because of decreased bond interest due on a lower long-term General Obligation debt balance offset by the Revenue bond interest due and bond issuance costs.

Capital Assets and Debt Administration

The District's capital assets, net of accumulated depreciation, totaled $74.5 million as of June 30, 2022. Capital assets include land, buildings, improvements other than buildings, equipment, library books, and construction in progress. Additional information on capital assets can be found in detail in Note 3 to the District's basic financial statements.

At June 30, 2022, the District had three general obligation bond issues totaling approximately $39.5 million. In April 2022, the District issued Revenue Bonds totaling $15,165,000 bringing the total revenue bond issues to $32,955,000. Additional information on the District's long-term debt can be found in Note 5 to the basic financial statements.

Current Factors Having Probable Future Financial Significance

The Yuma/La Paz Counties Community College District continuously evaluates programmatic and institutional changes necessary to serve as a college of the community for providing excellence in 100 and 200 course levels for undergraduate degree programs. College leadership has been diligently working to develop long and short-term strategic plans to address these programmatic and institutional changes and other challenges to the financial health of the institution. At the same time, the Arizona Board of Regents, the three State universities, and Arizona community colleges are actively evaluating creative solutions to contain costs and generate new revenues in order to continue providing quality and affordable education.

As the COVID19 pandemic eases, the District returned to the normal dormitory capacity and re-introduced in-person classes. In place of the COVID19 pandemic focus, rising inflation impacted the District's costs to conduct business in the areas of higher labor, construction, and consumables costs and continues to do so. In June 2021 and April 2022, the District issued revenue bonds to build a residence hall and a building to provide student experience spaces, classrooms, and instructor and administrator offices of the future. With the rising costs, the District must contribute to the revenue bonds to fund the construction costs. The District will monitor rising consumable costs as it considers future tuition, course fees, testing, dormitory, food service, conference and events, and child learning lab rates.

The college continually works to implement efficiencies and identify savings opportunities. It is committed to its students, parents, employees, and the State to providing the most efficient and effective services as possible. Since the college is ultimately subject to the same economic variables that affect other financial entities, it is difficult to predict future outcomes. Leadership is working diligently to continue to provide quality instruction and public service to the Yuma and La Paz Counties, the State of Arizona and the nation.

This discussion and analysis are designed to provide a general overview of the Yuma/La Paz Counties Community College District's finances for all those with an interest in such matters.

Questions concerning any of the information provided in this Single Audit Reporting Package or requests for additional financial information should be addressed to the Vice President for Finance and Administrative Services, PO Box 929, Yuma, AZ 85366.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of net position—primary government
June 30, 2022

	Business-type activities
Assets	
Current assets:	
Cash and cash equivalents	$ 47,481,692
Investments	13,395,633
Receivables (net of allowances for uncollectibles):	
Property taxes	1,578,274
Government grants and contracts	2,910,802
Interest	29,987
Other	1,744,356
Prepaid items	1,080,201
Total current assets	68,220,945
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	31,063,932
Cash and cash equivalents held by trustee	310,800
Property taxes receivable (net of allowances for uncollectibles)	225,751
Capital assets, not being depreciated	2,728,493
Capital assets, being depreciated, net	71,785,424
Total noncurrent assets	106,114,400
Total assets	174,335,345
Deferred outflows of resources	
Deferred outflows related to pensions	8,345,163
Deferred charge on debt refunding	1,112,641
Total deferred outflows of resources	9,457,804
Liabilities	
Current liabilities:	
Accounts payable	2,208,271
Accrued payroll and employee benefits	1,299,710
Interest payable	1,117,445
Unearned revenues	9,535,302
Deposits held in custody for others	331,083
Current portion of compensated absences payable	305,077
Current portion of long-term debt	4,177,543
Total current liabilities	18,974,431

(Continued)

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of net position—primary government
June 30, 2022
(Continued)

	Business-type activities
Noncurrent liabilities:	
Compensated absences payable	$ 1,449,393
Long-term debt	73,668,451
Net pension liability	31,301,050
Total noncurrent liabilities	106,418,894
Total liabilities	125,393,325
Deferred inflows of resources	
Deferred inflows related to pensions	10,176,492
Deferred credit on debt refunding	35,875
Total deferred inflows of resources	10,212,367
Net position	
Net investment in capital assets	28,808,620
Restricted:	
Expendable:	
Grants and contracts	8,311,239
Capital projects	1,571,370
Unrestricted	9,496,228
Total net position	$ 48,187,457

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of financial position—component unit
June 30, 2022

	Arizona Western College Foundation
Assets	
Current assets:	
Cash and cash equivalents	$ 442,355
Accounts receivable	8,582
Contributions receivable	9,000
Other assets	3,502
Total current assets	463,439
Noncurrent assets:	
Contributions receivable	5,000
Investments	6,083,611
Total assets	$ 6,552,050
Liabilities and net assets	
Current liabilities:	
Accounts payable	$ 67,862
Total current liabilities	67,862
Noncurrent liabilities:	
Compensated absences	19,823
Total liabilities	87,685
Net assets	
Without donor restrictions:	
Undesignated	1,343,567
Designated by the Board	390,406
With donor restrictions:	
Time restricted	441,402
Purpose restricted	1,421,101
Perpetual in nature	2,867,889
Total net assets	6,464,365
Total liabilities and net assets	$ 6,552,050

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of revenues, expenses, and changes in net position—primary government
Year ended June 30, 2022

	Business-type activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of $10,041,123)	$ 3,996,153
Bookstore income	119,595
Food service income (net of scholarship allowances of $453,719)	1,487,354
Dormitory rentals and fees (net of scholarship allowances of $222,462)	217,155
Other	752,635
Total operating revenues	6,572,892
Operating expenses:	
Educational and general:	
Instruction	25,261,630
Public service	1,416,901
Academic support	3,930,410
Student services	7,038,958
Institutional support	16,546,407
Operation and maintenance of plant	6,660,869
Scholarships	14,520,932
Auxiliary enterprises	4,990,535
Depreciation	4,580,294
Total operating expenses	84,946,936
Operating loss	(78,374,044)
Nonoperating revenues (expenses):	
Property taxes	39,119,115
State appropriations	9,306,700
Smart and Safe Arizona fund appropriations	2,206,485
Government grants	35,399,383
Share of State sales taxes	1,533,539
Private grants and gifts	1,700,247
Investment earnings	(124,557)
Bond issuance costs	(159,870)
Interest expense on debt	(2,140,282)
Other nonoperating revenues	1,557
Loss on disposal of capital assets	(110,585)
Total nonoperating revenues (expenses)	86,731,732
Income before other revenues, expenses, gains, or losses	8,357,688
Capital grants and gifts	6,769
Increase in net position	8,364,457
Net position, July 1, 2021	39,823,000
Net position, June 30, 2022	$ 48,187,457

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of activities—component unit
Year ended June 30, 2022

	Arizona Western College Foundation		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Contributions	$ 1,385	$ 231,619	$ 233,004
Contributions - in kind	267,526		267,526
Investment return, net	(77,334)	(517,623)	(594,957)
Net assets released from restrictions	973,470	(973,470)	
Total revenue, support, and gains	1,165,047	(1,259,474)	(94,427)
Expenses and losses			
Program services:			
Scholarships	370,268		370,268
Instruction	739,223		739,223
Total program expenses	1,109,491		1,109,491
Supporting services:			
Management and general	60,292		60,292
Fund-raising	37,398		37,398
Total supporting services	97,690		97,690
Total expenses and losses	1,207,181		1,207,181
Changes in net assets	(42,134)	(1,259,474)	(1,301,608)
Net assets, beginning of year	1,776,107	5,989,866	7,765,973
Net assets, end of year	$ 1,733,973	$ 4,730,392	$ 6,464,365

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of cash flows—primary government
Year ended June 30, 2022

	Business-type activities
Cash flows from operating activities:	
Tuition and fees	$ 3,158,062
Bookstore receipts	119,595
Food services receipts	1,487,354
Dormitory rentals and fees	217,155
Other receipts	576,832
Other custodial receipts	1,864,115
Other custodial disbursements	(1,851,957)
Payments to suppliers and providers of goods and services	(23,482,002)
Payments for employee wages and benefits	(42,002,882)
Payments to students for scholarships	(14,520,932)
Net cash used for operating activities	(74,434,660)
Cash flows from noncapital financing activities:	
Property taxes	39,205,677
State and smart and safe of Arizona fund appropriations	11,513,185
Grants	41,150,604
Share of State sales taxes	1,533,538
Private grants and gifts	1,700,247
Other nonoperating expenses	1,557
Federal direct lending receipts	132,203
Federal direct lending disbursements	(132,203)
Net cash provided by noncapital financing activities	95,104,808
Cash flows from capital and related financing activities:	
Proceeds from issuance of capital debt	15,005,130
Principal paid on capital debt	(3,578,991)
Capital grants and gifts	7,434,727
Interest paid on capital debt	(2,028,823)
Purchases of capital assets	(5,566,803)
Net cash provided by capital and related financing activities	11,265,240
Cash flows from investing activities:	
Interest received on investments	287,368
Purchase of investments	(910,057)
Net cash used by investing activities	(622,689)
Net increase in cash and cash equivalents	31,312,699
Cash and cash equivalents, July 1, 2021	47,543,725
Cash and cash equivalents, June 30, 2022	$ 78,856,424

(Continued)

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of cash flows—primary government
Year ended June 30, 2022
(Continued)

	Business-type activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (78,374,044)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	4,580,294
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Increase in:	
Other receivables	(1,295,455)
Prepaid items	(230,833)
Deferred outflows of resources related to pensions	(901,218)
Accounts payable	390,892
Accrued payroll and employee benefits	261,150
Unearned revenues	281,562
Deposits held in custody for others	12,159
Compensated absences payable	153,107
Deferred inflows of resources related to pensions	9,629,251
Decrease in:	
Net pension liability	(8,941,525)
Net cash used for operating activities	$ 74,434,660
Noncash investing, capital, and noncapital financing activities	
Revenue bond issuance costs	$ 159,870
Gifts of depreciable and nondepreciable capital assets	6,769
Amortization of premium on general obligation bonds	443,916
Amortization of deferred inflows/outflows from general obligation bonds	(293,180)
Reconciliation of cash and cash equivalents, as presented on the Statement of Net Position	
Cash and cash equivalents	47,481,692
Restricted assets	
Cash and cash equivalents	31,063,932
Cash and cash equivalents held by trustee	310,800
Total cash and cash equivalents, June 30, 2022	$ 78,856,424

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

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

A. Reporting entity

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

The Arizona Western 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 other special projects. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can be used only 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, 2022, the Foundation distributed $267,526 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office, PO Box 929, Yuma, AZ, 85364-0929.

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, less any outstanding liabilities incurred to acquire or construct the assets. Nonexpendable restricted net position includes gifts that have been received for endowment purposes. 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, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition and bookstore, 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, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

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.

Internal activity is eliminated using a charge-back method, charging user departments, and reducing expenses in the department providing the service.

When both unrestricted and restricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

All investments are stated at fair value.

D. Capital assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

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 are as follows:

	Capitalization threshold	Depreciation method	Estimated useful life
Land	$5,000	N/A	N/A
Land improvements	5,000	N/A	N/A
Buildings	5,000	Straight-line	20-40 years
Improvement other than buildings	5,000	Straight-line	15 years
Equipment	5,000	Straight-line	5 years
Library books	1	Straight-line	10 years

E. Postemployment benefits

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the 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.

F. Investment earnings

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

G. 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 revenues in the statement of revenues, expenses, and changes in net position.

H. Compensated absences

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

Employees may accumulate up to 330 or 352 hours of vacation depending on years of service, but they forfeit any unused vacation hours in excess of the maximum amount at fiscal year-end. Upon terminating employment, the District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative, but employees forfeit them upon terminating employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

Note 2 - Deposits and investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. A.R.S. does not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with another's 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, 2022, the total cash on hand was $5,100, the carrying amount of the District's deposits was $10,061,611 and the bank balance was $10,611,484. The District does not have a formal policy with respect to custodial credit risk for deposits.

Investments—The District had total investments of $82,185,346 at June 30, 2022. The District categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows.

		Fair value measurement using		
Investments by fair value level	**Amount**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
U.S. Treasury securities	$ 7,331,918	$ -	$ 7,331,918	$ -
U.S. agency securities	5,313,715		5,313,715	
Money Market Mutual Fund	310,800		310,800	
Total investments categorized by fair value level	$12,956,433	$ -	$12,956,433	$ -

Investments categorized as Level 2 are valued using the observed market transactions, independent pricing service, third party counterparty evaluations and discounted cash flow, matrix or model prices with appropriate assumptions based on observable market inputs.

The District also had the following investments in external investment pools measured at fair value:

State Treasurer's investment pools	$53,716,516
County Treasurer's investment pool	15,512,397
Total external investment pools measured at fair value	$69,228,913

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 pools approximates the value of that participant's pool shares. The investment in the County Treasurer's pool is valued using the District's proportionate participation in the pool because the pool's structure does not provide for shares. The State Board of Investment provides oversight for the State Treasurer's investment pools. No comparable oversight is provided for the County Treasurer's investment pool.

Credit risk—The District does not have a formal policy with respect to credit risk. As of June 30, 2022, credit risk for the District's investments was as follows:

Investment type	Rating	Rating agency	Amount
State Treasurer's investment pool 7	Unrated	Not applicable	$53,716,516
County Treasurer's investment pool	Unrated	Not applicable	15,512,397
U.S. agency securities	Aaa/AA+	Moody's/Standard & Poor's	5,313,715
Money Market Mutual Fund	Aaa/AAA	Moody's/Standard & Poor's	310,800
Total			$74,853,428

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The District does not have a formal policy with respect to custodial credit risk.

Concentration of credit risk—The District does not have a formal policy regarding concentration of credit risk.

Interest rate risk—As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's policy limits the District's investment portfolio to maturities of one to three years.

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

		Investment maturities	
Investment type	Amount	Less than 1 Year	1-5 Years
State Treasurer's investment pools	$53,716,516	$53,716,516	
County Treasurer's investment pool	15,512,397	15,512,397	
U.S. Treasury securities	7,331,918	1,172,520	$6,159,398
U.S. agency securities	5,313,715	2,291,744	3,021,971
Money Market Mutual Fund	310,800	310,800	
Total	$82,185,346	$73,003,977	$9,181,369

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to financial statements
June 30, 2022

A reconciliation of cash, deposits, and investments to amounts shown on the statement of net position follows:

Cash, deposits, and investments:		Statement of net position:	
Cash on hand	$ 5,100	Cash and cash equivalents	$47,481,692
Amount of deposits	10,061,611	Current investments	13,395,633
Amount of investments	82,185,346	Restricted assets:	
		Cash and cash equivalents	31,063,932
		Cash and investments held by trustee	310,800
Total	$92,252,057	Total	$92,252,057

Note 3 - Capital assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 504,690			$ 504,690
Construction in progress	1,121,520	$3,630,212	$2,527,929	2,223,803
Total capital assets not being depreciated	1,626,210	3,630,212	2,527,929	2,728,493
Capital assets being depreciated:				
Buildings	118,147,380	2,148,230	2,536,838	117,758,772
Equipment	13,132,700	1,454,440	1,467,752	13,119,388
Improvements other than buildings	22,831,918	778,389	60,680	23,549,627
Library books	1,478,142	83,462	203,548	1,358,056
Total capital assets being depreciated	155,590,140	4,464,521	4,268,818	155,785,843
Less accumulated depreciation for:				
Buildings	52,022,028	2,883,039	2,439,782	52,465,285
Equipment	10,345,791	850,966	1,454,223	9,742,534
Improvements other than buildings	20,233,728	750,905	60,680	20,923,953
Library books	976,811	95,384	203,548	868,647
Total accumulated depreciation	83,578,358	4,580,294	4,158,233	84,000,419
Total capital assets being depreciated, net	72,011,782	(115,773)	110,585	71,785,424
Capital assets, net	$ 73,637,992	$3,514,439	$2,638,514	$ 74,513,917

Note 4 - Construction and other commitments

The District had major contractual commitments related to several capital projects at June 30, 2022, for the construction of the following: the new 'student experience' building, DeAnza Residence Hall replacement, San Luis science room addition, Law Enforcement Training Academy (LETA) Project Design, and the AWC 24th Street Digital Marquee.

At June 30, 2022, the District had spent $2,210,290 on these projects and had remaining contractual commitments with contractors of $7,891,291. The 'student experience' building and the DeAnza residence hall replacement are financed by revenue bonds. The San Luis science room addition is funded using the Instinct2 grant and the share of state sales taxes (Proposition 301). The LETA Project Design is funded by a Yuma County grant. The AWC 24th Street digital sign is funded using institutional funds.

Note 5 - Long-term liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within 1 year
General obligation bonds	$ 42,755,000		$ 3,255,000	$ 39,500,000	$3,365,000
Revenue bonds	17,790,000	$15,165,000		32,955,000	
Discounts/premiums	5,299,654		443,916	4,855,737	547,628
Total long-term debt	$ 65,844,654	$15,165,000	$ 3,698,916	$ 77,310,737	$3,912,628
Financed purchases	$ 859,247		$ 323,991	$ 535,256	$ 264,915
Net pension liability	40,242,575		8,941,525	31,301,050	
Compensated absences payable	1,601,363	$ 1,244,115	1,091,007	1,754,470	305,077
Total long-term liabilities	$108,547,839	$16,409,115	$14,055,439	$110,901,513	$4,482,620

Bonds—The District's bonded debt consists of various issues of general obligation and revenue bonds that are generally callable with interest payable semiannually. Bond proceeds pay primarily for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The District repays principal and interest on the general obligation bonds from an ad valorem tax levied against all the taxable property in the District. The bonds issued are payable from such a tax without limit as to rate or amount. Revenue bonds are repaid from tuition and fees and dormitory rentals and fees. During the year, the District issued revenue bonds totaling $15,165,000 to construct buildings and fund major infrastructure needs.

The District has pledged its gross revenues towards the payment of debt related to all revenue bonds outstanding at June 30, 2022. The bonds generally provide financing for various capital projects of the college. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include state appropriations, property taxes, gifts, or restricted revenues. At June 30, 2022, pledged revenues totaled $6.6 million, of which 5.2% ($349,000) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for the bonds through the final maturity of July 1, 2046, is $48.8 million.

The following bonds were outstanding at June 30, 2022:

Description	Original amount issued	Interest rates	Maturity ranges	Outstanding principal
General obligation bonds—series 2014	$28,665,000	3.00-5.00%	7/1/2021-36	$13,000,000
General obligation refunding bonds—series 2014A	16,035,000	4.00-5.00%	7/1/2021-31	16,035,000
General obligation refunding bonds—series 2016	10,895,000	2.60%	7/1/2021-32	10,465,000
Revenue bonds—series 2021	17,790,000	2.00-4.00%	7/1/2025-46	17,790,000
Revenue bonds—series 2022	15,165,000	2.75%	7/1/2025-46	15,165,000
				$72,455,000

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2022:

	General obligation bonds		Revenue bonds	
	Principal	Interest	Principal	Interest
Year ending June 30				
2023	$ 3,365,000	$1,447,800		$ 1,137,105
2024	3,535,000	1,273,810		1,038,638
2025	3,720,000	1,090,690		1,038,638
2026	3,825,000	902,440	$ 1,050,000	1,003,012
2027	4,135,000	698,690	1,085,000	966,176
2028-32	20,920,000	1,141,410	6,015,000	4,229,876
2033-37			7,115,000	3,091,450
2038-42			8,235,000	2,018,026
2043-47			9,455,000	672,002
Total	$39,500,000	$6,554,840	$32,955,000	$15,194,923

Financed purchases—The District has acquired equipment under contract agreements at a total purchase price of $1,387,886. The following schedule details debt service requirements to maturity for the District's financed purchases at June 30, 2022:

Year ending June 30	Principal	Interest
2023	$258,977	$12,411
2024	264,877	6,510
2025	8,470	434
2026	2,932	35
Total	$535,256	$19,390

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 with seven other Arizona community college districts and more than 200 Arizona school districts 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, cyber, automobile, boiler, and machinery liability; and commercial crime risks. The coverage limits and deductibles are listed below:

Coverage	Limit	Deductible
General	$10,000,000/occurrence	None
	Employer's liability: $2,000,000/accident or disease	$500,000/accident or disease
	Cyber Liability: $5,000,000/occurrence	$5,000/occurrence
Professional	Administrative practices: $150,000/claim, $300,000 aggregate	None
	Criminal legal defense: $100,000/claim, $200,000 aggregate	None
Property	Total insurable value: $128,141,215	$1,000/occurrence
Automobile	$10,000,000/occurrence	None
	$15,000 each person/$250,000 each accident underinsured/ uninsured motorist	
Commercial crime	$1,500,000/occurrence	$100/occurrence

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 single year. The District will be charged for any such assessment in the following year. The District also carries commercial insurance for other risks of loss, including workers' compensation, employees' health, accidental death and dismemberment for students and employees, employee travel, and student athlete injuries. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

In addition, the District is a member of the Yuma Area Benefit Consortium (the Consortium), which provides basic or major medical coverage for accidents or sicknesses, as well as dental and vision insurance coverage to its employees through the Consortium. The Consortium, currently composed of three voting entities and some small non-voting agencies, provides benefits up to $250,000 per individual per calendar year through a self-funding agreement with its participants and purchases commercial insurance to cover claims in excess of this limit. An independent administrator provides the Consortium with claims and recordkeeping services. The District is responsible for paying a set amount to the Consortium for each eligible employee. The District charges participating employees a contribution rate, depending on the health plan chosen by the employee. The District would be assessed an additional amount (to what was submitted as contributions) to fund the deficiency should the Consortium become insolvent. This additional contribution shall not exceed the amount of the District's annual contribution (i.e., premium), and once made, thereby releases the District from further legal obligations of any type. Should the District withdraw from the Consortium, it would then be responsible for its proportional share of claims run-out costs that exceed the Consortium reserves established for the incurred but not reported claims liability. If the Consortium were to terminate, the District would be responsible for its proportional share of any Consortium deficit. The District's proportional share upon termination shall not exceed the amount of the District's annual contributions, and once made, releases the District from all further legal obligations of any type. No additional contributions to the Consortium have been made in any of the past 3 fiscal years.

Note 7 - Pensions

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, Articles 2. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided—The ASRS provides retirement and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial membership date: Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years, age 55
	10 years, age 62 5 years, age 50* any years, age 65	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, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent for retirement of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.01 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 10.13 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, 2022, was $3,191,441.

Liability—At June 30, 2022, the District reported the following liability for its proportionate share of the ASRS' net pension liability.

ASRS	Net pension liability
Pension	$31,301,050

The net liability was measured as of June 30, 2021. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent.

The District's proportion of the net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The District's proportion measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

ASRS	Proportion June 30, 2021	Increase from June 30, 2020
Pension	0.23822%	1.00596

Expense—For the year ended June 30, 2022, the District recognized the following pension expense.

ASRS	Pension expense
Pension	$2,929,271

Deferred outflows/inflows of resources—At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 477,156	
Changes of assumptions or other inputs	4,074,082	
Net difference between projected and actual earnings on plan investments		$ 9,917,274
Changes in proportion and differences between District contributions and proportionate share of contributions	602,484	259,218
District contributions subsequent to the measurement date	3,191,441	
Total	$8,345,163	$10,176,492

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as expenses as follows:

Year ending June 30	
2023	$ 183,259
2024	397,789
2025	(2,186,251)
2026	(3,417,567)

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9–8.4% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP for pensions

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected geometric real rate of return
Equity	50%	4.90%
Fixed income - credit	20%	5.20%
Fixed income – interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
Total	100%	

Discount rate—At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current discount rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	$49,233,930	$31,301,050	$16,349,990

Plan fiduciary net position—Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

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	$42,203,647
Contract services	8,810,277
Supplies and other services	2,836,952
Communications and utilities	2,362,841
Scholarships	14,520,932
Depreciation	4,580,294
Other	9,631,993
Total	$84,946,936

The District uses credit cards to pay certain vendors for goods and services. The District received $35,728 in rebates resulting from credit card payments for the year ended June 30, 2022.

Note 9 – Subsequent Events

On April 14, 2021, the District Governing Board approved the architectural and engineering design services for the replacement of its DeAnza residence hall. On November 16, 2021, the District Governing Board approved the contract with CORE Construction for preconstruction services. On September 21, 2022, the District entered into the first of two construction contracts with CORE Construction; $12,029,329 is the Guaranteed Maximum Price (GMP) #1 contract total. On December 7, 2022, the District Governing Board approved the amendment of the CORE Construction contract to add the second scope of work at a guaranteed maximum price (GMP) of $7,270,871. The combined total project guaranteed maximum price is $19,300,200.

During the year of audit, the District Governing Board awarded a contract to McCarthy Building Companies, Inc. for construction services of the Matador Activity Center ("MAC") and to amend the contract to pay the GMP #1. A second phase of work was confirmed in July 2022. On September 21, 2022, the District Governing Board amended the contract to pay the GMP #2 for the second scope of work. The total GMP #2 will be $9,695,254.00. The combined total project guaranteed maximum price is $17,491,504. On January 18, 2023, the District Governing Board approved technology and furniture purchases for the MAC of $476,476.92 and $1,020,538.07, respectively.

Revenue Bonds coupled with institutional monies will fund the DeAnza residence hall and the MAC construction projects.

Note 10 – Discretely presented component unit disclosures

The District's discretely presented component unit is composed of the Arizona Western College Foundation.

Summary of significant accounting policies

Nature of activities—Arizona Western College Foundation (the Foundation) provides funding for educational needs and individual scholarships through Arizona Western College and other special projects. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The Foundation's offices are located on the campus of Arizona Western College in Yuma, Arizona. The Foundation provides services to residents of Yuma and La Paz counties. The Foundation's primary source of revenue is from contributions.

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

Basis of Presentation—The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Foundation is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions are not subject to donor-imposed stipulations. The Governing Board has designated, from net assets without donor restrictions, net assets for the purpose of matching donated contributions for the Dreams to Reality Program. These assets are held in investments in a board designated endowment fund.

Net assets with donor restrictions are subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates—In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. 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. Actual results could differ from those estimates.

Cash and Cash Equivalents—For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments—The Foundation reports investments at fair value. Net investment income return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expense.

Concentration of Credit and Market Risk—Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Foundation maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. There was no uninsured cash at year end. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Foundation’s investments do not represent significant concentrations of market risk inasmuch as the Foundation’s investment portfolio is adequately diversified among issuers.

Revenue Recognition—*Contributions:* The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend and have been met. The Foundation did not have any conditional promises to give at June 30, 2022.

Contributions Receivable—Unconditional promises to give that are expected to be collected in less than one year are reported at a net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at a net realizable value due to the insignificant difference to the net present value of the expected cash flows. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with donors, and accordingly has made no allowance for doubtful accounts.

Property and Equipment—All acquisitions of property and equipment with a cost in excess of $5,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. No assets met the Foundation’s capitalization threshold, and therefore, depreciation expense for the current fiscal year was $0.

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Compensated Absences—Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Foundation's policy to recognize the cost of compensated absence when leave is earned by employees.

In-Kind Contributions—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 increases in net assets with donor restrictions. 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 restrictions at that time.

Functional Allocation of Expenses—The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Time and effort
Printing and copying	Time and effort
Office supplies and technology	Time and effort
Postage	Time and effort
Rent	Time and effort
Professional services	Time and effort
Memberships and subscriptions	Time and effort

Advertising—The Foundation uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the current fiscal year, advertising costs totaled $16.

Income Tax Status—The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation's Form 990, *Return of Organization Exempt from Income Taxes* is generally subject to examination by the Internal Revenue Service for three years after the date filed.

Management has evaluated the tax positions taken or expected to be taken, if any, on its exempt organization filings, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management believes there are no uncertain tax positions.

New Accounting Pronouncement—During the fiscal year, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial*

Assets (Topic 958). The update increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The adoption did not have a significant impact on the Foundation's financial statements.

Recent Accounting Pronouncements Issued Not Yet Effective—In February 2016, the FASB issued ASU Update 2016-02, *Leases (Topic 842)*. The ASU will require entities to recognize assets and liabilities for both capital and operating leases with lease terms of more than 12 months on the statement of financial position. This ASU is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

Date of Management's Review—In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 26, 2022, which is the date the financial statements were available to be issued.

Liquidity and availability

The following represents the Foundation's financial assets at fiscal year-end:

Financial assets at year-end:	
Cash and cash equivalents	$ 442,355
Contributions receivable	9,000
Accounts receivable	8,582
Investments	6,083,611
Total financial assets	6,543,548
Less amounts not available to be used within one year:	
Net assets with donor restrictions	$(4,730,392)
Quasi-endowment established by the Board	(390,406)
Financial assets available to meet general expenditures over the next twelve months	$ 1,422,750

The Foundation does not have a formal policy regarding operating reserves, however the Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Although the Foundation does not intend to spend from its quasi-endowment, amounts could be made available if necessary. The Foundation did not have any lines of credit during the current fiscal year.

Investments and fair value measurements

Fair value is defined as the price that the Foundation would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 assets use quoted prices in active markets for identical investments.

Level 2 assets use 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.

Level 3 assets use unobservable inputs for the asset or liability.

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at year end are as follows:

	Hierarchy level	**Fair value**
Cash and cash equivalents		
Money market funds	Level 1	$ 418,812
Investments		
Fixed income investments	Level 1	3,372,232
Equities	Level 1	2,711,379
Total assets		$6,502,423

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Investments—Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Contribution receivable

Unconditional contributions receivable consist of the following:

Contributions receivable	$14,000
Amounts due in:	
Less than one year	$ 9,000
One to five years	5,000
Total	$14,000

Endowments

The Foundation's endowment consists of approximately 148 individual funds established for student scholarships. Its endowment includes both donor-restricted funds and funds designated by the Board to meet matching requirements. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law—The Board of Directors of the Foundation has interpreted the State of Arizona's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The purpose of the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the Foundation
g. The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of year-end:

	Without donor restriction	With donor restriction	Total
Donor-restricted funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		$2,867,889	$2,867,889
Accumulate investment gains and contributions		869,603	869,603
Board-designated endowment funds:			
Title V Match	$390,406		390,406
Total funds	$390,406	$3,737,492	$4,127,898

Investment Return Objectives, Risk Parameters and Strategies—The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding for scholarships supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of three to four percent, while growing the funds if possible.

Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately six to eight percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy—The Foundation has a policy of appropriating for distribution each year between three and four percent of its endowment funds' average fair value, provided that the value of the particular endowment is at least 105 percent of its principal. Any income in excess of annual spending is to be reinvested in the endowment account. Money reinvested in the endowment account shall not be considered principal of that account unless so designated by the Board or as stipulated by the donor. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to be 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 return.

Changes in Endowment Net Assets as of year-end:

	Without donor restriction	**With donor restriction**	**Total**
Endowment net assets, beginning of year	$450,734	$4,238,564	$4,689,298
Contributions		185,554	185,554
Reclassification		3,775	3,775
Investment return, net	(46,306)	(405,010)	(451,316)
Amounts appropriated for expenditure	(14,022)	(285,391)	(299,413)
Endowment net assets, end of year	$390,406	$3,737,492	$4,127,898

Net assets

Net Assets without donor restrictions are as follows:

Designated for Title V match	$ 390,406
Undesignated	1,343,567
Total	$1,733,973

Net assets with donor restrictions were as follows:

Perpetual and specific purpose	
Endowments	$3,737,492
Title V Dreams to Reality	16,770
Instruction	534,728
Passage of Time	
Title V Dreams to Reality	441,402
Total	$4,730,392

Net assets released from donor restrictions are as follows:

Satisfaction of purpose restrictions	
Scholarships	$285,391
Instruction	671,616
Title V Dreams to Reality	16,463
Total	$973,470

Contributed Nonfinancial Assets

The Foundation received the following contributions of nonfinancial assets during the fiscal year:

Contributed nonfinancial assets	
Salaries and benefits	$214,246
Rent	53,280
Total	$267,526

Arizona Western College contributes office space to the Foundation on a month-to-month basis. From July through December 2021, the Foundation utilized 809.5 square feet of office space and from January through June 2022, the Foundation utilized 966.5 square feet of office space. Through reference to other lease agreements the College has with outside renters, the market value of the Foundation's space is estimated at $5 per square foot. The contributed office space is used for program, management & general, and fundraising services and is allocated based upon time and effort for each service.

In addition, Arizona Western College pays 100 percent of the salaries and benefits for the Chief Operating Officer and the Development Manager of the Foundation, as well as, 40 percent of the salaries and benefits for the Executive Director, which is based on time and effort spent between the College and the Foundation.

Concentrations

The Foundation relies on support from Arizona Western College for a significant portion of its operating expenses for services performed by the Foundation. The loss of such support could have a material impact on the operations of the Foundation.

Other Required Supplementary Information

Yuma/La Paz Counties Community College District
(Arizona Western College)
Required supplementary information
Schedule of the District's proportionate share of the net pension liability
June 30, 2022

Arizona State Retirement System

	Reporting fiscal year (Measurement date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
District's proportion of the net pension liability	0.238220%	0.232260%	0.237730%	0.237050%	0.234410%	0.253700%	0.258180%	0.253189%	
District's proportionate share of the net pension liability	$ 31,301,050	$ 40,242,575	$ 34,592,481	$ 33,060,133	$ 36,516,509	$ 40,949,729	$ 40,216,044	$ 37,463,394	
District's covered payroll	$ 26,139,986	$ 25,141,739	$ 25,109,014	$ 23,654,893	$ 23,355,636	$ 23,105,663	$ 24,188,420	$ 22,952,857	Information unavailable
District's proportionate share of the net pension liability as a percentage of its covered payroll	120%	160%	138%	140%	156%	177%	166%	163%	
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

Yuma/La Paz Counties Community College District
(Arizona Western College)
Required supplementary information
Schedule of the District's pension contributions
June 30, 2022

Arizona State Retirement System

	Reporting fiscal year									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Statutorily required contribution	$ 3,191,441	$ 3,245,199	$ 3,095,566	$ 2,919,511	$ 2,552,655	$ 2,573,271	$ 2,710,797	$ 2,674,695	$ 2,385,898	
District's contributions in relation to the statutorily required contribution	3,191,441	3,270,335	3,036,260	2,919,511	2,552,655	2,573,271	2,710,797	2,674,695	2,385,898	Information
District's contribution deficiency (excess)	$ -	$ (25,136)	$ 59,306	$ -	$ -	$ -	$ -	$ -	$ -	unavailable
District's covered payroll	$ 26,314,332	$ 26,139,986	$ 25,141,739	$ 25,109,014	$ 23,654,893	$ 23,355,636	$ 23,105,663	$ 24,188,420	$ 22,952,827	
District's contributions as a percentage of covered payroll	12.13%	12.41%	12.08%	11.63%	10.79%	11.02%	11.73%	11.06%	10.39%	

SINGLE AUDIT REPORT

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
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
Yuma/La Paz Counties Community College District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2023. Our report includes a reference to other auditors who audited the financial statements of the Arizona Western College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The Foundation's financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Report on internal control over financial reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-01 and 2022-02, that we consider to be significant deficiencies.

Report on compliance and other matters

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

District response to findings

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

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

January 23, 2023

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance

Members of the Arizona State Legislature

The Governing Board of
Yuma/La Paz Counties Community College District

Report on compliance for each major federal program

Qualified and unmodified opinions

We have audited Yuma/La Paz Counties Community College District's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified opinion on the COVID-19 - Education Stabilization Fund

In our opinion, except for the noncompliance described in the basis for qualified and unmodified opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Education Stabilization Fund (Assistance Listings number 84.425) for the year ended June 30, 2022.

Unmodified opinion on each of the other major federal programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for qualified and unmodified opinions

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters giving rise to qualified opinion on the COVID-19 - Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the COVID-19 - Education Stabilization Fund (Assistance Listings number 84.425) as described in item 2022-101 for allowable costs/cost principles. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Management's responsibilities for compliance

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

Auditors' responsibilities for the audit of compliance

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

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

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

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

Report on internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-101 to be a material weakness.

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

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

District response to findings

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

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

January 23, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	**Unmodified**
Internal control over financial reporting	
Material weaknesses identified?	**No**
Significant deficiencies identified?	**Yes**
Noncompliance material to the financial statements noted?	**No**

Federal awards

Internal control over major programs	
Material weaknesses identified?	**Yes**
Significant deficiencies identified?	**None reported**

Type of auditors' report issued on compliance for major programs:
Unmodified for all major programs except for the COVID-19 - Education Stabilization Fund (Assistance Listings number 84.425), which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	**Yes**

Identification of major programs

Assistance Listings number	Name of federal program or cluster
84.425	COVID-19 - Education Stabilization Fund
84.048	Career and Technical Education—Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs	**$1,036,846**
Auditee qualified as low-risk auditee?	**Yes**

Financial statement findings

2022-01

The District's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Condition—The District's process for managing and documenting its risks did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

Effect—The District's administration and IT management may put the District's operations and IT systems and data at unintended and unnecessary risk.

Cause—The District has not prioritized documenting formal data inventory policies and procedures to identify, classify, and inventory sensitive information.

Criteria—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the District to effectively manage risk related to IT systems and data. Effectively managing risk includes an entity-wide risk assessment process that involves identifying, classifying, and inventorying sensitive information. The process of managing risks should also address the risk of unauthorized access and use, modification, or loss of sensitive information.

Recommendations—The District should:

1. Ask responsible administrative officials and management to design and implement policies around the sensitive information the District maintains and to work with IT management to design and implement procedures for managing the associated risks.
2. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the District holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

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

This finding is similar to prior-year finding 2021-01.

2022-02

The District's control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data

Condition—The District's control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its IT systems and data. The District lacked sufficient procedures over the following:

- **Restricting access—**Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.

- **Managing system configurations and changes**—Procedures did not ensure configuration settings were securely maintained and all IT system changes were adequately managed.

Effect—There is an increased risk that the District may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data. It also increases the District's risk of not being able to effectively continue daily operations and completely and accurately recover vital IT systems and data in the event of a disaster or system interruption.

Cause—The District's IT Department did not prioritize developing and implementing a process to ensure its IT policies and procedures met industry standards and that those policies and procedures were followed consistently as it lacked resources.

Criteria—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the District to protect its IT systems and ensure the integrity and accuracy of the data it maintains, as follows:

- **Restrict access through logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Manage system configurations and changes through a well-defined, documented configuration management process**—Ensures the District's IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system's security or operation. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.

Recommendations—The District should:

1. Make it a priority to develop, document, and implement IT policies and procedures and develop a process to ensure the procedures are being consistently followed.
2. Monitor District employees' adherence to the IT policies and procedures on a periodic basis to ensure they are consistently followed, and inform employees of updates to the policies and procedures throughout the year.

Restrict access—To restrict access to its IT systems and data, document and implement processes to:

3. Review all account access to ensure it remains appropriate and necessary.
4. Enhance authentication requirements for IT systems.

Manage system configurations and changes—To configure IT systems securely and manage system changes, implement processes to:

5. Follow a documented change management process.
6. Review proposed changes for appropriateness, justification, and security impact.
7. Document changes, testing procedures and results, change approvals, and post-change review.
8. Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
9. Test changes prior to implementation.

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

This finding is similar to prior-year finding 2021-02.

Federal award findings and questioned costs

2022-101

Assistance Listings number and name	84.425F **COVID-19 Education Stabilization Fund—Higher Education Emergency Relief Fund (HEERF) Institutional Portion**
Award number and years	P425F201546-20B, May 6, 2020 through June 30, 2023
Federal agency	**U.S. Department of Education**
Compliance requirement(s)	Allowable costs/cost principles
Questioned costs	$4,249,864

Condition—Contrary to federal guidance and regulations and the District’s federal indirect cost agreement, the District overcharged $4,249,864 of indirect costs to its HEERF program’s institutional portion during fiscal year 2022. Specifically, the District charged a total of $4,301,518, but its federal indirect cost agreement allowed it to charge no more than $51,654 when correctly applying and calculating the agreement’s base and allocation, thus it overcharged nearly $4.25 million. These unallowed indirect costs comprised 64 percent of the program’s total federal award expenditures for fiscal year 2022.

Effect—The District’s spending $4,249,864 more on indirect costs than allowed resulted in less monies available to spend on allowable program costs for addressing institutional and student needs, such as defraying costs associated with COVID-19 (including lost revenue and payroll) and making additional financial grants to students. Also, the U.S. Department of Education may require the District to repay the misspent monies in accordance with Uniform Guidance requirements.[1]

Cause—The District’s administration reported to us that it misinterpreted its federal indirect cost agreement when applying and calculating its indirect cost base and allocation. Further, the District did not follow its procedures for receiving written confirmation from its grantor of its indirect cost calculation method.

Criteria—District procedures require employees to follow what is stated in the grant award notice, and verify and receive written confirmation from its grantor of the calculation method when calculating indirect costs when calculating indirect costs (Yuma/La Paz Counties Community College District's Grants Desk Manual, Grant Indirect Costs). Additionally, federal guidance and regulations require the District to follow its federal indirect cost agreement to apply and calculate indirect costs allocated to federal programs at the specific percentages for specific costs that comprise the program’s base expenditures.[2] Further, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the federal program is being managed in compliance with all applicable laws, regulations, and award terms (2 Code of Federal Regulations [CFR] §200.303).

Recommendations—The District's administration should:

1. Follow written procedures for applying and calculating indirect costs to its federal programs, including following and correctly applying the award's base rate and allocation, which is stated in its grant award notice, and verifying and receiving written confirmation from its grantor of its calculation method when charging indirect costs to federal programs.
2. Work with the U.S. Department of Education to resolve the $4,249,864 of unallowable costs it allocated to the federal program.

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

[1] Federal Uniform Guidance requires federal awarding agencies to follow up on audit findings and issue a management decision to ensure the recipient, the District, takes appropriate and timely corrective action (2 CFR §200.513[c]). Further, it requires that federal awarding agencies' management decisions clearly state whether the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action, as directed by the federal awarding agencies (2 CFR §200.521).

[2] U.S. Department of Education. (2021). Higher Education Emergency Relief Fund III—Frequently Asked Questions, Question 43. Retrieved 12/13/2022 from https://www2.ed.gov/about/offices/list/ope/arpfaq.pdf. Also, U.S. Office of Management and Budget. (2021). 2 CFR 200.414 and Appendix III to 2 CFR Part 200—*Indirect (F&A) Costs Identification and Assignment, and Rate Determinations for Institutions of Higher Education.* Retrieved 12/13/2022 from https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#sg2.1.200_1411.sg11%22.

DISTRICT SECTION

YUMA/LA PAZ COMMUNITY COLLEGE DISTRICT (ARIZONA WESTERN COLLEGE)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022

Federal Awarding Agency/Program Title	*Assistance Listing Number*	*Additional Award Identification (Optional)*	*Name of Funder Pass-Through Entity*	*Identifying Number Assigned By Funder Pass-Through Entity*	*Total Amount Provided to Sub-Recipients*	*Federal Expenditures*	*Federal Program Total*	*Cluster Name*	*Cluster Total*
DEPARTMENT OF AGRICULTURE									
GROWING OPPORTUNITIES FOR AGRICULTURAL LEARNING IN THE SOUTHWEST (GOALS) NIFA	10.310					$22,129	$22,129	N/A	$0
TOTAL DEPARTMENT OF AGRICULTURE						$22,129			
DEPARTMENT OF LABOR									
WIOA ADULT PROGRAM	17.258		YUMA PRIVATE INDUSTRY COUNCIL	258: AH21-07-01/AdultFull 259: AH2020-07-01/OSY/ABE/GED AH2020-07-01/OSY		$467,378	$467,378	WIOA CLUSTER	$1,254,620
WIOA YOUTH ACTIVITIES	17.259		YUMA PRIVATE INDUSTRY COUNCIL			$787,242	$787,242	WIOA CLUSTER	$1,254,620
TOTAL DEPARTMENT OF LABOR						$1,254,620			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES									
PROMOTION OF THE HUMANITIES CHALLENGE GRANTS	45.130					$249,443	$249,443	N/A	$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES						$249,443			
SMALL BUSINESS ADMINISTRATION									
SMALL BUSINESS DEVELOPMENT CENTERS	*59.037*		*MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT*	*SBAHQ-21-B00SBAHQ-22-B00*		*$144,487*	*$176,444*	*N/A*	*$0*
COVID-19 - SMALL BUSINESS DEVELOPMENT CENTERS	*59.037*	*COVID-19, 59.037*	*MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT*	*SBAHQ20C0012*		*$31,957*	*$176,444*	*N/A*	*$0*
TOTAL SMALL BUSINESS ADMINISTRATION						$176,444			
DEPARTMENT OF EDUCATION									
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	84.007					$453,277	$453,277	STUDENT FINANCIAL ASSISTANCE CLUSTER	$13,635,922
HIGHER EDUCATION INSTITUTIONAL AID	84.031				$72,231	$962,488	$962,488	N/A	$0
FEDERAL WORK-STUDY PROGRAM	84.033					$310,622	$310,622	STUDENT FINANCIAL ASSISTANCE CLUSTER	$13,635,922
TRIO STUDENT SUPPORT SERVICES	84.042					$368,441	$368,441	TRIO CLUSTER	$1,038,123
TRIO TALENT SEARCH	84.044					$340,805	$340,805	TRIO CLUSTER	$1,038,123
TRIO UPWARD BOUND	84.047					$328,877	$328,877	TRIO CLUSTER	$1,038,123
CAREER AND TECHNICAL EDUCATIONBASIC GRANTS TO STATES	*84.048*		*ARIZONA DEPARTMENT OF EDUCATION*	*21FCTDBG-012101-20A 22FCTDBG-0212101-20A*		*$386,525*	*$386,525*	*N/A*	*$0*
FEDERAL PELL GRANT PROGRAM	84.063					$12,739,820	$12,739,820	STUDENT FINANCIAL ASSISTANCE CLUSTER	$13,635,922
MIGRANT EDUCATION - COLLEGE ASSISTANCE MIGRANT PROGRAM	84.149					$422,098	$422,098	N/A	$0
FEDERAL DIRECT STUDENT LOANS	84.268					$132,203	$132,203	STUDENT FINANCIAL ASSISTANCE CLUSTER	$13,635,922
CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	84.335					$120,284	$120,284	N/A	$0
COVID-19 - HEERF EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425E				$9,471,638	$16,131,121	N/A	$0
COVID-19 - HEERF EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425F				$6,659,483	$16,131,121	N/A	$0
COVID-19 - HIGHER EDUCATION EMERGENCY RELIEF FUND	84.U00	COVID-19, 84.U00	CORPORATION FOR PUBLIC BROADCASTING			$162,346	$162,346	N/A	$0
TOTAL DEPARTMENT OF EDUCATION					$72,231	$32,858,907			
TOTAL EXPENDITURE OF FEDERAL AWARDS					$72,231	$34,561,543			

Please Note:
Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

Summary of significant accounting policies

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

Indirect cost rate

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

Federal Assistance Listings numbers

The program titles and Federal Assistance Listings numbers were obtained from the federal or passthrough grantor or the 2022 Federal Assistance Listings. When no Federal Assistance Listings number had been assigned to a program, the 2-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier and the word unknown were used.

Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Yuma/La Paz Counties Community College District for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* .

DISTRICT RESPONSE

ARIZONA WESTERN COLLEGE

January 4, 2023

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Ross Poppenberger
Vice President for Finance and
Administrative Services

Yuma/La Paz Counties Community College District
(Arizona Western College)
Corrective Action Plan
Year ended June 30, 2022

Financial statement findings

2022-01

The District's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Name(s) of contact person: Scott Estes, Ashley Herrington
Anticipated completion date: Q2 (April – June) 2023

1) The District will continue to develop and refine current Procedures for Data Classification and associated risks.
2) The District will continue to refine the Data Classification and Data Dictionary with the addition of adding a inventory of resources containing sensitive data and ensure we reference State and Federal regulations or creditable industry sources such as National institute of Standard and Technology.

2022-02

The District's control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data

Name(s) of contact person: Scott Estes, Ashley Herrington
Anticipated completion date: Q2 (April – June) 2023

The District will continue to review current procedures and internal practices, develop new where necessary, or insufficient, document changes, implement and ensure that those procedures are being consistently followed by all employees.

Restrict access

The District will continue to review account access to ensure it remains appropriate and necessary and enhance authentication requirements where needed or applications and systems allow.

The District will reference State and Federal regulations or creditable industry sources such as National Institute of Standard and Technology for its Access Controls.

Manage system configurations and changes

The District will review current Change Management Procedures to ensure practices are continuedly followed.

The District will reference State and Federal regulations or creditable industry sources such as National institute of Standard and Technology for its Configurations and Change Management.

2022-101

Assistance Listings number and name	84.425F **COVID-19 Education Stabilization Fund—Higher Education Emergency Relief Fund (HEERF) Institutional Portion**
Award number and years	P425F201546-20B, May 6, 2020 through June 30, 2023
Federal agency	**U.S. Department of Education**
Compliance requirement(s)	Allowable costs/cost principles
Questioned costs	$4,249,864

Name(s) of contact person: Ross Poppenberger
Anticipated completion date: Q1 (January - March) 2023

The District misinterpreted its Federal Indirect Cost Rate (IDC) as it applies to HEERF funding. Although the District applied their prenegotiated IDC rate to the HEERF Grant, the District did not apply the rate to the correct program expenditures when calculating the IDC. The District updated its internal grants IDC calculation policies and procedures to ensure that indirect costs are properly calculated and reviewed for accuracy and written confirmation is obtained from the grantor for a new grant's IDC calculation. Further, the District is working with the U.S. Department of Education to reappropriate the unallowable funds to allowable direct costs.

ARIZONA WESTERN COLLEGE

January 4, 2023

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Ross Poppenberger
Vice President for Finance and Administrative Services

Yuma/La Paz Counties Community College District
Arizona Western College
Summary schedule of prior audit findings
Year ended June 30, 2022

Status of financial statement findings

The District's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm.
Finding number: 2021-01 This finding initially occurred in fiscal year 2021.
Status: Partially corrected

The District's control procedures over IT systems and data were not sufficient, which increases the risk that the District may not adequately protect those systems and data.
Finding number: 2021-02 This finding initially occurred in fiscal year 2010.
Status: Partially corrected

As of June 30, 2022, the District had not fully implemented its corrective action due to the complexity of the requirements. The District has created and implemented policies and procedures as of August, 2022 that have fully addressed all recommendations.

ARIZONA
Auditor General
Making a Positive Difference