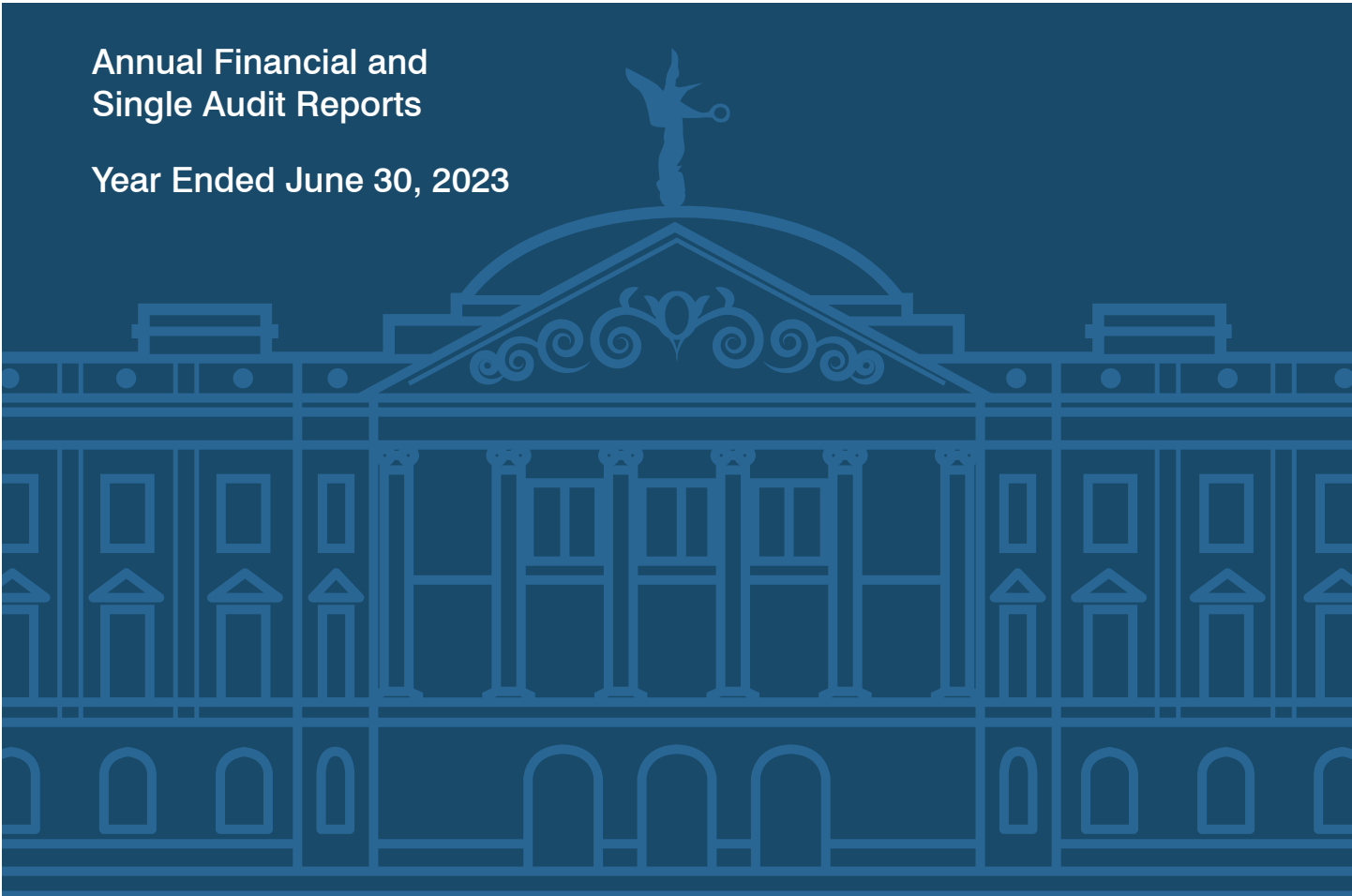


# Yuma/La Paz Counties Community College District (Arizona Western College)

Annual Financial and  
Single Audit Reports

Year Ended June 30, 2023



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the 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, 2023, 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*.

### ***Emphasis of matter***

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

### ***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-8, schedule of the District's proportionate share of the net pension liability on page 33, and schedule of District pension contributions on page 34 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 February 6, 2024, 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

February 6, 2024



# Yuma/La Paz Counties Community College District

## (Arizona Western College)

### Management's discussion and analysis

### Year ended June 30, 2023

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, 2023. Please read it in conjunction with the District's basic financial statements, which immediately follow.

For the fiscal year ended June 30, 2023, the District implemented the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), as amended by GASB Statement No. 99, *Omnibus 2022*. GASB 96, as amended, which defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

## 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, 2023. 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, 2023. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net position amount to the ending net position amount, which is shown on the Statement of Net Position described above.

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

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Management's discussion and analysis**  
**Year ended June 30, 2023**

Condensed Financial Information

**Net Position—Primary Government**  
**As of June 30**

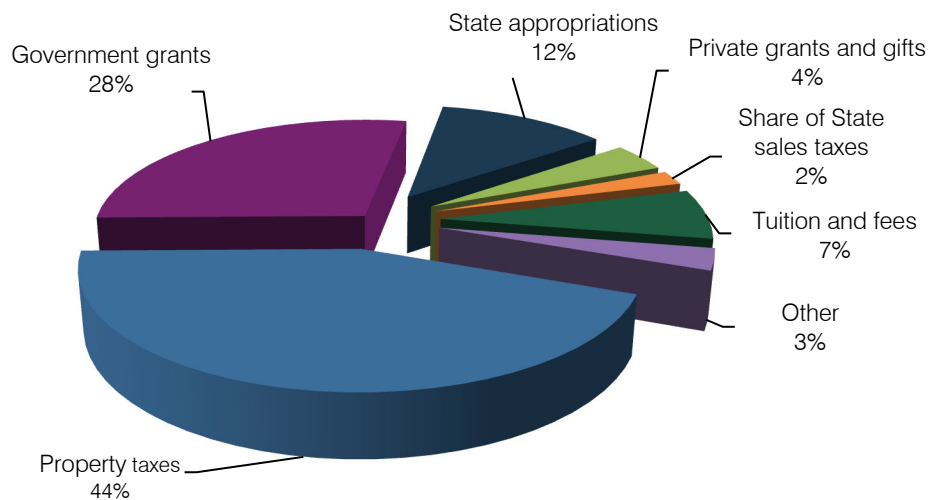
	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 68,844,164	\$ 68,220,945
Noncurrent assets, other than capital assets	15,121,430	31,600,483
Capital assets, net	<u>97,608,567</u>	<u>74,513,917</u>
Total assets	<u>181,574,161</u>	<u>174,335,345</u>
Deferred outflows of resources:	<u>6,418,113</u>	<u>9,457,804</u>
Liabilities:		
Current liabilities	22,658,984	18,974,431
Long-term liabilities	<u>108,532,749</u>	<u>106,418,894</u>
Total liabilities	<u>131,191,733</u>	<u>125,393,325</u>
Deferred inflows of resources:	<u>2,200,990</u>	<u>10,212,367</u>
Net Position:		
Net investment in capital assets	37,333,969	28,808,620
Restricted	11,470,964	9,882,609
Unrestricted	<u>5,794,618</u>	<u>9,496,228</u>
Total net position	<u>\$ 54,599,551</u>	<u>\$ 48,187,457</u>

**Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Management’s discussion and analysis  
Year ended June 30, 2023**

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

	<u>2023</u>	<u>2022</u>
Revenues		
Operating		
Tuition and fees (net of scholarship allowances)	\$ 5,940,147	\$ 3,996,153
Other (net of scholarship allowances)	2,840,512	2,576,739
Nonoperating		
Property taxes	40,750,441	39,119,115
State appropriations	10,674,165	11,513,185
Government grants	26,006,494	35,399,383
Share of State sales taxes	1,909,447	1,533,539
Private grants and gifts	1,449,933	1,700,247
Investment earnings	2,139,698	(124,557)
Other nonoperating revenues		1,557
Gain (loss) on disposal of capital assets	3,143	
Capital grants and gifts	<u>406</u>	<u>6,769</u>
Total revenues	<u>91,714,386</u>	<u>95,722,130</u>
Expenses		
Operating	82,953,485	84,946,936
Nonoperating	<u>2,348,807</u>	<u>2,410,737</u>
Total expenses	<u>85,302,292</u>	<u>87,357,673</u>
Increase/decrease in net position	6,412,094	8,364,457
Total net position, July 1	<u>48,187,457</u>	<u>39,823,000</u>
Total net position, June 30	<u>\$54,599,551</u>	<u>\$48,187,457</u>

**Percent of 2023 Revenues by Source**

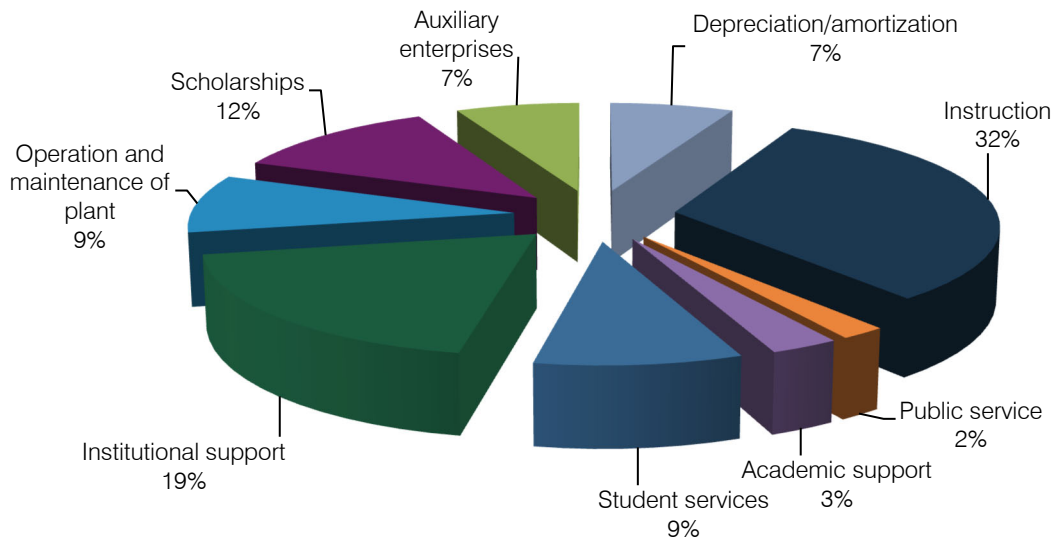


**Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Management’s discussion and analysis  
Year ended June 30, 2023**

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

	<u>2023</u>	<u>2022</u>
Operating expenses		
Educational and general:		
Instruction	\$26,663,867	\$25,261,630
Public service	1,510,372	1,416,901
Academic support	2,650,831	3,930,410
Student services	7,593,177	7,038,958
Institutional support	15,557,860	16,546,407
Operation and maintenance of plant	6,983,544	6,660,869
Scholarships	10,138,306	14,520,932
Auxiliary enterprises	5,772,055	4,990,535
Depreciation/amortization	<u>6,083,473</u>	<u>4,580,294</u>
Total operating expenses	<u>82,953,485</u>	<u>84,946,936</u>
Nonoperating expenses		
Interest expense on debt	2,342,868	2,140,282
Other nonoperating expenses	<u>5,939</u>	<u>270,455</u>
Total nonoperating expenses	<u>2,348,807</u>	<u>2,410,737</u>
Total expenses	<u>\$85,302,292</u>	<u>\$87,357,673</u>

**Percent of 2023 Operating Expenses by Category**



# Yuma/La Paz Counties Community College District (Arizona Western College) Management's discussion and analysis Year ended June 30, 2023

## Financial Highlights and Analysis

### Financial Position

The District's overall financial position improved in 2023. Total assets and deferred outflows of resources increased by approximately \$4.2 million from fiscal year 2022 to fiscal year 2023. The year-to-year change in current assets includes nearly \$1.6 million decrease in cash and cash equivalents offset by increases in grants and contracts receivables. Noncurrent assets increased due to on-going facility construction projects, resulting in an increase of non-depreciable capital assets, offset by a decrease in cash and investments held by trustee for the revenue bonds debt service.

Total liabilities and deferred inflows of resources decreased by over \$2.2 million. This decrease is due to an increase in accounts payable and accrued payroll of nearly \$3.3 million, a decrease in unearned revenues by over \$934,000, an increase in employee absences payable of over \$38,000, an increase of nearly \$170,000 in current payments due on long term debt, an increase of over \$1.7 million for lease and subscriptions liabilities, and a decrease of over \$4.3 million in long-term debt. This decrease was primarily due to paying down approximately \$3.4 million of General Obligation Bonds, amortizing nearly \$548,000 of bond premiums, and paying nearly \$259,000 of financed purchases. Additionally, the District had an increase in net pension liability by nearly \$5.7 million and a decrease in deferred inflows related to pensions of over \$8.0 million due to ASRS reporting changes from the previous year.

Total net position for the District improved from fiscal year 2022 to fiscal year 2023 with an increase of over \$6.4 million. By net position category, there was an increase in net investment in capital assets of over \$8.3 million due to ongoing construction projects, utilizing unspent bond proceeds, and an increase of approximately \$1.5 million of annual depreciation/amortization offset by a decrease in outstanding general obligation bonds. An increase in restricted net position by nearly \$1.6 million is due to planned grant-funded construction activity and Smart and Safe Act revenues, exceeding budget expectations. The decrease in unrestricted net position of approximately \$3.7 million is due to decreases in state appropriations and increases in tax levy, offset by an increase in information technology professional and subscriptions services, and food service expenses. The scholarship allowance decreased by over \$1.2 million.

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 2023 the District's total revenues and capital gifts decreased by approximately \$4.0 million from fiscal year 2022. The following revenue sources make up a significant portion of this total decrease:

- Tuition and fees increased by nearly \$1.9 million as a result of decreased scholarship allowances of nearly \$1.2 million.

# Yuma/La Paz Counties Community College District

## (Arizona Western College)

### Management's discussion and analysis

#### Year ended June 30, 2023

- Other operating revenues increased approximately \$264,000 primarily in food service and laptop rental revenues.
- Property taxes increased by \$1.6 million due to increased property valuations and increased new construction.
- State appropriations consisting of the Maintenance and Operations, Equalization Aid, Rural Community College State Aid, and STEM decreased over \$2.0 million. The decrease was offset by a \$1.2 million increase in the Smart and Safe Arizona Act.
- Government grants decreased by approximately \$9.4 million due to a decrease of over \$10.8 million from the Department of Education. An approximate \$12.0 million decrease in the Higher Education Emergency Relief Fund (HEERF) was offset by \$1.5 million increase in the Student Financial Assistance cluster grant and a nearly \$276,000 increase from the Department of Agriculture.

Total operating expenses decreased by just under \$2.0 million from fiscal year 2022 to fiscal year 2023. This reflects approximately \$1.4 million increase in instruction, nearly \$93,000 increase in public service, nearly \$1.3 million decrease in academic support, approximately \$554,000 million increase in student services, nearly \$323,000 increase in operations and maintenance, nearly \$782,000 increase in auxiliary enterprises, approximately \$1.5 million increase in depreciation/amortization, nearly \$4.4 million decrease in scholarships, and under \$1.0 million decrease in institutional support. Many of the decreases were due to the Department of Education HEERF support coming to a close. The decreases were offset due to increased costs to purchase professional services, implementation of 21st century information technology solutions, increased personnel salaries, and accounting for the net pension expense.

Non-operating expenses decreased by approximately \$62,000 primarily because of decreased bond interest due on a lower long-term General Obligation debt balance offset by the Revenue bond interest due.

### Capital Assets and Debt Administration

The District's capital assets, net of accumulated depreciation, totaled \$97.6 million as of June 30, 2023. Capital assets include land, buildings, improvements other than buildings, equipment, construction in progress, library books, and intangible right-to-use subscription and lease assets. Additional information on capital assets can be found in detail in Note 3 to the District's basic financial statements.

At June 30, 2023, the District had outstanding three general obligation bond issues totaling \$36.1 million and two revenue bond issues totaling \$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.

**Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Management's discussion and analysis  
Year ended June 30, 2023**

The District Full-Time Equivalent Student (FTSE) numbers continue to increase year on year. Leadership believes these numbers will continue to increase as financial experts predict a flattening economy. There are several new initiatives leadership believes will add to our FTSE numbers and the associated revenue with head count increases. Coming online is our Entrepreneurial College that will offer certificate and corporate training. Under this concept, the college will charge market rates for these types of training in various industries including the medical and dental fields. In addition to increased headcount, the rates charged will be commensurate with market rates above our current per credit hour rate. Leadership anticipates this construct will generate revenue where some of our state aid is softening. Another draw to future financial significance is our newly constructed Matador Activity Center (the MAC). The MAC is our state of the art 45,000 square foot student center with eight classrooms, a 100-person tiered seating lecture hall, a 'Maker Space' that will enable students to work on projects and be equipped with all necessary equipment for various training environments. The MAC will offer a touchless convenience store to enable our non-traditional students the opportunity for a grab and go or heat and eat meal enroute to their evening classes. With this building coming online leadership anticipates increased headcounts and ultimately increased revenue generation. This project was funded with Revenue Bonds at no cost to our taxpayers.

Currently under construction and coming online in Fall of 2024 is our new 47,000 square foot three story residence hall. This project was funded with Revenue Bonds and a financial contribution from Northern Arizona University (NAU) in partnership for housing for NAU-Yuma students. Increased revenue for this state-of-the-art facility will repay the bond at no cost to our taxpayers while providing affordable housing for our students and NAU students. AWC will retain all revenue from students occupying the residence hall regardless of institution attending. Leadership believes this facility will add to headcounts and revenue in perpetuity.

In FY 2024 AWC received \$15 million for CTE funding from the state; these funds will develop new programs that are anticipated to generate revenue and create new needed training opportunities. Already under development is our Cyber Security, Dental Hygienist, and Dental Assistant programs with this funding. Additionally, AWC will renovate a space to house our University Transfer Center to enable seamless transition from AWC into one of the three State Universities co-located on our campus. This effort ties into our community betterment plan in doubling the number of bachelor's degrees in Yuma and LaPaz Counties by 2035.

AWC has recently begun construction on a 20,000 square foot Law Enforcement Training Academy (LETA) facility to provide Law Enforcement training for all state agencies on our Yuma campus. This program has grown significantly since inception in 2018 and our new facility is anticipated to offer opportunities for continued growth and a significant cost reduction to various state Law Enforcement agencies.

AWC continues to partner to create opportunities for future students and our community. AWC signed a 10-year affiliation agreement with our Yuma Regional Medical Center (YRMC) to build and equip an allied health facility estimated to be 80,000 square foot and co-located at YRMC. This facility will create additional space and opportunities to grow our Allied Health programs at no cost to the college yet generating revenue and providing our community trained health care workers. This building is scheduled to come online in summer of 2025. In addition to the two-year programs, AWC recently included NAU in this partnership to create a transition into their four-year programs.

**Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Management's discussion and analysis  
Year ended June 30, 2023**

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. AWC offers a comprehensive benefits package to attract and retain talent; however, with significant economic pressures to increase salaries to remain competitive, labor costs remain the single highest costs paid by the college. The college seeks to increase wages to remain competitive but looks for efficiencies and revenue generation to offset the increased demand in wages.

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, 2023**

	<b><u>Business-type activities</u></b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 45,911,833
Investments	12,964,762
Receivables (net of allowances for uncollectibles):	
Property taxes	1,708,534
Government grants and contracts	5,287,319
Interest	29,744
Other	2,200,263
Prepaid items	741,709
Total current assets	<u>68,844,164</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	14,354,523
Cash and cash equivalents held by trustee	519,319
Property taxes receivable (net of allowances for uncollectibles)	247,588
Capital assets, not being depreciated/amortized	25,405,011
Capital assets, being depreciated/amortized, net	<u>72,203,556</u>
Total noncurrent assets	<u>112,729,997</u>
Total assets	<u>181,574,161</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	5,602,639
Deferred charge on debt refunding	815,474
Total deferred outflows of resources	<u>6,418,113</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	5,460,590
Accrued payroll and employee benefits	1,344,332
Interest payable	1,264,312
Deposits held in custody for others	385,316
Unearned revenues	8,579,852
Current portion of compensated absences payable	167,552
Current portion of leases payable	58,542
Current portion of subscriptions liability	1,050,983
Current portion of long-term debt	<u>4,347,505</u>
Total current liabilities	<u>22,658,984</u>

(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, 2023**  
**(Continued)**

	<b>Business-type activities</b>
Noncurrent liabilities:	
Leases payable	\$ 557,998
Subscriptions liability	70,793
Compensated absences payable	1,625,198
Long-term debt	69,326,884
Net pension liability	<u>36,951,876</u>
Total noncurrent liabilities	<u>108,532,749</u>
Total liabilities	<u>131,191,733</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions	2,169,101
Deferred credit on debt refunding	<u>31,889</u>
Total deferred inflows of resources	<u>2,200,990</u>
<b>Net position</b>	
Net investment in capital assets	37,333,969
Restricted:	
Expendable:	
Grants and contracts	11,470,964
Unrestricted	<u>5,794,618</u>
Total net position	<u><u>\$ 54,599,551</u></u>

See accompanying notes to financial statements.

**Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Statement of financial position—component unit  
June 30, 2023**

	<u>Arizona Western College Foundation</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 152,175
Accounts receivable	8,000
Contributions receivable	10,000
Other assets	<u>3,454</u>
Total current assets	<u>173,629</u>
Noncurrent assets:	
Investments	<u>6,617,965</u>
Total assets	<u>\$ 6,791,594</u>
<b>Liabilities and net assets</b>	
Current liabilities:	
Accounts payable	\$ 42,858
Deferred revenue	<u>2,000</u>
Total current liabilities	<u>44,858</u>
Noncurrent liabilities:	
Compensated absences	<u>21,424</u>
Total liabilities	<u>66,282</u>
<b>Net assets</b>	
Without donor restrictions:	
Undesignated	1,360,219
Designated by the Board	401,522
With donor restrictions:	
Time restricted	455,458
Purpose restricted	1,545,303
Perpetual in nature	<u>2,962,810</u>
Total net assets	<u>6,725,312</u>
Total liabilities and net assets	<u>\$ 6,791,594</u>

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, 2023**

	<b>Business-type activities</b>
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$8,771,302)	\$ 5,940,147
Bookstore income	54,468
Food service income (net of scholarship allowances of \$485,095)	1,729,103
Dormitory rentals and fees (net of scholarship allowances of \$226,542)	217,797
Other	839,144
Total operating revenues	<u>8,780,659</u>
Operating expenses:	
Educational and general:	
Instruction	26,663,867
Public service	1,510,372
Academic support	2,650,831
Student services	7,593,177
Institutional support	15,557,860
Operation and maintenance of plant	6,983,544
Scholarships	10,138,306
Auxiliary enterprises	5,772,055
Depreciation and amortization	6,083,473
Total operating expenses	<u>82,953,485</u>
Operating loss	<u>(74,172,826)</u>
Nonoperating revenues (expenses):	
Property taxes	40,750,441
State appropriations	7,263,400
Smart and Safe Arizona fund appropriations	3,410,765
Government grants	26,006,494
Share of State sales taxes	1,909,447
Private grants and gifts	1,449,933
Investment earnings	2,139,698
Interest expense on debt	(2,342,868)
Other nonoperating expenses	(5,939)
Gain on disposal of capital assets	3,143
Total nonoperating revenues (expenses)	<u>80,584,514</u>
Income before other revenues, expenses, gains, or losses	6,411,688
Capital grants and gifts	<u>406</u>
Increase in net position	6,412,094
Net position, July 1, 2022	<u>48,187,457</u>
Net position, June 30, 2023	<u>\$ 54,599,551</u>

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, 2023**

	<b>Arizona Western College Foundation</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue, support, and gains			
Contributions	\$ 442	\$ 347,255	\$ 347,697
Contributions - in kind	396,229		396,229
Special events	10,189	41,909	52,098
Investment return, net	41,127	282,916	324,043
Net assets released from restrictions	<u>438,901</u>	<u>(438,901)</u>	<u>          </u>
Total revenue, support, and gains	<u>886,888</u>	<u>233,179</u>	<u>1,120,067</u>
Expenses and losses			
Program services:			
Scholarships	503,780		503,780
Instruction	<u>216,997</u>	<u>          </u>	<u>216,997</u>
Total program expenses	<u>720,777</u>	<u>          </u>	<u>720,777</u>
Supporting services:			
Management and general	59,758		59,758
Fundraising	51,476		51,476
Cost of direct benefits to donors	<u>27,110</u>	<u>          </u>	<u>27,110</u>
Total supporting services	<u>138,343</u>	<u>          </u>	<u>138,343</u>
Total expenses and losses	<u>859,120</u>	<u>          </u>	<u>859,120</u>
Changes in net assets	27,768	233,179	260,947
Net assets, beginning of year	<u>1,733,973</u>	<u>4,730,392</u>	<u>6,464,365</u>
Net assets, end of year	<u>\$ 1,761,741</u>	<u>\$ 4,963,571</u>	<u>\$ 6,725,312</u>

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, 2023**

	<b>Business-type activities</b>
Cash flows from operating activities:	
Tuition and fees	\$ 4,977,984
Bookstore receipts	54,468
Food services receipts	1,729,103
Dormitory rentals and fees	217,797
Other receipts	1,089,682
Other custodial receipts	2,460,944
Other custodial disbursements	(2,406,710)
Payments to suppliers and providers of goods and services	(16,737,027)
Payments for employee wages and benefits	(44,213,084)
Payments to students for scholarships	<u>(10,138,306)</u>
Net cash used for operating activities	<u>(62,965,149)</u>
Cash flows from noncapital financing activities:	
Property taxes	40,598,342
State appropriations	10,674,165
Grants	23,632,070
Share of State sales taxes	1,909,447
Private grants and gifts	1,449,933
Other nonoperating expenses	(5,939)
Federal direct lending receipts	250,333
Federal direct lending disbursements	<u>(250,333)</u>
Net cash provided by noncapital financing activities	<u>78,258,018</u>
Cash flows from capital and related financing activities:	
Principal paid on capital debt obligations	(3,623,977)
Capital grants and gifts	(680,310)
Interest paid on capital debt obligations	(2,450,448)
Purchases of capital assets	<u>(29,179,696)</u>
Net cash used for capital and related financing activities	<u>(35,934,431)</u>
Cash flows from investing activities:	
Interest received on investments	2,137,880
Net proceeds from sales and maturities of investments	440,110
Purchase of investments	<u>(9,239)</u>
Net cash provided by investing activities	<u>2,568,751</u>
Net decrease in cash and cash equivalents	(18,070,749)
Cash and cash equivalents, July 1, 2022	<u>78,856,424</u>
Cash and cash equivalents, June 30, 2023	<u>\$ 60,785,675</u>

(Continued)

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Statement of cash flows—primary government**  
**Year ended June 30, 2023**  
**(Continued)**

	<b>Business-type activities</b>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (74,172,826)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation and amortization	6,083,473
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Changes in:	
Deposits held in custody for others	54,233
Other receivables	(455,890)
Prepaid items	338,492
Deferred outflows of resources related to pensions	2,742,524
Accounts payable	4,974,243
Accrued payroll and employee benefits	44,621
Unearned revenues	(255,734)
Compensated absences payable	38,280
Net pension liability	5,650,826
Deferred inflows of resources related to pensions	(8,007,391)
Net cash used for operating activities	<u>\$ (62,965,149)</u>
Noncash investing, capital, and noncapital financing activities	
Gifts of depreciable and non-depreciable assets	\$ 405
Amortization of premium on general obligation bonds	443,916
Amortization of premium on revenue bonds	103,712
Amortization of deferred inflows/outflows from general obligation bonds	(293,180)
Intangible right-to-use subscription asset additions	100,110
Reconciliation of cash and cash equivalents, as presented on the Statement of Net Position	
Cash and cash equivalents	45,911,833
Restricted assets	
Cash and cash equivalents	14,354,523
Cash and cash equivalents held by trustee	519,319
Total cash and cash equivalents, June 30, 2023	<u>\$ 60,785,675</u>

See accompanying notes to financial statements.

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Notes to financial statements**  
**June 30, 2023**

**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).

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

**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, 2023, the Foundation distributed \$337,960 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.



**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Notes to financial statements**  
**June 30, 2023**

**B. Basis of presentation and accounting**

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

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

A statement of revenues, expenses, and changes in net position provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, 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/amortization 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.

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Notes to financial statements**  
**June 30, 2023**

**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. Inventories**

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

**E. 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/amortization methods, and estimated useful lives of capital assets are as follows:

	<b>Capitalization threshold</b>	<b>Depreciation/ Amortization method</b>	<b>Estimated useful life</b>
Land	\$5,000	N/A	N/A
Land improvements	5,000	N/A	N/A
Buildings	5,000	Straight-line	20-40 years
Construction in progress	5,000	N/A	N/A
Improvement other than buildings	5,000	Straight-line	15 years
Equipment	5,000	Straight-line	5 years
Library books	1	Straight-line	10 years
Intangibles:			
Right-to-use subscription assets	75,000	Straight-line	See below
Right-to-use lease assets			
Buildings, equipment	75,000	Straight-line	See below

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

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

# Yuma/La Paz Counties Community College District

## (Arizona Western College)

### Notes to financial statements

#### June 30, 2023

#### **F. 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.

#### **G. Investment earnings**

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

#### **H. Scholarship allowances**

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

#### **I. Compensated absences**

Compensated absences payable consists of vacation leave employees earned base 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 is not accrued in the financial statements.

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

##### **Leases**

As lessee, the District recognizes lease liabilities with an initial, individual value of \$75,000 or more. Key estimates and judgments include the determination of the discount rate to calculate the present value of lease payments, the lease term, and the lease payments. The District utilizes the rate implicit in the lease when it is readily determinable; otherwise, the District has used professional judgment to determine the best estimate of its incremental borrowing rate based on the District's most recent debt issuance rating.

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Notes to financial statements**  
**June 30, 2023**

**Subscription-based information technology arrangements**

The District recognizes subscription liabilities with an initial, individual value of \$75,000 or more. Key estimates and judgments include the determination of the discount rate to calculate the present value of subscription payments, the subscription term, and the subscription payments. The District utilizes the rate implicit in the subscription when it is readily determinable; otherwise, the District has used professional judgment to determine the best estimate of its incremental borrowing rate based on the District's most recent debt issuance rating.

**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, 2023, the total cash on hand was \$5,140, the carrying amount of the District's deposits was \$9,553,017 and the bank balance was \$9,573,063. The District does not have a formal policy with respect to custodial credit risk for deposits.

**Investments**—The District had total investments of \$64,192,281 at June 30, 2023. The District categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows.

	Amount	Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments by fair value level</b>				
U.S. Treasury securities	\$ 4,375,449	\$ -	\$ 4,375,449	\$ -
U.S. agency securities	7,606,213		7,606,213	
Corporate issues	223,860		223,860	
Money Market Mutual Fund	519,319		519,319	
Total investments categorized by fair value level	<u>\$12,724,841</u>	<u>\$ -</u>	<u>\$12,724,841</u>	<u>\$ -</u>

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	\$42,749,904
County Treasurer's investment pool	<u>8,717,535</u>
Total external investment pools measured at fair value	<u>\$51,467,439</u>

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Notes to financial statements**  
**June 30, 2023**

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, 2023, credit risk for the District's investments was as follows:

<b>Investment type</b>	<b>Rating</b>	<b>Rating agency</b>	<b>Amount</b>
State Treasurer's investment pool 7	Unrated	Not applicable	\$42,749,904
County Treasurer's investment pool	Unrated	Not applicable	8,717,535
U.S. agency securities	Aaa/AA+	Moody's/Standard & Poor's	7,606,213
Corporate issues	Aaa/AA+	Moody's/Standard & Poor's	223,860
Money Market Mutual Fund	Aaa/AA+	Moody's/Standard & Poor's	519,319
Total			<u>\$59,816,831</u>

**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. The District had investments at June 30, 2023, of 5% or more in Federal Home Loan Mortgage Association. These investments were 5.4 percent of the District's total investments.

**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, 2023, the District had the following investments in debt securities:

<b>Investment type</b>	<b>Amount</b>	<b>Investment maturities</b>	
		<b>Less than 1 Year</b>	<b>1-5 Years</b>
State Treasurer's investment pools	\$42,749,903	\$42,749,903	
County Treasurer's investment pool	8,717,535	8,717,535	
U.S. Treasury securities	4,375,450	627,513	\$3,747,937
U.S. agency securities	7,606,213	3,462,682	4,143,531
Corporate issues	223,860		223,860
Money Market Mutual Fund	519,319	519,319	
Total	<u>\$64,192,281</u>	<u>\$56,076,952</u>	<u>\$8,115,328</u>

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Notes to financial statements**  
**June 30, 2023**

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	\$ 5,140	Cash and cash equivalents	\$45,911,833
Amount of deposits	9,553,017	Current investments	12,964,762
Amount of investments	64,192,280	Restricted assets:	
		Cash and cash equivalents	14,354,523
		Cash and investments held by trustee	519,319
Total	<u>\$73,750,437</u>	Total	<u>\$73,750,437</u>

**Note 3 - Capital assets**

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

	Balance July 1, 2022 (restated)	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated/amortized:				
Land	\$ 504,690			\$ 504,690
Construction in progress	2,223,803	\$23,862,419	\$1,185,901	24,900,321
Total capital assets not being depreciated/amortized	<u>2,728,493</u>	<u>23,862,419</u>	<u>1,185,901</u>	<u>25,405,011</u>
Capital assets being depreciated/amortized:				
Buildings	117,758,772	718,662		118,477,434
Equipment	13,119,388	1,963,407	264,984	14,817,811
Improvements other than buildings	23,549,627	967,031	326,240	24,190,418
Library books	1,358,056	107,561		1,465,617
Intangibles:				
Right-to-use subscription assets	2,316,680	100,110		2,416,790
Right-to-use lease assets:				
Equipment	664,181			664,181
Total	<u>158,766,704</u>	<u>3,856,771</u>	<u>591,224</u>	<u>162,032,251</u>
Less accumulated depreciation/amortization for:				
Buildings	52,465,285	2,864,947		55,330,232
Equipment	9,742,534	1,170,358	263,411	10,649,481
Improvements other than buildings	20,923,953	789,607		21,713,560
Library books	876,861	93,894		970,755
Intangibles:				
Right-to-use subscription assets		1,102,946		1,102,946
Right-to-use lease assets:				
Equipment		61,721		61,721
Total	<u>84,008,633</u>	<u>6,083,473</u>	<u>263,411</u>	<u>89,828,695</u>
Total capital assets being depreciated/amortized, net	<u>74,758,071</u>	<u>(2,226,702)</u>	<u>327,813</u>	<u>72,203,556</u>
Capital assets, net	<u>\$ 77,486,564</u>	<u>\$21,635,717</u>	<u>\$1,513,714</u>	<u>\$ 97,608,567</u>

Due to the implementation of GASB Statement No. 96 for Subscription-based information technology arrangements, the District's beginning asset balance was restated from fiscal year 2022. In addition, the District accounted for and presented beginning asset balances for leases. There was no impact to net position.

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Notes to financial statements**  
**June 30, 2023**

**Note 4 - Construction and other commitments**

The District had major contractual commitments related to various capital projects at June 30, 2023, for the construction of the following: the Matador Activity Center construction, the DeAnza residence hall replacement, and the furniture purchase for the Matador Activity Center. At June 30, 2023, the District had spent \$23,917,491 on these projects and had remaining contractual commitments with contractors of \$15,271,323. The three capital projects are financed by revenue bonds.

The District had contractual commitments related to subscription-based information technology arrangements for which the subscription term had not yet commenced at June 30, 2023, for a budget enterprise performance management system and a five-year subscription. At June 30, 2023, the District had made no payments to the vendor and had remaining contractual commitments with the vendor of \$322,398, including the subscription liabilities that will be recognized at the commencement of the subscription terms.

**Note 5 - Long-term liabilities**

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

	<b>Balance July 1, 2022 (restated)</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2023</b>	<b>Due within 1 year</b>
General obligation bonds	\$ 39,500,000		\$3,365,000	\$ 36,135,000	\$3,535,000
Revenue bonds	32,955,000			32,955,000	
Discounts/premiums	<u>4,855,737</u>		<u>547,628</u>	<u>4,308,109</u>	<u>547,628</u>
Total long-term debt	<u>\$ 77,310,737</u>		<u>\$3,912,628</u>	<u>\$ 73,398,109</u>	<u>\$4,082,628</u>
Financed purchases	\$ 535,256		\$ 258,977	\$ 276,279	\$ 264,877
Leases payable	664,181		47,641	616,540	58,542
Subscriptions liability	2,199,961	\$ 100,110	1,178,295	1,121,776	1,050,983
Net pension liability	31,301,050	5,650,826		36,951,876	
Compensated absences payable	<u>1,754,470</u>	<u>1,380,425</u>	<u>1,342,145</u>	<u>1,792,750</u>	<u>167,552</u>
Total long-term liabilities	<u>\$113,765,655</u>	<u>\$7,131,361</u>	<u>\$6,739,686</u>	<u>\$114,157,330</u>	<u>\$5,646,322</u>

Due to the implementation of GASB Statement No. 96 for Subscription-based information technology arrangements, the District's beginning liability balance was restated from fiscal year 2022. In addition, the District accounted for and presented beginning liability balances for leases. There was no impact to net position.

**Bonds**—The District's bonded debt consists of various issues of general obligation bonds 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 general obligation bonds from voter-approved property taxes. Revenue bonds are repaid from tuition and fees and dormitory rentals and fees.

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The District has pledged its gross revenues towards the payment of debt related to all revenue bonds outstanding at June 30, 2023. 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, 2023, pledged revenues totaled \$8.8 million, of which 10.6% (\$929,000) 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 \$47 million.

The following bonds were outstanding at June 30, 2023:

Description	Original amount issued	Interest rates	Maturity ranges	Outstanding principal
General obligation bonds—series 2014	\$28,665,000	3.00-5.00%	7/1/2022-36	\$ 9,750,000
General obligation refunding bonds—series 2014A	16,035,000	4.00-5.00%	7/1/2022-31	16,035,000
General obligation refunding bonds—series 2016	10,895,000	2.60%	7/1/2022-32	10,350,000
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	<u>15,165,000</u>
				<u>\$69,090,000</u>

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2023:

Year ending June 30	General obligation bonds		Revenue bonds	
	Principal	Interest	Principal	Interest
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	1,003,013
2027	4,135,000	698,690	1,085,000	966,175
2028	4,370,000	525,710	1,125,000	927,926
2029-33	16,550,000	615,700	6,220,000	4,017,700
2034-38			7,360,000	2,856,288
2039-43			8,425,000	1,801,663
2044-48			<u>7,690,000</u>	<u>407,775</u>
Total	<u>\$36,135,000</u>	<u>\$5,107,040</u>	<u>\$32,955,000</u>	<u>\$14,057,816</u>

**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, 2023:

Year ending June 30	Principal	Interest
2024	\$264,877	\$6,510
2025	8,470	434
2026	<u>2,932</u>	<u>35</u>
Total	<u>\$276,279</u>	<u>\$6,979</u>



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**Leases**—The District has obtained right to use equipment under the provisions of various lease agreements. Leases extend from 60 to 186 months with fixed monthly payments up to \$4,167.

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

Total intangible right-to-use lease assets	\$664,181
Less: accumulated amortization	<u>61,721</u>
Carrying value	<u>\$602,460</u>

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

Year ending June 30,	<b>Principal</b>	<b>Interest</b>
2024	\$ 58,542	\$ 11,786
2025	58,261	11,378
2026	60,020	10,927
2027	61,892	10,432
2028	63,882	9,890
2029-33	120,496	39,469
2034-38	175,095	17,119
2039-43	<u>18,352</u>	<u>133</u>
Total	<u>\$616,540</u>	<u>\$111,135</u>

**Subscription-based information technology arrangements (SBITAs)**—The District has obtained the right to use institutional and instructional software applications under the provisions of various subscription-based information technology arrangements. The software subscriptions are paid annually from 2023-25.

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

Total intangible right-to-use subscription assets	\$2,416,790
Less: accumulated amortization	<u>1,102,946</u>
Carrying value	<u>\$1,313,846</u>

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

Year ending June 30	<b>Principal</b>	<b>Interest</b>
2024	\$1,050,983	\$21,740
2025	<u>70,793</u>	<u>124</u>
Total	<u>\$1,121,776</u>	<u>\$21,864</u>

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**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:

<b>Coverage</b>	<b>Limit</b>	<b>Deductible</b>
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: \$137,457,657	\$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.

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**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 and 2.1. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

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

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

\* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

**Contributions**—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.03 percent for retirement of the members’ annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.92 percent for retirement of the active members’ annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 9.62 percent for retirement of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill. The District’s contributions to the pension plan for the year ended June 30, 2023, was \$3,168,407.

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**Liability**—At June 30, 2023, the District reported the following liability for its proportionate share of the ASRS' net pension liability.

<b>ASRS</b>	<b>Net pension liability</b>
Pension	\$36,951,876

The net liability was measured as of June 30, 2022. The total liability used to calculate the net liability was determined using the update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022.

The District's proportion of the net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. The District's proportion measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, was:

<b>ASRS</b>	<b>Proportion</b>	<b>Decrease from</b>
Pension	<b>June 30, 2022</b>	<b>June 30, 2021</b>
	0.22639%	(0.01183)

**Expense**—For the year ended June 30, 2023, the District recognized the following pension expense.

<b>ASRS</b>	<b>Pension expense</b>
Pension	\$3,554,366

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

	<b>Deferred outflows of resources</b>	<b>Pension Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 314,852	
Changes of assumptions or other inputs	1,833,993	
Net difference between projected and actual earnings on plan investments		\$ 973,348
Changes in proportion and differences between District contributions and proportionate share of contributions	285,387	1,195,753
District contributions subsequent to the measurement date	<u>3,168,407</u>	
Total	<u>\$5,602,639</u>	<u>\$2,169,101</u>

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as expenses as follows:

Year ending June 30	
2024	\$ 1,406,357
2025	(1,009,155)
2026	(1,689,961)
2027	1,557,890

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

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9–8.4%
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2021, 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected geometric real rate of return</b>
Equity	50%	3.90%
Fixed income - credit	20%	5.30%
Fixed income – interest rate sensitive bonds	10%	(0.20)%
Real estate	<u>20%</u>	6.00%
Total	<u>100%</u>	

**Discount rate**—At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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	<b>1% Decrease (6.0%)</b>	<b>Current discount rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
District's proportionate share of the net pension liability	\$54,521,395	\$36,951,876	\$22,301,643

**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:

Personnel services	\$44,681,944
Contract services	10,275,283
Supplies	4,631,483
Communications and utilities	2,402,473
Scholarships	10,138,306
Depreciation	6,083,473
Other	<u>4,740,523</u>
Total	<u>\$82,953,485</u>

The District uses credit cards to pay certain vendors for goods and services. The District received \$40,891 in rebates resulting from credit card payments for the year ended June 30, 2023.

**Note 9 – Subsequent events**

Subsequent to the year of audit, the State of Arizona appropriated \$15 million to Arizona Western College's Career and Technical Education/Workforce program in its 2023-2024 General Appropriations Act. Under development are Cyber Security, Dental Hygienist, and Dental Assistant programs. Additionally, space to house the District's University Transfer Center and a Library renovation project are underway. The Library renovation project provides technology and welcoming areas to support student learning. The University Transfer Center is instrumental to the District's community betterment plan in doubling the number of bachelor's degrees in Yuma and La Paz counties by 2035. The appropriation is included in the District's FY2024 budget.

Subsequent to the year of audit, the District Governing Board approved an intergovernmental service agreement to offer workforce training through a 5,600-square-foot expansion of the District's Wellton Manufacturing Training Center. Through two separate agreements, the design and construction totals \$3.8 million. The intergovernmental service agreement with the Arizona Commerce Authority is possible with the State of Arizona, Governor's Office of Strategic Planning and Budgeting receiving American Rescue Plan Act funding. The District included this grant's activity in its FY2024 budget.

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On April 14, 2021, the District embarked on the process to construct the replacement of its DeAnza residence hall. On November 15, 2023, the District Governing Board approved the purchase of furniture to furnish three floors for \$1.5 million from Arizona Furniture using the State of Arizona's State Contracts guidelines. The District included this purchase in its FY2024 Institutional budget.

### 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, whereby 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

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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 have been met. The Foundation did not have any conditional promises to give at June 30, 2023.

*Special Events*: Special events revenue consists of sponsorships, sales of tickets or registration for the events, and proceeds from auctions. Revenue is recognized when the performance obligations have been met, which is the point in time that the event occurs.

Contributions Receivable—Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. As of June 30, 2023, management expects the entire \$10,000 balance of contributions receivable to be collected in less than one year. 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.

Accounts Receivable—Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.



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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 asset. No assets met the Foundation’s capitalization threshold, and therefore, depreciation expense for the current fiscal year was zero.

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.

Deferred Revenue—The Foundation holds an annual event around October of each year. Payments received for sponsorships and tickets prior to year end for the next year’s event are recorded as deferred revenue and recognized at the time of the event. The Foundation recorded \$2,000 of deferred revenue related to the October 2023 annual event as of June 30, 2023.

In-Kind Contributions—Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Foundation does not sell donated gifts-in-kind it receives. In addition to contributed nonfinancial assets, volunteers may contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

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
Office supplies and technology	Time and effort
Rent	Time and effort
Professional development	Time and effort
Professional services	Time and effort

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Advertising—The Foundation uses advertising to promote its programs and special events among the audiences it serves. The production costs of advertising are expensed as incurred. During the current fiscal year, advertising costs totaled \$898.

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 Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This update requires entities to recognize assets and liabilities for both capital and operating leases on the statement of financial position, and disclose key information about leasing arrangements. In adopting Topic 842, the Foundation elects the practical expedient transition package to not reassess (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. It also elects not to report assets or liabilities for leases with terms of one year or less. The adoption had no impact on the Foundation's financial statements.

**Liquidity and availability**

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

Financial assets at year-end:	
Cash and cash equivalents	\$ 152,175
Contributions receivable	10,000
Accounts receivable	8,000
Investments	<u>6,617,965</u>
Total financial assets	<u>6,788,140</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	\$(4,963,571)
Quasi-endowment established by the Board	(401,522)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,423,047</u>

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.

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Notes to financial statements**  
**June 30, 2023**

**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:

	<b>Hierarchy level</b>	<b>Fair value</b>
Cash and cash equivalents		
Money market funds	Level 1	\$ 61,492
Investments		
Mutal funds	Level 1	1,904,575
Fixed income investments	Level 1	2,257,297
Equities	Level 1	<u>2,456,093</u>
Total assets		<u>\$6,679,457</u>

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.

**Yuma/La Paz Counties Community College District**  
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**June 30, 2023**

**Endowments**

The Foundation's endowment consists of approximately 152 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:

	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Donor-restricted funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$2,962,810	\$2,962,810
Accumulate investment gains and contributions		936,826	936,827
Board-designated endowment funds:			
Title V Match	<u>\$401,522</u>		<u>401,522</u>
Total funds	<u>\$401,522</u>	<u>\$3,899,637</u>	<u>\$4,301,159</u>

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

**Yuma/La Paz Counties Community College District**  
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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:

	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$390,406	\$3,737,492	\$4,127,898
Contributions		189,572	189,572
Reclassification		27,231	27,231
Investment return, net	24,320	231,019	255,339
Amounts appropriated for expenditure	<u>(13,204)</u>	<u>(285,677)</u>	<u>(298,881)</u>
Endowment net assets, end of year	<u>\$401,522</u>	<u>\$3,899,637</u>	<u>\$4,301,159</u>

**Net assets**

Net Assets without donor restrictions are as follows:

Designated for Title V match	\$ 401,522
Undesignated	<u>1,360,219</u>
Total	<u>\$1,761,741</u>

**Yuma/La Paz Counties Community College District**  
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Net assets with donor restrictions were as follows:

Perpetual and specific purpose	
Endowments	\$3,899,637
Title V Dreams to Reality	9,098
Instruction	599,378
Passage of Time	
Title V Dreams to Reality	<u>455,458</u>
Total	<u>\$4,963,571</u>

Net assets released from donor restrictions are as follows:

Satisfaction of purpose restrictions	
Scholarships	\$285,677
Instruction	139,435
Title V Dreams to Reality	<u>13,789</u>
Total	<u>\$438,901</u>

**Contributed Nonfinancial Assets**

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

Contributed nonfinancial assets	
Salaries and benefits	\$300,659
Rent	57,990
Services	30,000
Other	2,825
Auction items	<u>4,755</u>
Total	<u>\$396,229</u>

Arizona Western College contributes office space to the Foundation on a month-to-month basis. During the fiscal year, the Foundation utilized 966.5 square feet of office space and storage. 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 60 percent of the salaries and benefits for the Executive Director and 60-80 percent of the salaries and benefits for the Grants Writer and Coordinator, which is based on time and effort spent between the College and the Foundation.

**In-Kind Contributions**

Contributed services consisted of consulting services for coaching/professional development for the Foundation's employees. Contributed services were allocated to program and supporting services based on the same methodology used to allocate the salaries of the employees receiving the services, and were recognized at fair value based on current rates for similar services.

**Yuma/La Paz Counties Community College District**  
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**June 30, 2023**

Other nonfinancial assets consisted of office expenses, paid memberships, travel accommodations, and other minimal expenses paid for by Arizona Western College.

All donated services and goods were utilized by the Foundation's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and goods.

The Foundation also receives donated auction items to be sold at their special event. There were no unsold auction items after the event. Contributed auction items are initially valued at their estimated fair value and adjusted to the sale price received during the auction on the day of the event.

**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.

**Subsequent Event**

Subsequent events have been evaluated through December 7, 2023, which is the date the financial statements were available to be issued.

In July 2023, the Foundation received a pledge of \$565,000 to support several scholarship and program funds. The Foundation expects to receive the full pledged amount in installments of \$113,000 over the next five years. The first installment of \$113,000 was received on July 25, 2023.

## 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, 2023**

**Arizona State Retirement System**

	Reporting fiscal year (Measurement date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
District's proportion of the net pension liability	0.226390%	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	\$ 36,951,876	\$ 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	\$ 26,314,332	\$ 26,139,986	\$ 25,141,739	\$ 25,109,014	\$ 23,654,893	\$ 23,355,636	\$ 23,105,663	\$ 24,188,420	\$ 22,952,857	Information not available
District's proportionate share of the net pension liability as a percentage of its covered payroll	140%	120%	160%	138%	140%	156%	177%	166%	163%	
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

**Yuma/La Paz Counties Community College District**  
**(Arizona Western College)**  
**Required supplementary information**  
**Schedule of the District's pension contributions**  
**June 30, 2023**

**Arizona State Retirement System**

	Reporting fiscal year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 3,168,407	\$ 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	<u>3,168,407</u>	<u>3,191,441</u>	<u>3,270,335</u>	<u>3,036,260</u>	<u>2,919,511</u>	<u>2,552,655</u>	<u>2,573,271</u>	<u>2,710,797</u>	<u>2,674,695</u>	<u>2,385,898</u>
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,136)</u>	<u>\$ 59,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 27,716,463	\$ 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	11.43%	12.13%	12.41%	12.31%	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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 6, 2024. Our report includes a reference to other auditors who audited the financial statements of the Arizona Western 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 2023-01 and 2023-02, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as 2023-01 and 2023-02.

### **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

February 6, 2024



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**

***Opinion on each major federal program***

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, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

***Basis for opinion on each major federal program***

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

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

## ***Management's responsibilities for compliance***

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

## ***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**

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

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

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

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

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

February 6, 2024





# 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**

Is a going concern emphasis-of-matter paragraph included in the auditors' report? **No**

### 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? **No**

Significant deficiencies identified? **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? **No**

#### Identification of major programs

Assistance Listings number	Name of federal program or cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.042, 84.044, 84.047	TRIO Cluster
84.425	COVID-19 – HEERF Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs **\$750,000**

Auditee qualified as low-risk auditee? **No**

# Financial statement findings

## 2023-01

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 an overall risk assessment process that included identifying, analyzing, and responding to the District-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT systems and data.

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

**Cause**—Although the District's administration and IT management developed and implemented new risk assessment procedures in February 2023, they did not prioritize ensuring the risk assessment process included all federally required elements for protecting sensitive student data.

**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 members of the District's administration and IT management. An effective risk assessment process helps the District determine the risks it faces as the District seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and compliance and service objectives.<sup>1</sup> Additionally, an effective risk management process provides the District the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which it might be subjected. To help ensure the District's objectives can be met, an effective annual risk assessment considers and identifies IT risk in the District's operating environment, analyzes and prioritizes each identified risk, and develops a plan to respond to each risk within the context of the District's defined objectives and risk tolerances.

**Recommendations**—The District's administration and IT management should:

1. Identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.
2. Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.

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.

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<sup>1</sup> The U.S. Department of Education (ED) requires the District to comply with the Gramm-Leach-Bliley Act (Pub. L. No. 106-102) in their student financial assistance program participation agreement with ED. The Act's "Safeguards Rule" requires institutions of higher education to safeguard sensitive student data in accordance with 16 Code of Federal Regulations, Parts 313 and 314.

## 2023-02

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.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

**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.

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

**Criteria**—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, helps the District to protect its IT systems and ensure the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives.<sup>1</sup> Effective internal controls include the following:

- **Restrict access through logical 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.
- **Secure systems and data through IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

**Recommendations**—The District should:

1. Make it a priority to develop and document comprehensive 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, implement processes to:

3. Enhance authentication requirements for IT systems.

**Secure systems and data**—To secure IT systems and data, implement processes to:

4. Provide all employees ongoing training on IT security risks and their responsibilities to ensure systems and data are protected.

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 2022-02 and was initially reported in fiscal year 2010.

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<sup>1</sup> The U.S. Department of Education (ED) requires the District to comply with the Gramm-Leach-Bliley Act (Pub. L. No. 106-102) in their student financial assistance program participation agreement with ED. The Act's "Safeguards Rule" requires institutions of higher education to safeguard sensitive student data in accordance with 16 Code of Federal Regulations, Parts 313 and 314.

# DISTRICT SECTION

**YUMA/LA PAZ COMMUNITY COLLEGE DISTRICT (ARIZONA WESTERN COLLEGE)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2022 - 6/30/2023**

<i>Federal Awarding Agency/Program Title</i>	<i>Assistance Listing Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
<b>DEPARTMENT OF AGRICULTURE</b>									
AGRICULTURE AND FOOD RESEARCH INITIATIVE - FOUNDATIONAL AND APPLIED SCIENCE	10.223					\$166,799	\$166,799	N/A	\$0
GROWING OPPORTUNITIES FOR AGRICULTURAL LEARNING IN THE SOUTHWEST (GOALS) NIFA	10.310					\$131,237	\$131,237	N/A	\$0
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>						<u>\$298,036</u>			
<b>DEPARTMENT OF LABOR</b>									
WIOA ADULT PROGRAM	17.258		YUMA PRIVATE INDUSTRY COUNCIL	AH2022-07-01/AdultFullServices		\$451,875	\$451,875	WIOA CLUSTER	\$1,269,033
WIOA YOUTH ACTIVITIES	17.259		YUMA PRIVATE INDUSTRY COUNCIL	AH2022-07-01/OSY		\$817,158	\$817,158	WIOA CLUSTER	\$1,269,033
<b>TOTAL DEPARTMENT OF LABOR</b>						<u>\$1,269,033</u>			
<b>SMALL BUSINESS ADMINISTRATION</b>									
SMALL BUSINESS DEVELOPMENT CENTERS	59.037		MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT	SBAOEDSR230060 SBAHQ-22-800		\$77,031	\$77,031	N/A	\$0
COVID-19 - SMALL BUSINESS DEVELOPMENT CENTERS	59.037	COVID-19, 59.037	MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT	SBAHQ20C0012		\$181,489	\$181,489	N/A	\$0
<b>TOTAL SMALL BUSINESS ADMINISTRATION</b>						<u>\$258,520</u>			
<b>DEPARTMENT OF EDUCATION</b>									
CAREER AND TECHNICAL EDUCATION BASIC GRANTS TO STATES	84.002		ARIZONA DEPARTMENT OF EDUCATION	23FABSML-312101-01A 23FAICML-312101-01A 23FAEIML-312101-01A 23FAPML-312101-01A 23FAICTM-312101-01A 23FEAEWF-312101-01		\$44,344	\$44,344	N/A	
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	84.007					\$343,316	\$343,316	STUDENT FINANCIAL ASSISTANCE CLUSTER	\$15,143,269
HIGHER EDUCATION INSTITUTIONAL AID	84.031				\$1,485	\$171,847	\$171,847	N/A	
FEDERAL WORK-STUDY PROGRAM	84.033					\$310,622	\$310,622	STUDENT FINANCIAL ASSISTANCE CLUSTER	\$15,143,269
TRIO STUDENT SUPPORT SERVICES	84.042					\$480,972	\$480,972	TRIO CLUSTER	\$1,246,323
TRIO TALENT SEARCH	84.044					\$323,589	\$323,589	TRIO CLUSTER	\$1,246,323
TRIO UPWARD BOUND	84.047					\$441,762	\$441,762	TRIO CLUSTER	\$1,246,323
CAREER AND TECHNICAL EDUCATION BASIC GRANTS TO STATES	84.048		ARIZONA DEPARTMENT OF EDUCATION	22FCTDBG-0212101-20A 23FCTDBG-312101-20A		\$561,155	\$561,155	N/A	
FEDERAL PELL GRANT PROGRAM	84.063					\$14,238,998	\$14,238,998	STUDENT FINANCIAL ASSISTANCE CLUSTER	\$15,143,269
FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	84.116		YAVAPAI COMMUNITY COLLEGE DISTRICT	P116T210013		\$1,328	\$1,328	N/A	
MIGRANT EDUCATION - COLLEGE ASSISTANCE MIGRANT PROGRAM	84.149					\$441,289	\$441,289	N/A	\$0
FEDERAL DIRECT STUDENT LOANS	84.268					\$250,333	\$250,333	STUDENT FINANCIAL ASSISTANCE CLUSTER	\$15,143,269
CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	84.335					\$144,674	\$144,674	N/A	\$0
EDUCATION INNOVATION AND RESEARCH	84.411		CENTER FOR THE FUTURE OF ARIZONA	U411C190109		\$2,713	\$2,713	N/A	
COVID-19 - HEERF EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425E				\$1,341,032	\$1,341,032	N/A	\$0
COVID-19 - HEERF EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425F				\$2,826,122	\$2,826,122	N/A	\$0
COVID-19 - HIGHER EDUCATION EMERGENCY RELIEF FUND	84.100	COVID-19, 84.100	CORPORATION FOR PUBLIC BROADCASTING			\$99,892	\$99,892	N/A	\$0
<b>TOTAL DEPARTMENT OF EDUCATION</b>						<u>\$1,485</u>	<u>\$22,023,988</u>		
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>						<u>\$1,485</u>	<u>\$23,849,577</u>		

**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.

**YUMA/LA PAZ COMMUNITY COLLEGE DISTRICT (ARIZONA WESTERN COLLEGE)**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Period 7/1/2022 - 6/30/2023**

**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 pass-through grantor or the 2023 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, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

# DISTRICT RESPONSE





January 23, 2024

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,

A handwritten signature in black ink, appearing to read 'R. Poppenberger', with a long horizontal flourish extending to the right.

**Ross Poppenberger**  
Vice President for Finance and Administrative Services

## Audit Information Technology (IT) Response Corrective Action Plan Summary

### 2023-01

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

#### Arizona Western College Response Plan

Name of Contact person(s): Ashley Herrington, Scott Estes, Ross Poppenberger, Sharon Register  
June 2024

The College conducts regular risk assessments internal to IT and District-wide. As part of Arizona Western College's (AWC) continuous improvement efforts, AWC will conduct its annual entity-wide risk IT risk assessment to assist in identifying potential risk and ensure the risk assessment is documented and meets credible industry sources.

### 2023-02

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

#### Arizona Western College Response Plan

Name of Contact person(s): Ashley Herrington, Scott Estes, Katheline Ocampo  
June 2023 –December 2023

**Response:** As part of AWC's continuous improvement efforts, AWC has implemented steps to satisfactorily meet credible industry sources over IT authentication and training since the extended completion date of the audit.



January 23, 2024

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,

A handwritten signature in black ink, appearing to read 'R. Poppenberger', written over a light blue circular stamp.

**Ross Poppenberger**  
Vice President for Finance and Administrative Services

## Status of financial statement findings

### Risk Assessment

Finding number: 2022-01 This finding initially occurred in fiscal year 2021.

Status: Corrected

The District worked with officials and management and implemented policies to correct this deficiency.

The district evaluated and managed the risks of holding sensitive information by identifying, classifying and inventorying the information the district holds.

Finding number: 2022-02 This finding initially occurred in fiscal year 2010.

Status: Partially Corrected

All users accessing sensitive data using the District's IT systems will be required to Multi Factor Authenticate beginning December 2023. During Audit year 2023 the district conducted cyber security training routinely, selected groups tested on campus MFA capabilities.

## Federal award findings and questioned costs

### Allowable costs/cost principles

Finding number: 2022-101 This finding initially occurred in fiscal year 2022.

Status: Partially corrected

As of June 30, 2023, the District had not fully implemented its corrective action. The District met regularly with the U.S. Department of Education HEERF Program personnel. The District received approval of its reappropriation request from the U.S. Department of Education HEERF Program personnel on November 7, 2023. The District plans to fully correct this finding by filing revised quarterly reports no later than March 31, 2024.

