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

Annual Financial Report and
Single Audit Report

Year Ended June 30, 2017

A Report to the Arizona Legislature

Debra K. Davenport
Auditor General

ARIZONA
Auditor General
Making a Positive Difference

The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she 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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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

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

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Yuma/La Paz Counties Community College District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the other auditors' report. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the discretely presented component unit's financial statements in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District as of June 30, 2017, 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.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-6, schedule of the District's proportionate share of the net pension liability on page 30, and schedule of district pension contributions on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information—schedule of expenditures of federal awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, 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.

Debbie Davenport
Auditor General

December 21, 2017

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The discussion and analysis of the District's financial performance was prepared by the District's management and provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's basic financial statements, which immediately follow.

Basic Financial Statements

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

The Statement of Net Position reflects the financial position of the District at June 30, 2017. 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, 2017. 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, 2017. 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, 2017. This Management's Discussion and Analysis (MD&A) uses prior fiscal year information for comparison purposes and illustrates where the District's financial performance may have changed.

Condensed Financial Information

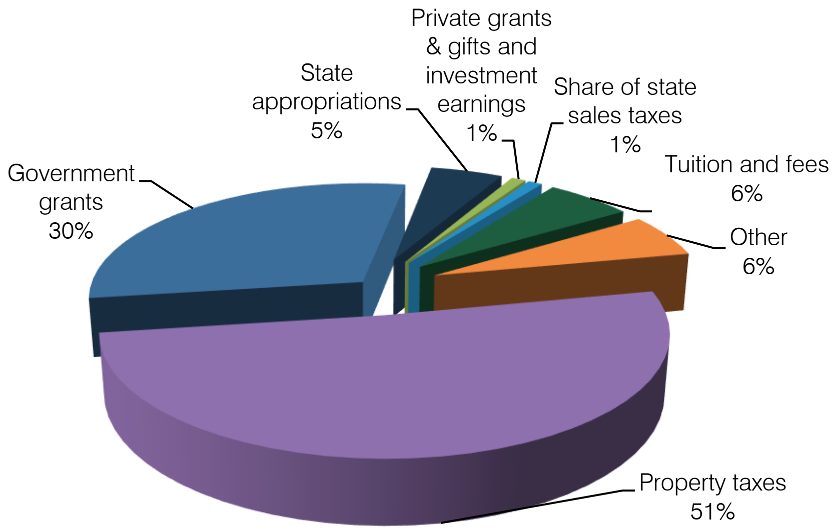
Net Position—Primary Government
As of June 30

	2017	2016
Assets:		
Current assets	$ 41,643,288	$ 39,914,041
Noncurrent assets, other than capital assets	381,836	384,491
Capital assets, net	84,519,264	86,700,553
Total assets	126,544,388	126,999,085
Deferred outflows of resources:	10,297,722	7,833,673
Liabilities:		
Other liabilities	4,269,747	5,095,662
Long-term liabilities	101,825,722	103,575,227
Total liabilities	106,095,469	108,670,889
Deferred inflows of resources:	5,547,295	3,396,196
Net Position:		
Net investment in capital assets	27,530,592	27,758,380
Restricted	3,562,584	5,436,398
Unrestricted	(5,893,830)	(10,429,105)
Total net position	$ 25,199,346	$ 22,765,673

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

	2017	2016
Revenues		
Operating		
Tuition and fees (net of scholarship allowances)	$ 4,281,817	$ 4,352,168
Other (net of scholarship allowances)	3,705,817	3,560,531
Nonoperating		
Property taxes	34,750,882	34,036,870
State appropriations	3,554,100	3,569,800
Government grants	20,601,457	24,778,860
Share of state sales taxes	941,921	884,436
Private grants and gifts	741,418	672,589
Investment earnings	145,856	173,475
Other nonoperating revenues	0	153,280
Capital grants and gifts	2,411	1,603
Total revenues	68,725,679	72,183,612
Expenses		
Operating	64,123,119	65,116,279
Nonoperating	2,168,887	2,699,396
Total expenses	66,292,006	67,815,675
Increase in net position	2,433,673	4,367,937
Total net position, July 1	22,765,673	18,397,736
Total net position, June 30	$25,199,346	$22,765,673

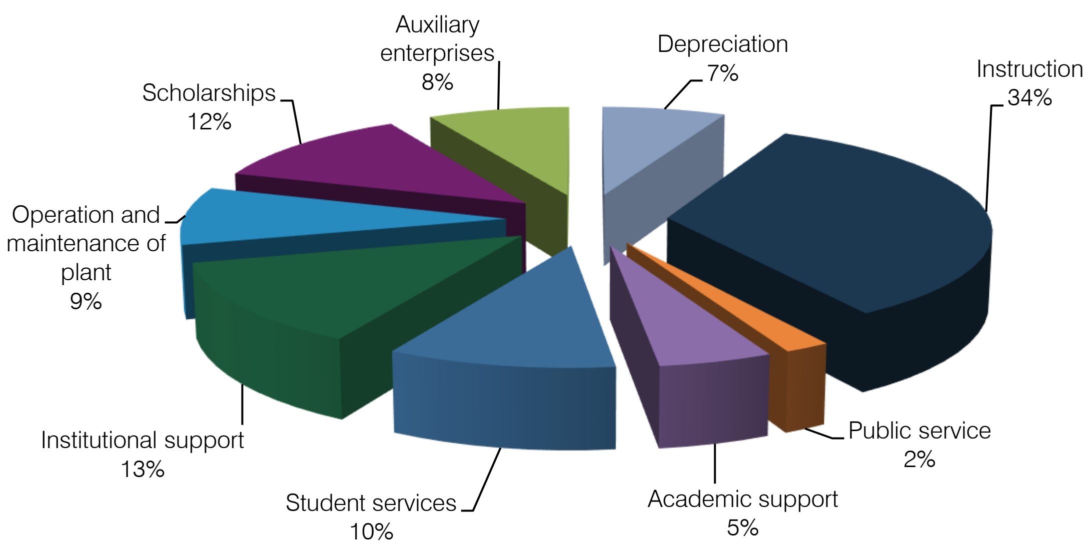
Percent of 2017 Revenues by Source



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

	2017	2016
Operating expenses		
Educational and general:		
Instruction	$21,599,334	$23,242,737
Public service	1,183,522	1,080,513
Academic support	3,202,509	3,369,829
Student services	6,109,545	5,457,449
Institutional support	8,567,965	8,212,935
Operation and maintenance of plant	5,825,066	5,620,369
Scholarships	7,776,792	8,551,790
Auxiliary enterprises	5,259,274	5,136,214
Depreciation	4,599,112	4,444,443
Total operating expenses	64,123,119	65,116,279
Nonoperating expenses		
Interest expense on debt	2,050,928	2,696,729
Other nonoperating expenses	117,451	0
Loss on disposal of capital assets	508	2,667
Total nonoperating expenses	2,168,887	2,699,396
Total expenses	$66,292,006	$67,815,675

Percent of 2017 Operating Expenses by Category



Financial Highlights and Analysis

Financial Position

The District's overall financial position improved in 2017. Total assets and deferred outflows of resources increased by $2.0 million from fiscal year 2016 to fiscal year 2017. This increase is primarily due to an increase in current assets of $1.7 million due to current operations, a decrease in capital assets of $2.2 million due to disposal of some assets and recording of capital depreciation, and an increase in deferred outflows of $2.5 million due to actuarial adjustments for pension liabilities.

Total liabilities and deferred inflows of resources decreased by $400,000. This decrease is due to a decrease in other liabilities for accounts payable and accrued payroll of $600,000, a decrease in long-term debt of $2.7 million due to the paying down of general obligation bonds, an increase in net pension liability of $700,000, and an increase in deferred inflows of $2.2 million due to actuarial adjustments for pensions and refunding of general obligation bonds.

Total net position for the District improved from fiscal year 2016 to fiscal year 2017 with an increase of $2.4 million. By net position category there was a decrease in net investment in capital assets of $200,000 due to an increase in accumulated depreciation, a decrease in restricted assets of $1.9 million due to couple of large grant funded projects ending, and an increase in unrestricted net position of $4.5 million due to revenues exceeding expenses and ASRS actuarial adjustments.

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 nonoperating revenues.

For fiscal year 2017, the District's total revenues and capital gifts decreased by $3.5 million from fiscal year 2016. The following revenue sources make up a significant portion of this total decrease:

- Tuition and fees decreased by $70,000 primarily because of a drop in enrollment.
- Other operating revenues increased by $145,000 because of an increase in donations to the District from the Foundation.
- Government grants decreased by $4.2 million because of a drop in enrollment and couple of large competitive grants ending.
- Property taxes increased by $714,000 primarily because of increased valuations.
- State appropriations decreased by $16,000 because of decreased state aid.
- Other nonoperating revenues (expenses) decreased by $153,000 primarily because of a change in reporting general obligation bond premium expense.

Total operating expenses decreased by $1.0 million from fiscal year 2016 to fiscal year 2017. This reflects a $1.6 million decrease in instruction, $103,000 increase in public service, $167,000 decrease in academic support, $652,000 increase in student services, $204,000 increase in operations and maintenance, $123,000 increase in auxiliary enterprises, $155,000 increase in depreciation, $775,000 decrease in scholarships, and $355,000 increase in institutional support. Many of these increases were due to the increased cost of general operations, which includes salary increases. The decreases are the result of a slightly lower enrollment and a change in methodology for paying faculty for under-enrolled courses. Scholarships decreased due to a decrease in Pell Grant awarding. Nonoperating expenses decreased by $377,000 primarily because of decreases in interest expense on general obligation bonds due to bonds being refunded.

Capital Assets and Debt Administration

The District's capital assets, net of accumulated depreciation, totaled $84.5 million as of June 30, 2017. Capital assets include land, buildings, improvements other than buildings, equipment, and library books. Additional information on capital assets can be found in detail in Note 3 and Note 4 to the District's basic financial statements.

At June 30, 2017, the District had three general obligation bond issues totaling approximately $54.4 million. 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

Voters passed Proposition 301 at the general election on November 7, 2000. The proposition increased the state transaction privilege tax rate six-tenths of 1 percent for 20 years. This increase was to be used for education from K-12 through higher education. Community colleges are to use the funds for workforce development activities. Fiscal year 2017 was the 16th year of this funding, and the District received approximately $942,000. It is anticipated that the District will continue to receive at least this amount for the next 4 years.

This discussion and analysis is 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, 2017

	Business-type activities
Assets	
Current assets:	
Cash and cash equivalents	$ 22,414,938
Investments	13,472,229
Receivables (net of allowances for uncollectibles):	
Property taxes	2,082,231
Government grants and contracts	1,604,531
Interest	32,953
Other	1,861,327
Prepaid items	175,079
Total current assets	41,643,288
Noncurrent assets:	
Restricted assets:	
Property taxes receivable (net of allowances for uncollectibles)	381,836
Capital assets, not being depreciated	648,231
Capital assets, being depreciated, net	83,871,033
Total noncurrent assets	84,901,100
Total assets	126,544,388
Deferred outflows of resources	
Deferred outflows related to pensions	7,699,249
Deferred charge on debt refunding	2,598,473
Total deferred outflows of resources	10,297,722
Liabilities	
Current liabilities:	
Accounts payable	818,717
Accrued payroll and employee benefits	1,338,012
Interest payable	1,080,160
Deposits held in custody for others	515,581
Unearned revenues	517,277
Current portion of compensated absences payable	59,579
Current portion of long-term debt	3,275,929
Total current liabilities	7,605,255

(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, 2017
(Continued)

	Business-type activities
Noncurrent liabilities:	
Compensated absences payable	$ 1,285,076
Long-term debt	56,255,409
Net pension liability	40,949,729
Total noncurrent liabilities	98,490,214
Total liabilities	106,095,469
Deferred inflows of resources	
Deferred inflows related to pensions	5,491,489
Deferred credit on debt refunding	55,806
Total deferred inflows of resources	5,547,295
Net position	
Net investment in capital assets	27,530,592
Restricted:	
Expendable:	
Grants and contracts	1,316,730
Debt service	1,689,745
Capital projects	556,109
Unrestricted (deficit)	(5,893,830)
Total net position	$ 25,199,346

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of financial position—component unit
June 30, 2017

	Arizona Western College Foundation
Assets	
Current assets	
Cash and cash equivalents	$ 248,504
Accounts receivable	4,097
Other assets	3,296
Current portion of notes receivable	39,580
Total current assets	295,477
Investments	5,689,755
Property and equipment, net	694,371
Note receivable, less current portion	43,960
Total assets	$ 6,723,563
Liabilities and net assets	
Current liabilities	
Accounts payable	$ 1,178
Accrued payroll and related liabilities	5,112
Current portion, capital leases	1,284
Rental deposits	11,812
Unearned rents	5,883
Total current liabilities	25,269
Long-term liabilities	
Capital leases, net of current portion	573
Compensated absences payable	15,493
Total liabilities	41,335
Net assets	
Unrestricted	
Undesignated	1,089,797
Designated	472,046
Temporarily restricted	3,349,799
Permanently restricted	1,770,586
Total net assets	6,682,228
Total liabilities and net assets	$ 6,723,563

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, 2017

	Business-type activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of $10,323,379)	$ 4,281,817
Bookstore income	328,349
Food service income (net of scholarship allowances of $362,358)	2,032,791
Dormitory rentals and fees (net of scholarship allowances of $192,130)	456,629
Other	888,048
Total operating revenues	7,987,634
Operating expenses:	
Educational and general:	
Instruction	21,599,334
Public service	1,183,522
Academic support	3,202,509
Student services	6,109,545
Institutional support	8,567,965
Operation and maintenance of plant	5,825,066
Scholarships	7,776,792
Auxiliary enterprises	5,259,274
Depreciation	4,599,112
Total operating expenses	64,123,119
Operating loss	(56,135,485)
Nonoperating revenues (expenses):	
Property taxes	34,750,882
State appropriations	3,554,100
Government grants	20,601,457
Share of state sales taxes	941,921
Private grants and gifts	741,418
Investment earnings	145,856
Interest expense on debt	(2,050,928)
Other nonoperating expenses	(117,451)
Loss on disposal of capital assets	(508)
Total nonoperating revenues (expenses)	58,566,747
Income before other revenues, expenses, gains, or losses	2,431,262
Capital grants and gifts	2,411
Increase in net position	2,433,673
Net position, July 1, 2016	22,765,673
Net position, June 30, 2017	$ 25,199,346

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, 2017

	Arizona Western College Foundation			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and support				
Donations	$ 2,528	$ 139,908	$ 22,088	$ 164,524
In-kind contributions	163,102			163,102
Rental income	140,912			140,912
Investment income (loss), net of expenses of $61,848 and $51,916, respectively	59,996	51,663		111,659
Unrealized gains (losses)	246,497	222,735		469,232
Realized losses	(8,009)	(7,237)		(15,246)
Other income	29,750			29,750
Net assets released from restrictions	99,224	(99,224)		
Total revenues and support	734,000	307,845	22,088	1,063,933
Expenses				
Program services:				
Salaries	140,162			140,162
Scholarships	272,899			272,899
Rental operations	171,941			171,941
Supporting services:				
Management and general	144,800			144,800
Fund-raising				
Total expenses	729,802			729,802
Changes in net assets	4,198	307,845	22,088	334,131
Net assets, beginning of year, as restated	1,557,645	3,041,954	1,748,498	6,348,097
Net assets, end of year	$ 1,561,843	$ 3,349,799	$ 1,770,586	$ 6,682,228

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, 2017

	Business-type activities
Cash flows from operating activities:	
Tuition and fees	$ 4,702,344
Bookstore receipts	328,349
Food services receipts	2,032,791
Dormitory rentals and fees	456,629
Other receipts	904,972
Payments to suppliers and providers of goods and services	(14,091,964)
Payments for employee wages and benefits	(37,532,635)
Payments to students for scholarships	(7,776,792)
Net cash used for operating activities	(50,976,306)
Cash flows from noncapital financing activities:	
Property taxes	34,718,532
State appropriations	3,554,100
Government grants	20,956,668
Share of state sales taxes	931,038
Private grants and gifts	741,418
Other nonoperating expenses	(1,701)
Federal direct lending receipts	880,278
Federal direct lending disbursements	(880,278)
Deposits held in custody for others received	2,633,112
Deposits held in custody for others disbursed	(2,614,118)
Net cash provided by noncapital financing activities	60,919,049
Cash flows from capital and related financing activities:	
Expense on issuance of bonds	(70,427)
Principal paid on capital debt and leases	(2,645,728)
Capital grants and gifts	2,411
Interest paid on capital debt	(2,322,255)
Purchases of capital assets	(2,064,606)
Net cash used for capital and related financing activities	(7,100,605)
Cash flows from investing activities:	
Interest received on investments	136,502
Expenses related to sales and maturities of investments	(1,030,230)
Net cash used for investing activities	(893,728)
Net increase in cash and cash equivalents	1,948,410
Cash and cash equivalents, July 1, 2016, as restated*	20,466,528
Cash and cash equivalents, June 30, 2017	$ 22,414,938

*The restatement of beginning balance is caused by investments being reported separately from cash and cash equivalent beginning this year.

(Continued)

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of cash flows—primary government
Year ended June 30, 2017
(Continued)

	Business-type activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (56,135,485)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	4,599,112
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Increase in:	
Deferred outflows of resources related to pensions	(2,761,214)
Compensated absences payable	268,165
Net pension liability	733,685
Deferred inflows of resources related to pensions	2,095,293
Decrease in:	
Other receivables	569,466
Prepaid items	383,637
Accounts payable	(144,278)
Accrued payroll and employee benefits	(452,673)
Unearned revenues	(132,014)
Net cash used for operating activities	$ (50,976,306)

Noncash transactions	
Issuance of general obligation refunding bonds	$ 10,895,000
General obligation refunding bond issuance costs	77,246
Gifts of depreciable and nondepreciable assets	124,641
Amortization of premium on general obligation bonds	504,673
Capital lease—IT core upgrade	353,722
Amortization of deferred inflows/outflows from general obligation bond refundings	(293,180)

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

The Yuma/La Paz Counties Community College District's (the District) 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, 2017, the District implemented the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*, which establishes standards for disclosing tax abatement agreements the District entered into and agreements that other governments entered into that reduces the District's tax revenues. The implementation of this standard had no effect on the financial statements.

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 Foundation).

The Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships and 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, 2017, the Foundation distributed $140,162 to the District for restricted and unrestricted purposes. During the year, the District was a recipient of a Title V federal grant. The Foundation designated $423,092 during the year ended June 30, 2017, to meet matching requirements on an irrevocable endowment in compliance with Title V federal guidelines for the Dreams to Reality Program. Terms of the endowment require the Foundation to permanently designate contributions as restricted for the purpose of faculty and staff development programs and student scholarships. In addition, the District provided $163,102 of support to the Foundation during the fiscal year. Complete financial statements for the Foundation can be obtained from the Foundation Office, PO Box 929, Yuma, AZ 85364-0929.

B. Basis of presentation and accounting

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

A statement of net position provides information about the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the District's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Nonexpendable restricted net position includes gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net position provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition and bookstore, food service, and dormitory charges, in which each party receives and gives up essentially equal values, are considered operating revenues. Other revenues, such as property taxes, state appropriations, and government grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

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

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

The effect of internal activity has been eliminated from the financial statements.

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

C. Cash and investments

For the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

All investments are stated at fair value.

D. Capital assets

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

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

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

E. Deferred outflows and inflows of resources

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

F. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 to be scholarship allowances. These allowances are netted against tuition and fees revenues, food service income revenues, and dormitory rentals and fees revenues in the statement of revenues, expenses, and changes in net position.

I. Compensated absences

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

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

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

Note 2 - Deposits and investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. A.R.S. does not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with another's property when making investment decisions about those monies. A.R.S. requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. A.R.S. does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

Deposits—At June 30, 2017, the total cash on hand was $8,499, the carrying amount of the District's deposits was $7,000,110, and the bank balance was $7,422,323. The District does not have a formal policy with respect to custodial credit risk for deposits.

Investments—The District's investments at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

		Fair value measurement using		
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Investment by fair value level	Amount	(Level 1)	(Level 2)	(Level 3)
U.S. Treasury securities	$ 2,660,519	$ -	$ 2,660,519	$ -
U.S. agency securities	10,811,710		10,811,710	
Total investments by fair value level	$13,472,229	$ -	$13,472,229	$ -
External investment pools measured at fair value				
State Treasurer's investment pool 7	$ 50,244			
County Treasurer's investment pool	15,356,085			
Total external investment pools measured at fair value	15,406,329			
Total investments measured at fair value	28,878,558			
Total investments	$28,878,558			

Investments categorized as Level 2 are valued using the independent pricing services.

Investments in the State Treasurer's investment pool are valued at the pool's share 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, 2017, credit risk for the District's investments was as follows:

Investment type	Rating	Rating agency	Amount
State Treasurer's investment pool 7	Unrated	Not applicable	$ 50,244
County Treasurer's investment pool	Unrated	Not applicable	15,356,085
U.S. agency securities	Aaa/AA+	Moody's/Standard & Poor's	10,811,710
Total			$26,218,039

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, 2017, of 5 percent or more in Federal National Mortgage Association, Federal Home Loan Mortgage, and Federal Home Loan Bank. These investments were 15 percent, 13 percent, and 7 percent, respectively, 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 1 to 3 years. At June 30, 2017, the District had the following investments in debt securities:

Investment type	Amount	Investment maturities: Less than 1 Year	Investment maturities: 1-3 Years
State Treasurer's investment pool 7	$ 50,244	$ 50,244	
County Treasurer's investment pool	15,356,085	15,356,085	
U.S. Treasury securities	2,660,519		$ 2,660,519
U.S. agency securities*	10,811,710	2,709,754	8,101,956
Total	$28,878,558	$18,116,083	$10,762,475

* At June 30, 2017, $1,075,837 of the investments in U.S. agency securities were considered to be highly sensitive to interest rate changes:

U.S. agency securities	LIBOR—Monthly	$ 450,630
U.S. agency securities	LIBOR—Quarterly	625,207
		$1,075,837

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	$ 8,499	Cash and cash equivalents	$22,414,938
Amount of deposits	7,000,110	Investments	13,472,229
Amount of investments	28,878,558		
Total	$35,887,167	Total	$35,887,167

Note 3 - Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 569,215			$ 569,215
Construction in progress	617,402		$ 538,386	79,016
Total capital assets not being depreciated	1,186,617		538,386	648,231
Capital assets being depreciated:				
Buildings	114,546,290	$ 2,030,546		116,576,836
Equipment	14,252,729	794,505	3,066,661	11,980,573
Improvements other than buildings	22,416,148	34,558		22,450,706
Library books	1,428,195	97,108	240,063	1,285,240
Total capital assets being depreciated	152,643,362	2,956,717	3,306,724	152,293,355
Less accumulated depreciation for:				
Buildings	$ 38,153,509	$ 2,800,771		$ 40,954,280
Equipment	12,199,791	797,113	$3,066,153	9,930,751
Improvements other than buildings	15,850,640	913,843		16,764,483
Library books	925,486	87,385	240,063	772,808
Total accumulated depreciation	67,129,426	4,599,112	3,306,216	68,422,322
Total capital assets being depreciated, net	85,513,936	(1,642,395)	508	83,871,033
Capital assets, net	$ 86,700,553	$(1,642,395)	$ 538,894	$ 84,519,264

Note 4 - Construction and other commitments

The District had one major contractual commitment related to a capital project at June 30, 2017, for the renovation of an educational pod attached to Somerton Middle School. At June 30, 2017, the District had spent $79,016 on this project and had remaining contractual commitments with contractors of $940,015. Restricted monies received from the U.S. Department of Education are financing this renovation.

Note 5 - Long-term liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
General obligation bonds	$ 56,985,000	$10,895,000	$13,470,000	$ 54,410,000	$2,690,000
Premiums	4,941,879	45,323	504,673	4,482,529	443,916
Total bonds payable	$ 61,926,879	$10,940,323	$13,974,673	$ 58,892,529	$3,133,916
Capital leases payable	$ 355,815	$ 353,722	$ 70,728	$ 638,809	$ 142,012
Net pension liability	40,216,044	733,685		40,949,729	
Compensated absences payable	1,076,489	1,206,852	938,686	1,344,655	59,579
Total long-term liabilities	$103,575,227	$13,234,582	$14,984,087	$101,825,722	$3,335,507

General obligation bonds payable—General obligation bonds payable at June 30, 2017, consisted of the outstanding general obligation bonds presented below. The bonds are generally callable with interest payable semiannually. Bonds have also been issued to advance-refund previously issued bonds that were used to pay for acquiring or constructing capital facilities: Principal and interest on the bonds are payable from an ad valorem tax levied against all the taxable property in the District. The bonds issued are payable from such a tax without limit as to rate or amount.

General obligation bonds outstanding at June 30, 2017, were as follows:

Description	Original amount issued	Interest rates	Maturity ranges	Outstanding principal
General obligation bonds—series 2014	$28,665,000	1.00–5.00%	7/1/2017-25	$27,480,000
General obligation refunding bonds—series 2014A	16,535,000	1.00–5.00%	7/1/2017-30	16,035,000
General obligation refunding bonds—series 2016	10,895,000	2.60%	7/1/2017-31	10,895,000
				$54,410,000

General obligation bond debt service requirements to maturity are as follows:

	Principal	Interest
Year ending June 30		
2018	$ 2,690,000	$ 2,080,060
2019	2,875,000	2,079,620
2020	2,980,000	1,966,090
2021	3,110,000	1,848,360
2022	3,255,000	1,710,500
2023-27	18,580,000	6,328,030
2028-32	20,920,000	1,840,100
Total	$54,410,000	$17,852,760

During the year ended June 30, 2017, the District issued general obligation refunding bonds with an average interest rate of 2.60 percent to refund older, higher-rate issues with an average interest rate of 3.75 percent. The District realized net proceeds of $11,017,568 after payment of $117,754 in costs of issuance, plus $195,000 of District contributed debt service funds. The District placed these proceeds in an irrevocable trust to provide resources necessary to redeem the refunded General Obligation Bonds 2006. The District called the outstanding balance of the 2006 General Obligation Bonds of $10,895,000 on October 19, 2016. The District had previously advance refunded $30,630,000 of the 2006 General Obligation Bonds and that balance was called on July 1, 2016. As a result, there were no 2006 General Obligation Bonds outstanding at June 30, 2017. Details of the refunding transactions are as follows:

Amount of refunding bonds issued	$10,895,000
Amount of bonds refunded	10,895,000
Reduction in debt service payments	1,907,077
Economic gain	1,366,753

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, and property, automobile, boiler, and machinery liability; and commercial crime risks. The coverage limits and deductibles are listed below:

Coverage	Limit	Deductible
General	$10,000,000/occurrence	None
	Employer's liability: $2,000,000/accident or disease	$500,000/accident or disease
	Cyber Liability: $1,000,000/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: $113,610,488	$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 extended reporting for errors and omissions. 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 life insurance, accidental death and dismemberment, disability, 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 members and some small nonvoting agencies, provides benefits up to $100,000 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 the premiums, but requires its employees to contribute a portion of them. The District would be assessed an additional contribution should the Consortium become insolvent. This additional contribution shall not exceed the amount of the District's annual contribution (i.e., premium), and once made, thereby releases the District from further legal obligations of any type. Should the District withdraw from the Consortium, it would then be responsible for its proportional share of claims run-out costs that exceed the Consortium reserves established for the incurred but not reported claims liability. If the Consortium were to terminate, the District would be responsible for its proportional share of any Consortium deficit. The District's proportional share upon termination shall not exceed the amount of the District's annual contributions, and once made, releases the District from all further legal obligations of any type. No additional contributions to the Consortium have been made in any of the past 3 fiscal years.

Note 7 - Pension and other postemployment benefits

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

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

	Retirement Initial membership date: Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	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, 2017, statute requires active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance premium benefit and 0.09 percent for long-term disability) 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, 2017, were $2,573,271. The District's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

	Health benefit supplement fund	Long-term disability fund
Year ended June 30		
2017	$125,861	$31,633
2016	117,181	28,368
2015	137,755	28,026

Pension liability—At June 30, 2017, the District reported a liability of $40,949,729 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The District's proportion measured as of June 30, 2016, was 0.25 percent, which was an decrease of 0.01 from its proportion measured as of June 30, 2015.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the District recognized pension expense for ASRS of $2,507,583. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 248,849	$2,817,042
Changes of assumptions or other inputs		2,166,568
Net difference between projected and actual earnings on pension plan investments	4,437,588	
Changes in proportion and differences between district contributions and proportionate share of contributions	439,540	507,879
District contributions subsequent to the measurement date	2,573,271	
Total	$7,699,248	$5,491,489

The $2,573,271 reported as deferred outflows of resources related to ASRS pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	$(1,769,840)
2019	(1,601,918)
2020	1,761,959
2021	1,244,287

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate rages of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Discount rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 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 these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	$52,214,014	$40,949,729	$31,918,234

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

Note 8 - Operating expenses

The District's operating expenses are presented by functional classification in the statement of revenues, expenses, and changes in net position—primary government. The operating expenses can also be classified into the following:

Personal services	$37,415,892
Contract services	5,488,189
Supplies and other services	2,310,567
Communications and utilities	2,446,023
Scholarships	7,776,792
Depreciation	4,599,112
Other	4,086,544
Total	$64,123,119

The District uses credit cards to pay certain vendors for goods and services. The District received $17,815 in rebates resulting from credit card payments for the year ended June 30, 2017.

Note 9 - Discretely presented component unit

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.

Basis of accounting—The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized and recorded when incurred.

Basis of presentation—The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Under such principles, the Foundation reports information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets—Unrestricted net assets are those currently available at the discretion of the board of directors for use in the Foundation's operations, in accordance with its bylaws. The Foundation reports its revenue and other support as unrestricted if there are no donor-imposed restrictions limiting its use. Designated net assets are assets that the board of directors have designated for the purpose of matching donated contributions for the Dream to Reality Program. These assets are held in investments in an endowment fund.

Temporarily restricted net assets—Temporarily restricted net assets are those contributions subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are held for scholarships and other program operations.

Permanently restricted net assets—Permanently restricted net assets are those resources subject to a donor imposed restriction that they be maintained permanently by the Foundation. Generally, the donors of these resources permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Use of estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents—The Foundation considers all investment instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held for long-term investment purposes are included as investments. At times, cash and cash equivalent balances may exceed federally insured amounts.

Investments—Investments in debt and equity securities are carried at fair value based on quoted market prices. Interest and dividend income is recognized when earned. Realized gains and losses are recognized upon the sales of investments. Unrealized gains and losses are recognized based on changes in the fair values of investments.

Property and equipment—Assets with a unit cost greater than $5,000 are capitalized at historical cost, or estimated historical cost if actual historical cost is not available. Assets donated to the Foundation are recorded at their estimated fair value at the time received. Depreciation on building improvements and furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets. Expenses associated with the repair or maintenance of buildings and improvements, furniture and equipment are not capitalized. Estimated useful lives of property and equipment range from 3 years to 31 years.

In-kind contributions—In-kind contributions are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt.

Tax-exempt status—The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to income taxes. The Foundation is not a private foundation and contributions to the Foundation qualify as charitable deductions by the contributor. As of June 30, 2017, no uncertain tax positions have been identified and accordingly, no provision has been made.

Rental operations—The Foundation owns a plaza and rents the units to various businesses. Rental income is recognized when earned and expenses are recognized when incurred. The Foundation has a building with improvements and land associated with rental operations which are recorded as part of property and equipment, net of accumulated depreciation on the statements of financial position and in the property and equipment disclosure below.

Fair value measurements

Financial accounting standards define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy which prioritizes valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels:

Level 1 assets use quoted prices in active markets for identical assets that the Foundation has the ability to access (e.g., prices derived from New York Stock Exchange, NASDAQ or Chicago Board of Trade).

Level 2 assets are valued based on quoted market prices for similar assets within active or inactive markets or information other than quoted market prices observable through market data for substantially the full term of the asset.

Level 3 assets are valued based on inputs other than quoted market prices that reflect assumptions about the asset that market participants would use when performing the valuation based on the best information available in the circumstances.

As a general matter, the fair value of the hedge funds' investments represents the amount that the hedge funds can reasonably expect to receive if the investment was sold at its reported net asset value (NAV). The determination of fair value involves subjective judgment and amounts ultimately realized may vary from the estimated values. In evaluating the level at which the fair value measurement of the hedge funds' investments are classified, certain factors are considered such as price transparency, the ability to redeem shares at NAV at the measurement date and the existence or absence of certain redemption restrictions at the measurement date. While the sale of shares is restricted, other than a time delay, there are no significant restrictions on the Foundation's ability to redeem its shares.

Each hedge fund has its own investment strategies depending on the underlying nature of its investments. Such strategies typically strive to maximize return using a diversified portfolio and are further discussed in their separately issued audited financial statements.

The following tables sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2017:

	Level 1	Total
June 30, 2017		
Equities	$2,433,166	$2,433,166
Corporate bonds	1,107,029	1,107,029
Mutual funds	548,135	548,135
Mutual funds—equity securities	849,443	849,443
Real estate (REIT and other)	315,315	315,315
	5,253,088	5,253,088
Hedge funds measured at net asset value		436,666
Total as of June 30, 2017	$5,253,088	$5,689,754

Note receivable

During the year ended June 30, 2014, the Foundation sold land originally held as a permanently restricted investment. The Foundation entered into an agreement with the buyer to finance a portion of the purchase price. The loan is collectible in monthly installments of $299 including interest at 6% per annum through June 2020 with a remaining balance due at maturity of $43,092.

Also, on December 29, 2015, the Foundation sold real property that was donated through the Barbara Joan Cook Trust and entered into an agreement to finance the purchase. The loan is collectible in monthly installments of $270 including interest at 6% per annum through April 2018 with a remaining balance due at maturity of $43,756. The loan is collateralized by the property being financed.
The outstanding note balances at June 30, 2017 are as follows:

	2017
Schewe Idaho property	$44,941
Barbara Cook Trust	38,599
Total outstanding	$83,540

Property and equipment

Property and equipment as of June 30, 2017, consists of the following:

	2017
Building and improvements	$1,176,826
Furniture and equipment	9,491
	1,186,317
Less: accumulated depreciation	(746,686)
	439,631
Land	254,740
Net property and equipment	$ 694,371

Capital lease obligations

On September 30, 2013, the Foundation entered into a capital lease agreement for the acquisition of a copier. The obligation has an interest rate of 7% payable in monthly installments of $115 through December 2018. Future minimum lease payments under this lease are as follows:

June 30	Amount
2018	$ 1,381
2019	690
Total payments	2,071
Less amount representing interest	(214)
Total principal	1,857
Less: current portion	(1,284)
Long-term portion	$ 573

The copier is recorded at $6,052 and the accumulated depreciation on these assets as of June 30, 2017 was $4,568.

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.

Board-designated net assets and endowments

Designated net assets—During the year ended June 30, 2017, Arizona Western College Foundation designated $423,092 to meet matching and reinvestment requirements on an irrevocable endowment established by Arizona Western College in compliance with Title V Federal guidelines for the Dreams to Reality Program. Terms of the endowment require the Foundation to permanently designate contributions as restricted for the purpose of faculty and staff development programs and student scholarships.

Of the allowable amount that may be expended annually in compliance with Title V Federal guidelines, 50% shall be returned to principal and reinvested, 45% shall be distributed for the purposes designated by the Foundation, and 5% shall be transferred to the Foundation for administrative costs. No endowment earnings may be expended until October 1, 2016, and only endowment earnings on the donor's portion may be expended until October 1, 2031. Beginning in 2036, the Foundation may use the corpus for any educational purposes.

The composition of and changes in the board designated endowment assets for the year ended June 30, 2017:

	2017
Title V balance, beginning of year	$383,866
Increase in Title V designation	39,226
Title V balance, end of year	423,092
Other board designations	48,954
Total board designated net assets	$472,046

Donor restricted endowments—The Arizona Western College Foundation stewards donor restricted endowment funds established by donor request for the purpose of student scholarships. Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted the state's 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 classifies as permanently restricted net assets the original value of the gifts to the permanent endowments, and accumulated earnings that are required to be classified as permanently restricted based on donor stipulations. The remaining portion of a donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return objectives and risk parameters, investment, and spending policies—The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to scholarships supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted scholarship funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of a moderate allocation model.

The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through equity-based investments (realized and unrealized capital appreciation and dividends) and bonds (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent constraints. Distribution of endowment funds is consistent with donor instructions for scholarship disbursement.

The Foundation's policy for appropriation on donor-restricted endowments is to approve spending as part of the annual budget process approved by the Board of Directors. Individual scholarship decisions are made by the board appointed Scholarship Committee.

The summary of changes in endowment fund balances for the year ended June 30, 2017 follows:

	Temporarily restricted	Permanently restricted	Total
Balance as of June 30, 2016, as restated	$1,389,840	$1,748,498	$3,138,338
Contributions	308,228	22,088	330,316
Investment return:			
Investment income	44,023		44,023
Investment expenses	(16,177)		(16,177)
Realized losses	(3,901)		(3,901)
Unrealized gains	120,053		120,053
Total investment return	143,998		143,998
Appropriations	(192,786)		(192,786)
Balance as of June 30, 2017	$1,649,280	$1,770,586	$3,419,866

Temporarily restricted net assets

The components of temporarily restricted net assets at June 30, 2017, are as follows:

	2017
Endowments	$1,649,280
Title V Dreams to Reality	417,007
Other investments	1,283,512
Total temporarily restricted net assets	$3,349,799

In-kind contributions

In-kind contributions are comprised of personnel and facility related costs provided by Arizona Western College. The fair value of these contributions was $163,102 for the year ended June 30, 2017.

Restatement of beginning net assets

Temporarily and permanently restricted net assets at the beginning of the year have been adjusted to correct errors made in prior years for the classification of certain donor contributions. These errors had no net effect on the change in net assets for the year ended June 30, 2017.

	Unrestricted		Temporarily	Permanently	
	Undesignated	Designated	restricted	restricted	Total
Net assets as of June 30, 2015, as originally reported	$1,351,799	$222,473	$2,473,372	$1,650,392	$5,698,036
Reclassification of net assets	(6,914)		(10,500)	17,414	-
Net assets as of July 1, 2015, as restated	$1,344,885	$222,473	$2,462,872	$1,667,806	$5,698,036

Subsequent events

Management evaluated subsequent events through October 23, 2017, the date the financial statements were available to be issued. Subsequent to the year-end, the Foundation's board of directors formally approved a motion to sell Century Plaza. Century Plaza is rental property reported in property and equipment and has a net book value of $692,673 as of June 30, 2017. The Foundation is in the preliminary stages of securing a realtor for that purpose. No other events of transactions occurred after year-end that require additional disclosure or adjustments to the financial statements.

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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, 2017

Arizona State Retirement System

	Reporting fiscal year (Measurement date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
District's proportion of the net pension liability	0.253700%	0.258180%	0.253189%	Information not available
District's proportionate share of the net pension liability	$40,949,729	$40,216,044	$37,463,394	
District's covered payroll	$23,105,663	$24,188,420	$22,952,857	
District's proportionate share of the net pension liability as a percentage of its covered payroll	177%	166%	163%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

Yuma/La Paz Counties Community College District
(Arizona Western College)
Required supplementary information
Schedule of district pension contributions
June 30, 2017

Arizona State Retirement System

	Reporting fiscal year				
	2017	2016	2015	2014	2013 through 2007
Statutorily required contribution	$ 2,573,271	$ 2,710,797	$ 2,674,695	$ 2,385,898	Information
District's contributions in relation to the statutorily required contribution	2,573,271	2,710,797	2,674,695	2,385,898	not available
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
District's employee payroll	$ 23,355,636	$ 23,105,663	$ 24,188,420	$ 22,952,827	
District's contributions as a percentage of employee payroll	11.02%	11.73%	11.06%	10.40%	

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SINGLE AUDIT REPORT

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*

Members of the Arizona State Legislature

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

We have audited 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2017. Our report includes a reference to other auditors who audited the financial statements of the Arizona Western College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. However, the financial statements of the Arizona Western College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Arizona Western College Foundation.

Internal control over financial reporting

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

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

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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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-01, 2017-02, 2017-03, 2017-04, and 2017-05 that we consider to be significant deficiencies.

Compliance and other matters

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

Yuma/La Paz Counties Community College District's response to findings

Yuma/La Paz Counties Community College District's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The District's responses were not subjected to the 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.

Debbie Davenport
Auditor General

December 21, 2017

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on compliance for each major federal program and report on internal control over compliance

Members of the Arizona State Legislature

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

Report on compliance for each major federal program

We have audited Yuma/La Paz Counties Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on each major federal program

In our opinion, Yuma/La Paz Counties Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on internal control over compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Debbie Davenport
Auditor General

December 21, 2017

Summary of auditors' results

Financial statements

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

Federal awards

Internal control over major programs	
Material weaknesses identified?	**No**
Significant deficiencies identified?	**None reported**
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

CFDA number	Name of federal program or cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
	TRIO Cluster:
84.042	Student Support Services
84.044	Talent Search

CFDA number	Name of federal program or cluster
84.047	Upward Bound
84.149	Migrant Education—College Assistance Migrant Program

Dollar threshold used to distinguish between Type A and Type B programs	**$750,000**
Auditee qualified as low-risk auditee?	**No**

Other matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.511(b)?	**Yes**

Financial statement findings

2017-01

The District should improve its risk-assessment process to include information technology security

Criteria—The District faces risks of reporting inaccurate financial information and exposing sensitive data. An effective internal control system should include an entity-wide risk-assessment process that involves members of the District's administration and information technology (IT) management to determine the risks the District faces as it seeks to achieve its objectives to report accurate financial information and protect sensitive data. An effective risk-assessment process provides the basis for developing appropriate risk responses and should include defining objectives to better identify risks and define risk tolerances, and identifying, analyzing, and responding to identified risks.

Condition and context—The District's annual risk-assessment process included a district-wide IT security risk assessment over the District's IT resources, which include its systems, network, infrastructure, and data. However, that risk-assessment process was not sufficiently documented. Also, the District did not identify and classify sensitive information. Further, the District did not evaluate the impact disasters or other system interruptions could have on its critical IT resources.

Effect—There is an increased risk that the District's administration and IT management may not effectively identify, analyze, and respond to risks that may impact its IT resources.

Cause—The District has relied on an informal process to perform risk assessment of its IT security risks. The District hired a new Chief Information Officer (CIO) to create a formal IT risk assessment process but had not yet implemented new policies and procedures.

Recommendations—To help ensure the District has effective policies and procedures to identify, analyze, and respond to risks that may impact its IT resources, the District needs to implement and document a district-wide IT risk-assessment process. The information below provides guidance and best practices to help the District achieve this objective.

- **Document the annual IT risk-assessment process**—A risk-assessment process should include the identification of risk scenarios, including the scenarios' likelihood and magnitude; documentation and dissemination of results; review by appropriate personnel; and prioritization of risks identified for remediation. An IT risk assessment could also incorporate any unremediated threats identified as part of an entity's security vulnerability scans.
- **Identify, classify, inventory, and protect sensitive information—**Security measures should be developed to identify, classify, and inventory sensitive information and protect it, such as implementing controls to prevent unauthorized access to that information. Policies and procedures should include the security categories into which information should be classified, as well as any state statutes and federal regulations that could apply, and require disclosure to affected parties if sensitive information covered by state statutes or federal regulations is compromised.
- **Evaluate the impact disasters or other system interruptions could have on critical IT resources—** The evaluation should identify key business processes and prioritize the resumption of these functions within time frames acceptable to the entity in the event of contingency plan activation. Further, the results of the evaluation should be considered when updating its disaster recovery plan.

The District's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2016-01.

2017-02

The District should improve access controls over its information technology resources

Criteria—Logical and physical access controls help to protect a District's IT resources, which include its systems, network, infrastructure, and data, from unauthorized or inappropriate access or use, manipulation, damage, or loss. Logical access controls also help to ensure that authenticated users access only what they are authorized to. Therefore, the District should have effective internal control policies and procedures to control access to its IT resources.

Condition and context—The District has written policies and procedures for managing access to its IT resources; however, they lacked critical elements and the District did not consistently implement its policies and procedures to help prevent or detect unauthorized or inappropriate access to its IT resources.

Effect—There is an increased risk that the District may not prevent or detect unauthorized or inappropriate access or use, manipulation, damage, or loss of its IT resources, including sensitive and confidential information.

Cause—The District focused its efforts on the day-to-day operations and did not prioritize its review of IT policies and procedures to ensure they met IT standards and best practices. The District hired a new CIO to update and implement access control policies, but has not yet implemented those changes.

Recommendations—To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the District needs to review its logical and physical access policies and procedures over its IT resources against current IT standards and best practices, update them where needed, and implement them district-wide, as appropriate. Further, the District should train staff on the policies and procedures. The information below provides guidance and best practices to help the District achieve this objective.

- **Review user access—**A periodic, comprehensive review should be performed of all existing employee accounts to help ensure that network and system access granted is needed and compatible with job responsibilities.
- **Remove terminated employees' access to its IT resources—**Employees' network and system access should immediately be removed upon their terminations.
- **Review contractor and other nonentity account access—**A periodic review should be performed on contractor and other nonentity accounts with access to an entity's IT resources to help ensure their access remains necessary and appropriate.
- **Review all shared accounts—**Shared network access accounts should be reviewed and eliminated or minimized when possible.
- **Manage shared accounts—**Shared accounts should be used only when appropriate and in accordance with an established policy authorizing the use of shared accounts. In addition, account credentials should be reissued on shared accounts when a group member leaves.
- **Review and monitor key activity of users—**Key activities of users and those with elevated access should be reviewed for propriety.

- **Improve network and system password policies—**Network and system password policies should be improved and ensure they address all accounts.
- **Manage employee-owned and entity-owned electronic devices connecting to the network—**The use of employee-owned and entity-owned electronic devices connecting to the network should be managed, including specifying configuration requirements and the data appropriate to access; inventorying devices; establishing controls to support wiping data; requiring security features, such as passwords, antivirus controls, file encryption, and software updates; and restricting the running of unauthorized software applications while connected to the network.
- **Manage remote access—**Security controls should be utilized for all remote access. These controls should include appropriate configuration of security settings such as configuration/connections requirements and the use of encryption to protect the confidentiality and integrity of remote sessions.
- **Review data center access**—A periodic review of physical access granted to the data center should be performed to ensure that it continues to be needed.

The District's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2016-02.

2017-03

The District should improve its configuration management processes over its information technology resources

Criteria—A well-defined configuration management process, including a change management process, is needed to ensure that the District's IT resources, which include its systems, network, infrastructure, and data are configured securely and that changes to these IT resources do not adversely affect security or operations. IT resources are typically constantly changing in response to new, enhanced, corrected, or updated hardware and software capabilities and new security threats. The District should have effective written configuration management internal control policies and procedures to track and document changes made to its IT resources.

Condition and context—The District has written policies and procedures for managing changes to its IT resources; however, they lacked critical elements and the District did not consistently implement its configuration management policies and procedures.

Effect—There is an increased risk that the District's IT resources may not be configured appropriately and securely and that changes to those resources could be unauthorized or inappropriate or could have unintended results without proper documentation, authorization, review, testing, and approval prior to being applied.

Cause—The District developed incomplete change and configuration management policies and procedures in prior fiscal years in response to deficiencies found in prior audits. The District hired a new CIO to update and implement change and configuration management policies, but has not yet implemented those changes.

Recommendations—To help prevent and detect unauthorized, inappropriate, and unintended changes to its IT resources, the District needs to review its configuration management policies and procedures against current IT standards and best practices, update them where needed, and implement them district-wide, as appropriate. Further, the District should train staff on the policies and procedures. The information below provides guidance and best practices to help the District achieve this objective.

- **Establish and follow change management processes—**For changes to IT resources, a change management process should be established for each type of change, including emergency changes and other changes that might not follow the normal change management process. Further, all changes should follow the applicable change management process and should be appropriately documented.
- **Review proposed changes—**Proposed changes to IT resources should be reviewed for appropriateness and justification, including consideration of the change's security impact.
- **Document changes—**Changes made to IT resources should be logged and documented, and a record should be retained of all change details, including a description of the change, the departments and system(s) impacted, the individual responsible for making the change, test procedures performed and the test results, security impact analysis results, change approvals at each appropriate phase of the change management process, and a post-change review.
- **Roll back changes—**Roll back procedures should be established that include documentation necessary to back out changes that negatively impact IT resources.
- **Test—**Changes should be tested prior to implementation, including performing a security impact analysis of the change.
- **Separate responsibilities for the change management process—**Responsibilities for developing and implementing changes to IT resources should be separated from the responsibilities of authorizing, reviewing, testing, and approving changes for implementation or, if impractical, performing a post-implementation review of the change to confirm the change followed the change management process and was implemented as approved.
- **Configure IT resources appropriately and securely, and maintain configuration settings—**Configure IT resources appropriately and securely, which includes limiting the functionality to ensure only essential services are performed, and maintain configuration settings for all systems.
- **Manage software installed on employee computer workstations—**For software installed on employee computer workstations, policies and procedures should be developed to address what software is appropriate and the process for requesting, approving, installing, monitoring, and removing software on employee computer workstations.

The District's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2016-03.

2017-04

The District should improve security over its information technology resources

Criteria—The selection and implementation of security controls for the District's IT resources, which include its systems, network, infrastructure, and data, are important because they reduce the risks that arise from the loss of confidentiality, integrity, or availability of information that could adversely impact the District's operations or assets. Therefore, the District should implement internal control policies and procedures for an effective IT security process that includes practices to help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources.

Condition and context—The District has written policies and procedures over IT security; however, they lacked critical elements and the District did not consistently implement its IT security policies and procedures.

Effect—There is an increased risk that the District may not prevent or detect the loss of confidentiality, integrity, or availability of systems and data.

Cause—The District has relied on an informal process to improve security of IT resources. The District hired a new CIO to develop and implement formal processes to improve security but has not yet implemented new policies and procedures.

Recommendations—To help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss of its IT resources, the District needs to review its IT security policies and procedures against current IT standards and best practices, update them where needed, and implement them district-wide, as appropriate. Further, the District should train staff on the policies and procedures. The information below provides guidance and best practices to help the District achieve this objective.

- **Perform proactive logging and log monitoring**—Key user and system activity should be logged, particularly for users with administrative access privileges and remote access, along with other activities that could result in potential security incidents, such as unauthorized or inappropriate access. An entity should determine what events to log, configure the system to generate the logs, and decide how often to monitor these logs for indicators of potential attacks or misuse of IT resources. Finally, activity logs should be maintained where users with administrative access privileges cannot alter them.
- **Prepare and implement an incident response plan—**An incident response plan should be developed, tested, and implemented for an entity's IT resources, and staff responsible for the plan should be trained. The plan should coordinate incident-handling activities with contingency-planning activities and incorporate lessons learned from ongoing incident handling in the incident response procedures. The incident response plan should be distributed to incident response personnel and updated as necessary. Security incidents should be reported to incident response personnel so they can be tracked and documented. Policies and procedures should also follow regulatory and statutory requirements, provide a mechanism for assisting users in handling and reporting security incidents, and making disclosures to affected individuals and appropriate authorities if an incident occurs.
- **Provide training on IT security risks—**A plan should be developed to provide continuous training on IT security risks, including a security awareness training program for all employees that provides a basic understanding of information security, user actions to maintain security, and how to recognize and report potential indicators of security threats, including threats employees generate. Security awareness training should be provided to new employees and on an on-going basis.
- **Perform IT vulnerability scans—**A formal process should be developed for vulnerability scans that includes performing vulnerability scans of its IT resources on a periodic basis and utilizing tools and techniques to automate parts of the process by using standards for software flaws and improper configuration, formatting procedures to test for the presence of vulnerabilities, measuring the impact of identified vulnerabilities, and approving privileged access while scanning systems containing highly sensitive data. In addition, vulnerability scan reports and results should be analyzed and legitimate vulnerabilities remediated as appropriate, and information obtained from the vulnerability-scanning process should be shared with other departments of the entity to help eliminate similar vulnerabilities.
- **Apply patches—**Patches to IT resources should be evaluated, tested, and applied in a timely manner once the vendor makes them available.

- **Protect sensitive or restricted data—**Restrict access to media containing data the entity, federal regulation, or state statute identifies as sensitive or restricted. Such media should be appropriately marked indicating the distribution limitations and handling criteria for data included on the media. In addition, media should be physically controlled and secured until it can be destroyed or sanitized using sanitization mechanisms with the strength and integrity consistent with the data's security classification.
- **Develop and document a process for awarding IT vendor contracts—**A process should be developed and documented to ensure the consideration of IT risks, costs, benefits, and technical specifications prior to awarding IT vendor contracts. In addition, contracts should include specifications addressing the management, reliability, governance, and security of the entity's IT resources. Further, for cloud services, ensure service contracts address all necessary security requirements based on best practices, such as physical location of data centers. Finally, an IT vendor's performance should be monitored to ensure conformance with vendor contracts.

The District's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2016-04.

2017-05

The District should improve its contingency planning procedures for its information technology resources

Criteria—It is critical that the District have contingency planning procedures in place to provide for the continuity of operations and to help ensure that vital IT resources, which include its systems, network, infrastructure, and data, can be recovered in the event of a disaster, system or equipment failure, or other interruption. Contingency planning procedures include having a comprehensive, up-to-date contingency plan; taking steps to facilitate activation of the plan; and having system and data backup policies and procedures.

Condition and context—The District did not have a written contingency plan. Also, although the District was performing system and data backups, the written policies and procedures for performing the backups and testing them to ensure they were operational and could be used to restore its IT resources lacked critical elements.

Effect—The District risks not being able to provide for the continuity of operations, recover vital IT systems and data, and conduct daily operations in the event of a disaster, system or equipment failure, or other interruption, which could cause inaccurate or incomplete system and data recovery.

Cause—The District has focused its efforts on the day-to-day operations and did not prioritize creating a written contingency plan. The District hired a new CIO to create a formal contingency planning process but has not yet implemented new policies and procedures.

Recommendations—To help ensure district operations continue in the event of a disaster, system or equipment failure, or other interruption, the District needs to develop and document its contingency planning procedures. The District should review its contingency planning procedures against current IT standards and best practices and implement them district-wide, as appropriate. The information below provides guidance and best practices to help the District achieve this objective.

- **Develop and implement a contingency plan**—A contingency plan should be developed and implemented and include essential business functions and associated contingency requirements; recovery objectives and restoration priorities and metrics as determined in the entity's business-impact analysis; contingency roles and responsibilities and assigned individuals with contact information; identification of critical information assets and processes for migrating to the alternative processing site; processes for eventual system recovery and reconstitution to return the IT resources to a fully operational state and ensure all transactions have been recovered; and review and approval by appropriate personnel. The contingency plan should also be coordinated with incident-handling activities and stored in a secure location, accessible to those who need to use it, and protected from unauthorized disclosure or modification.
- **Move critical operations to a separate alternative site**—Policies and procedures should be developed and documented for migrating critical IT operations to a separate alternative site for essential business functions, including putting contracts in place or equipping the alternative site to resume essential business functions, if necessary. The alternative site's information security safeguards should be equivalent to the primary site.
- **Test the contingency plan**—A process should be developed and documented to perform regularly scheduled tests of the contingency plan and document the tests performed and results. This process should include updating and testing the contingency plan at least annually or as changes necessitate, and coordinating testing with other plans of the entity such as its continuity of operations, cyber incident response, and emergency response plans. Plan testing may include actual tests, simulations, or table top discussions and should be comprehensive enough to evaluate whether the plan can be successfully carried out. The test results should be used to update or change the plan.
- **Train staff responsible for implementing the contingency plan**—An ongoing training schedule should be developed for staff responsible for implementing the plan that is specific to each user's assigned role and responsibilities.
- **Backup systems and data**—Establish and document policies and procedures for testing IT system software and data backups to help ensure they could be recovered if needed. Policies and procedures should require system software and data backups to be protected and stored in an alternative site with security equivalent to the primary storage site. Backups should include user-level information, system-level information, and system documentation, including security-related documentation. In addition, critical information system software and security-related information should be stored at an alternative site or in a fire-rated container.

The District's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2016-05.

Federal award findings and questioned costs

None reported.

DISTRICT SECTION

Yuma/La Paz Counties Community College District
(Arizona Western College)
Schedule of expenditures of federal awards
Year ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 223	Hispanic Serving Institutions Education Grants				$ 118,026	
Department of the Interior						
15 238	Challenge Cost Share				4,018	
15 808	US Geological Survey—Research and Data Collection				14,467	
	Total Department of the Interior				18,485	
Department of Labor						
17 258	WIA/WIOA Adult Program	WIOA Cluster	Yuma Private Industry Council, Inc	AH2016-07-01/AdultFull	117,547	
17 259	WIA/WIOA Youth Activities	WIOA Cluster	Yuma Private Industry Council, Inc	AH2016-07-01/OSY, AH2016-07-01/OSY/ABE/GED	268,362	
17 278	WIA/WIOA Dislocated Workers Formula Grants	WIOA Cluster	Yuma Private Industry Council, Inc	AH2016-07-01/DWFull	41,410	
	Total WIOA Cluster				427,319	
	Total Department of Labor				427,319	
National Science Foundation						
47 076	Education and Human Resources		Science Foundation Arizona	STEM 603-14/DUE-1400687	33,956	
Small Business Administration						
59 037	Small Business Development Centers		Maricopa County Community College District	SBHQ-16-B-0040, PO#DSTOF-100015649, SBHQ-17-B-0026, PO#DSTOF-100031401	97,421	
Department of Education						
84 007	Federal Supplemental Educational Opportunity Grants	Student Financial Assistance Cluster			406,027	
84 033	Federal Work-Study Program	Student Financial Assistance Cluster			312,331	
84 063	Federal Pell Grant Program	Student Financial Assistance Cluster			15,429,268	
84 268	Federal Direct Student Loans	Student Financial Assistance Cluster			880,278	
	Total Student Financial Assistance Cluster				17,027,904	
84 031	Higher Education—Institutional Aid				1,318,899	$ 250,030
84 042	TRIO—Student Support Services	TRIO Cluster			330,034	
84 044	TRIO—Talent Search	TRIO Cluster			285,777	
84 047	TRIO—Upward Bound	TRIO Cluster			292,962	
	Total TRIO Cluster				908,773	
84 048	Career and Technical Education—Basic Grants to States		Arizona Department of Education	16FCTDBG-612101-20A, 17FCTDBG-712101-20A, 16FCTDBG-612101-43B, 17FCTPSG-712101-43B	346,824	
84 149	Migrant Education—College Assistance Migrant Program				420,340	
	Total Department of Education				20,022,740	250,030
	Total expenditures of federal awards				$ 20,717,947	$ 250,030

See accompanying notes to schedule.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to schedule of expenditures of federal awards
Year ended June 30, 2017

Note 1 - 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, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2 - Summary of significant accounting policies

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

Note 3 - Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance.*

Note 4 - Indirect cost rate

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

DISTRICT RESPONSE

ARIZONA WESTERN COLLEGE

December 18, 2017

Debbie Davenport
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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

Diana G. Doucette
Director of Financial Services & Controller

P.O. Box 929, Yuma, AZ 85366-0929 | 2020 S Ave. 8E, Yuma, AZ 85365-8834 | (928) 317-6000 | www.azwestern.edu

Yuma/La Paz Counties Community College District
(Arizona Western College)
Corrective action plan
Year ended June 30, 2017

Financial statement findings

2017-01

The District should improve its risk-assessment process to include information technology security

Contact: Chief Information Officer

Anticipated completion date: December 2018

Identify, classify, inventory, and protect sensitive information: Efforts to consolidate data from disparate storage locations to centralized servers and services will allow IT staff to begin efforts to identify, classify, inventory, and protect sensitive information. Consolidation efforts should begin Q1 2018.

2017-02

The District should improve access controls over its information technology resources

Contact: Chief Information Officer

Anticipated completion date: Partially completed by March 2018; Fully completed by December 2018

- Review contractor and other nonentity account access: Procedures will be developed to review and eliminate contractor and other nonentity accounts that are not required to support business processes. Those that are required will be reviewed to ensure that access is appropriate for support of requisite business processes. Accounts will be reviewed and updated twice annually, with the first review and corrective action taking place prior to March 2018.
- Review all shared accounts: Procedures will be developed to review and eliminate shared accounts that are not required to support business processes. Accounts will be reviewed and updated twice annually, with the first review and corrective action taking place prior to March 2018.
- Manage shared accounts: Procedures will be developed to review and eliminate shared accounts that are not required to support business processes. Accounts will be reviewed and updated twice annually, with the first review and corrective action taking place prior to March 2018.
- Review data center access: Data center access controls are currently reviewed, but a formal procedure has not been written and implemented. A procedure will be written and implemented with reviews happening twice annually, and the first review and corrective action will take place prior to March 2018.

Before March 2018, the following item should be partially corrected:

- Improve network and system password policies: A 17-character passphrase policy has been developed, and implementation has begun. Implementation should be complete before the end of 2018.

Before the end of 2018, the following items will be addressed in whole or in part:

- Review user account access: Procedures will be developed to review and eliminate user accounts that should no longer have access to AWC electronic resources, and to ensure that accounts that remain have appropriate and reasonable access to AWC electronic resources. Implementation should be complete before the end of 2018.
- Review and monitor key activity of users: Microsoft Advanced Threat Analytics will be installed and configured to monitor and alert IT staff of potential threats.
- Manage employee-owned and entity-owned electronic devices connecting to the network: Adoption of Microsoft Office 365 will provide access to tools that will be leveraged to better secure AWC resources. Our network rearchitecture efforts will include projects that will provide greater security for such devices as well.

Manage remote access: Part of our innovation and network rearchitecture efforts will be the development of a robust and secure means of remote access to AWC electronic resources.

2017-03

The District should improve its configuration management processes over its information technology resources

Contact: Chief Information Officer
Anticipated completion date: December 2018

Before the end of 2018, the following items will be addressed in whole or in part:

- Establish and follow change management processes: A robust IT Service Management system will be implemented that will empower the change management process.
- Document changes: A robust IT Service Management system will be implemented that will empower the change management process.
- Separate responsibilities for the change management process: A robust IT Service Management system will be implemented that will empower the change management process.
- Configure IT resources appropriately and securely, and maintain configuration settings: Systems will be implemented that will configure and monitor the configuration of IT resources.
- Manage software installed on employee computer workstations: Microsoft System Center Configuration Manager and Microsoft Intune will be implemented along with a robust IT Service Management system to enable appropriate and efficient management of software installed on AWC end user devices.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Corrective action plan
Year ended June 30, 2017

2017-04

The District should improve security over its information technology resources

Contact: Chief Information Officer

Anticipated completion date: Partially completed by March 2018; fully completed by December 2018

Before March 2018, the following item should be fully corrected:

- Apply patches: Procedures will be developed to apply patches, and these procedures will be implemented prior to March 2018.

Before the end of 2018, the following items will be addressed in whole or in part:

- Perform proactive logging and log monitoring: Adoption of Microsoft Office 365 and Microsoft Azure will provide access to tools that will be leveraged to better collect and monitor logs from servers and end user computing devices.
- Provide training on IT security risks: Efforts have already begun to provide a greater level of cybersecurity awareness for AWC staff, and these efforts will continue and be expanded in scope. A program will also be developed to provide training and awareness of security risks for IT staff. Both of these efforts will be ongoing, with no end date.
- Perform IT vulnerability scans: Procedures will be developed to provide vulnerability scans against AWC electronic assets, and these procedures will include corrective action responses. In addition, honeypots may be established and configured to provide alerting of possible intrusions.

2017-05

The District should improve its contingency planning procedures for its information technology resources

Contact: Chief Information Officer

Anticipated completion date: December 2018

- Develop and implement a contingency plan: Adoption of Microsoft Azure will provide access to tools that may be leveraged to provide for business continuity efforts.
- Move critical operations to a separate alternative site: Adoption of Microsoft Azure will provide access to tools that may be leveraged to provide for business continuity efforts.
- Train staff responsible for implementing the contingency plan: Documentation will be developed and staff will be cross trained to ensure that multiple people are able to implement aspects of the contingency plan as required.
- Backup systems and data: Adoption of Microsoft Azure will provide access to tools that may be leveraged to provide for business continuity efforts.

ARIZONA WESTERN COLLEGE

December 18, 2017

Debbie Davenport
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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,

Diana G. Doucette
Director of Financial Services and Controller

P.O. Box 929, Yuma, AZ 85366-0929 | 2020 S Ave. 8E, Yuma, AZ 85365-8834 | (928) 317-6000 | *www.azwestern.edu*

Yuma/La Paz Counties Community College District
(Arizona Western College)
Summary schedule of prior audit findings
Year ended June 30, 2017

Status of financial statement findings

The District should improve its risk assessment process over information technology (IT) security risks
Finding number: 2016-01, 2015-04, 2015-03, 2014-04, 2014-03
Status: Not corrected

Efforts to implement the prior year's corrective action plan were significantly impacted by staff turnover and hiring, and many key initiatives were postponed as the newly hired Vice President for Finance and Administration and newly hired Chief Information Officer investigated the District's technology position and assessed its risks. Resource constraints and the requirements of operations and maintenance for existing technologies taxed individual contributors' ability to innovate, and these factors have been taken into consideration in developing an action plan for the next year.

The District should improve access controls over its information technology resources
Finding number: 2016-02, 2015-01, 2014-01, 2013-01, 12-01, 11-01, 10-01
Status: Not corrected

Efforts to implement the prior year's corrective action plan were significantly impacted by staff turnover and hiring, and many key initiatives were postponed as the newly hired Vice President for Finance and Administration and newly hired Chief Information Officer investigated the District's technology position and assessed its risks. Resource constraints and the requirements of operations and maintenance for existing technologies taxed individual contributors' ability to innovate, and these factors have been taken into consideration in developing an action plan for the next year.

The District should improve its information technology resources configuration management processes
Finding number: 2016-03, 2015-02, 2014-02
Status: Not corrected

Efforts to implement the prior year's corrective action plan were significantly impacted by staff turnover and hiring, and many key initiatives were postponed as the newly hired Vice President for Finance and Administration and newly hired Chief Information Officer investigated the District's technology position and assessed its risks. Resource constraints and the requirements of operations and maintenance for existing technologies taxed individual contributors' ability to innovate, and these factors have been taken into consideration in developing an action plan for the next year.

The District should improve security over its information technology resources
Finding number: 2016-04, 2015-03, 2014-03
Status: Not corrected

Yuma/La Paz Counties Community College District
(Arizona Western College)
Summary schedule of prior audit findings
Year ended June 30, 2017

Efforts to implement the prior year's corrective action plan were significantly impacted by staff turnover and hiring, and many key initiatives were postponed as the newly hired Vice President for Finance and Administration and newly hired Chief Information Officer investigated the District's technology position and assessed its risks. Resource constraints and the requirements of operations and maintenance for existing technologies taxed individual contributors' ability to innovate, and these factors have been taken into consideration in developing an action plan for the next year.

The District should improve its disaster recovery plan and data backup procedures for its information technology resources
Finding number: 2016-05, 2015-04, 2014-04
Status: Not corrected

Efforts to implement the prior year's corrective action plan were significantly impacted by staff turnover and hiring, and many key initiatives were postponed as the newly hired Vice President for Finance and Administration and newly hired Chief Information Officer investigated the District's technology position and assessed its risks. Resource constraints and the requirements of operations and maintenance for existing technologies taxed individual contributors' ability to innovate, and these factors have been taken into consideration in developing an action plan for the next year.