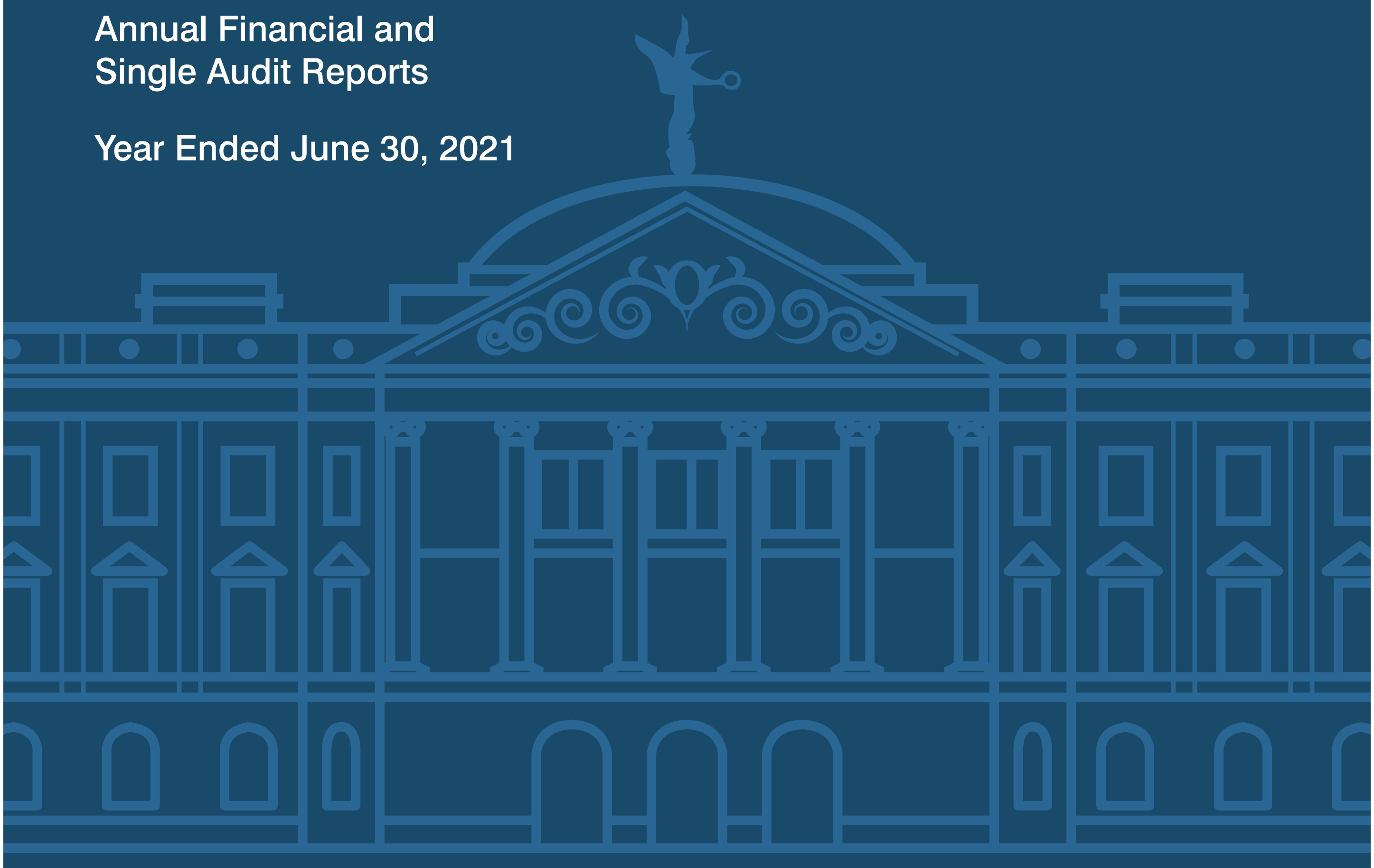
Yuma/La Paz Counties Community College District
(Arizona Western College)

Annual Financial and
Single Audit Reports

Year Ended June 30, 2021



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

ARIZONA Auditor General
Making a Positive Difference

ARIZONA
AuditorGeneral
Making a Positive Difference

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

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Single Audit Report

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ANNUAL FINANCIAL REPORT

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

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

Report on the 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, 2021, 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.

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 the District as of June 30, 2021, 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-7, schedule of the District's proportionate share of the net pension liability on page 29, and schedule of District pension contributions on page 30 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 November 24, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

November 24, 2021

Yuma/La Paz Counties Community College District
(Arizona Western College)
Management's discussion and analysis
Year ended June 30, 2021

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. 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, 2021. 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, 2021. 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, 2021. 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, 2021. 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

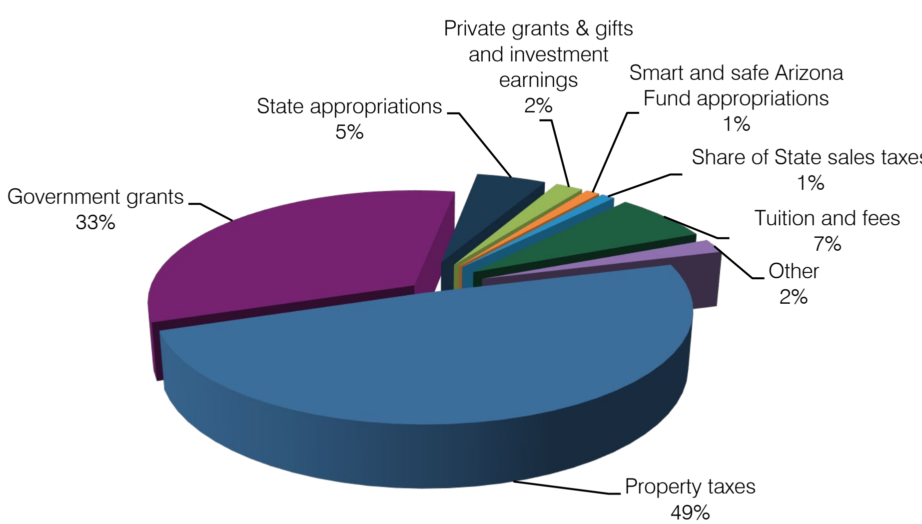
Net Position—Primary Government
As of June 30

	2021	2020
Assets:		
Current assets	$ 72,077,202	$ 48,253,127
Noncurrent assets, other than capital assets	246,256	284,492
Capital assets, net	73,637,992	75,456,141
Total assets	145,961,450	123,993,760
Deferred outflows of resources:	8,853,752	5,714,648
Liabilities:		
Current liabilities	10,240,229	11,235,953
Long-term liabilities	104,164,871	82,205,344
Total liabilities	114,405,100	93,441,297
Deferred inflows of resources:	587,102	2,401,677
Net Position:		
Net investment in capital assets	8,304,037	26,895,354
Restricted	25,126,489	3,114,272
Unrestricted	6,392,474	3,855,808
Total net position	$ 39,823,000	$ 33,865,434

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

	2021	2020
Revenues		
Operating		
Tuition and fees (net of scholarship allowances)	$ 5,177,837	$ 4,657,960
Other (net of scholarship allowances)	1,511,521	2,650,732
Nonoperating		
Property taxes	38,343,553	36,330,921
State appropriations	3,564,900	5,913,000
Government grants	25,387,069	21,072,473
Share of State sales taxes	1,170,479	1,239,813
Smart and safe Arizona fund appropriations	858,419	
Private grants and gifts	1,480,801	916,042
Investment earnings	114,359	696,639
Other nonoperating revenues	13,708	
Gain on disposal of capital assets	1,959	
Capital grants and gifts	2,808	2,049
Total revenues	77,627,413	73,479,629
Expenses		
Operating	69,716,892	68,753,326
Nonoperating	1,952,955	1,701,909
Total expenses	71,669,847	70,455,235
Increase/decrease in net position	5,957,566	3,024,394
Total net position, July 1	33,865,434	30,841,040
Total net position, June 30	$39,823,000	$33,865,434

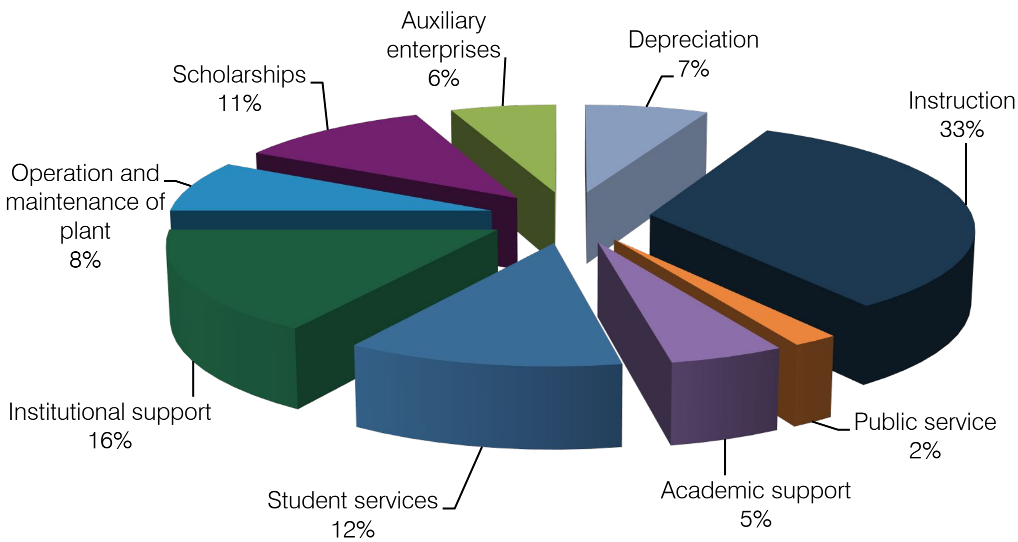
Percent of 2021 Revenues by Source



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

	2021	2020
Operating expenses		
Educational and general:		
Instruction	$23,305,280	$22,891,851
Public service	1,256,071	1,292,504
Academic support	3,349,749	3,798,974
Student services	8,537,576	6,388,278
Institutional support	11,140,739	9,944,535
Operation and maintenance of plant	5,760,407	6,254,876
Scholarships	7,525,748	8,742,809
Auxiliary enterprises	4,146,617	4,657,460
Depreciation	4,694,705	4,782,039
Total operating expenses	69,716,892	68,753,326
Nonoperating expenses		
Interest expense on debt	1,582,522	1,697,624
Other nonoperating expenses	370,433	4,285
Total nonoperating expenses	1,952,955	1,701,909
Total expenses	$71,669,847	$70,455,235

Percent of 2021 Operating Expenses by Category



Financial Highlights and Analysis

Financial Position

The District's overall financial position improved in 2021. Total assets and deferred outflows of resources increased by approximately $25.1 million from fiscal year 2020 to fiscal year 2021. This increase is primarily due to an increase in current assets of approximately $23.8 million because of a $22.3 million increase in cash and cash equivalents offset by a $3.2 million decrease in investments. Receivables increased by approximately $4.2 million, and prepaid items increased by nearly $457,000. Also, the district experienced a decrease in capital assets of approximately $1.8 million due to nearly $3.8 million depreciation expense offset by an increase of nearly $826,000 of construction in progress and new depreciable assets of nearly $1.1 million. An increase in deferred outflows of over $3.1 million was due to approximately $3.4 million of pensions offset by debt refunding premium amortization of approximately $297,000.

Total liabilities and deferred inflows of resources increased by over $19.1 million. This increase is due to an increase in accounts payable and accrued payroll of over $787,000, a decrease in unearned revenues of approximately $1.9 million, an increase in employee absences payable of nearly $196,000, an increase of $86,000 in current payments due on long term debt, and an increase of nearly $16.4 million in long-term debt and capital lease obligations. The $16.4 million increase was primarily due to paying down approximately $3.1 million of General Obligation Bonds, amortizing nearly $444,000 of bond premiums and paying nearly $388,000 of capital leases, offset by nearly $17.8 million with the issuance of Revenue Bonds. Additionally, the District had an increase in net pension liability of nearly $5.7 million and a decrease in deferred inflows related to pensions of over $1.8 million due to ASRS reporting changes the previous year.

Total net position for the District improved from fiscal year 2020 to fiscal year 2021 with an increase of $6.0 million. By net position category, there was a decrease in net investment in capital assets of nearly $18.6 million due to issuing Revenue Bonds, a decrease of approximately $87,000 of annual depreciation offset by a decrease in outstanding general obligation bonds. An increase in restricted assets of nearly $22.0 million is due to planned construction and higher federal and State grant activity. The increase in unrestricted net position of over $2.5 million is due to an increase in tax levy, and recovery of lost revenue due to COVID19 offset by an increase in labor costs, a decrease in scholarship expense, and an increase in bad debt expense.

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

Results of Operations

The District has 4 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 2021 the District's total revenues and capital gifts increased by approximately $4.1 million from fiscal year 2020. The following revenue sources make up a significant portion of this total increase:

- Tuition and fees increased by nearly $520,000 as a result of lower scholarship allowances.

- Other operating revenues decreased by over $1.1 million primarily in food service and board revenues as a result of the District's response to open the dormitories at half of the normal capacity due to maintaining social distance to mitigate the spread of COVID19.
- Property taxes increased by $2.0 million due to increased property valuations and increased new construction.
- Arizona's Rural Aid to the Community colleges negatively impacted state appropriations by approximately $2.3 million partially offset by the new Proposition 207 Smart and Safe Arizona Fund appropriations by over $858,000.
- Government grants increased by approximately $4.3 million due to the Department of Treasury issuance of CARES Act funding offset by a decrease of the Department of Education Pell grant.
- Share of State sales taxes decreased by approximately $69,000.
- Private grants and gifts increased by nearly $565,000.

Total operating expenses increased by nearly $964,000 from fiscal year 2020 to fiscal year 2021. This reflects approximately $413,000 increase in instruction, over $36,000 decrease in public service, nearly $450,000 decrease in academic support, approximately $2.1 million increase in student services, over $494,000 decrease in operations and maintenance, nearly $511,000 decrease in auxiliary enterprises, approximately $87,000 decrease in depreciation, over $1.2 million decrease in scholarships, and nearly $1.2 million increase in institutional support. Many of these increases were due to bad debt write-offs offered through Department of Treasury CARES Act, purchasing professional services, implementing information technology solutions, increased personnel salaries, and accounting for the net pension expense. The decrease is the result of lower institutional scholarships and lower food service costs due to fewer students living in the dormitories and the COVID19 impact on the District's operations.

Nonoperating expenses increased by approximately $251,000 primarily because of decreased bond interest due on a lower long-term General Obligation debt balance offset by the Revenue bond issuance costs.

Capital Assets and Debt Administration

The District's capital assets, net of accumulated depreciation, totaled $73.6 million as of June 30, 2021. Capital assets include land, buildings, improvements other than buildings, equipment, library books, and construction in progress. Additional information on capital assets can be found in detail in Note 3 to the District's basic financial statements.

At June 30, 2021, the District had 3 general obligation bond issues totaling approximately $42.8 million. In June 2021, the District issued Revenue Bonds totaling $17,790,000. Additional information on the District's long-term debt can be found in Note 5 to the basic financial statements.

Current Factors Having Probable Future Financial Significance

The COVID19 pandemic continued to slow operations. The District moved to new course modalities. The college opened its dorms at half of its available capacity in an abundance of caution to mitigate the spread of the variants of the COVID19 virus. In May of 2021 and continuing to the date of this writing, the college received CARES Act (HEERF) Institutional, Minority Serving Institution (MSI), and Student Portion Funds to support our students and offset institutional losses. By October 2021, the majority of those funds have been exhausted. The Fall 2021 semester experienced a significant increase in enrollment as students re-engage in coursework in anticipation of receiving CARES Act (HEERF) funds. The U.S. Department of Education's objective to connect students to education appears to be working. With the prospects of additional federal or State grant funding, similar to HEERF, the college can continue to cautiously offer courses utilizing all of the available technology-supported and in-person modalities and monitor expenses to be good stewards of taxpayers' monies, both locally and nationally.

In the State of Arizona's fiscal year 2021-2022 budget, it appropriated $5.3 million of Rural Aid to the college. The District heard from its community organizations and their desire to hire members of the local population after receiving career-ready skills from local educational partners. The District plans to use the Rural Aid to develop an Apprenticeship program to serve the community for many years.

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

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

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of net position—primary government
June 30, 2021

	Business-type activities
Assets	
Current assets:	
Cash and cash equivalents	$ 47,543,725
Investments	12,884,903
Receivables (net of allowances for uncollectibles):	
Property taxes	1,644,329
Government grants and contracts	8,663,391
Interest	42,586
Other	448,900
Prepaid items	849,368
Total current assets	72,077,202
Noncurrent assets:	
Restricted assets:	
Property taxes receivable (net of allowances for uncollectibles)	246,256
Capital assets, not being depreciated	1,626,210
Capital assets, being depreciated, net	72,011,782
Total noncurrent assets	73,884,248
Total assets	145,961,450
Deferred outflows of resources	
Deferred outflows related to pensions	7,443,945
Deferred charge on debt refunding	1,409,807
Total deferred outflows of resources	8,853,752
Liabilities	
Current liabilities:	
Accounts payable	1,817,377
Accrued payroll and employee benefits	1,038,560
Interest payable	855,250
Unearned revenues	1,827,150
Deposits held in custody for others	318,924
Current portion of compensated absences payable	360,061
Current portion of long-term debt and capital lease obligations	4,022,907
Total current liabilities	10,240,229

(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, 2021
(Continued)

	Business-type activities
Noncurrent liabilities:	
Compensated absences payable	$ 1,241,302
Long-term debt and capital lease obligations	62,680,994
Net pension liability	40,242,575
Total noncurrent liabilities	104,164,871
Total liabilities	114,405,100
Deferred inflows of resources	
Deferred inflows related to pensions	547,241
Deferred credit on debt refunding	39,861
Total deferred inflows of resources	587,102
Net position	
Net investment in capital assets	8,304,037
Restricted:	
Expendable:	
Grants and contracts	4,610,980
Capital projects	20,515,509
Unrestricted	6,392,474
Total net position	$ 39,823,000

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of financial position—component unit
June 30, 2021

	Arizona Western College Foundation
Assets	
Current assets:	
Cash and cash equivalents	$ 65,541
Accounts receivable	8,000
Contributions receivable	5,000
Other assets	1,876
Total current assets	80,417
Noncurrent assets:	
Contributions receivable	10,000
Investments	8,129,101
Total assets	$ 8,219,518
Liabilities and net assets	
Current liabilities:	
Accounts payable	$ 441,743
Total current liabilities	441,743
Noncurrent liabilities:	
Compensated absences	11,802
Total liabilities	453,545
Net assets	
Without donor restrictions:	
Undesignated	1,325,373
Designated by the Board	450,734
With donor restrictions:	
Time restricted	509,611
Purpose restricted	2,836,987
Perpetual in nature	2,643,268
Total net assets	7,765,973
Total liabilities and net assets	$ 8,219,518

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, 2021

	Business-type activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of $6,552,597)	$ 5,177,837
Bookstore income	134,454
Food service income (net of scholarship allowances of $236,443)	651,884
Dormitory rentals and fees (net of scholarship allowances of $115,911)	131,698
Other	593,485
Total operating revenues	6,689,358
Operating expenses:	
Educational and general:	
Instruction	23,305,280
Public service	1,256,071
Academic support	3,349,749
Student services	8,537,576
Institutional support	11,140,739
Operation and maintenance of plant	5,760,407
Scholarships	7,525,748
Auxiliary enterprises	4,146,617
Depreciation	4,694,705
Total operating expenses	69,716,892
Operating loss	(63,027,534)
Nonoperating revenues (expenses):	
Property taxes	38,343,553
State appropriations	3,564,900
Smart and Safe Arizona fund appropriations	858,419
Government grants	25,387,069
Share of State sales taxes	1,170,479
Private grants and gifts	1,480,801
Investment earnings	114,359
Bond issuance costs	(370,433)
Interest expense on debt	(1,582,522)
Other nonoperating revenues	13,708
Gain on disposal of capital assets	1,959
Total nonoperating revenues (expenses)	68,982,292
Income before other revenues, expenses, gains, or losses	5,954,758
Capital grants and gifts	2,808
Increase in net position	5,957,566
Net position, July 1, 2020	33,865,434
Net position, June 30, 2021	$ 39,823,000

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, 2021

	Arizona Western College Foundation		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Contributions	$ 708	$ 401,292	$ 402,000
Contributions - in kind	249,544		249,544
Investment return, net	143,122	1,162,918	1,306,040
Net assets released from restrictions	782,662	(782,662)	
Total revenue, support, and gains	1,176,036	781,548	1,957,584
Expenses and losses			
Program services:			
Scholarships	380,680		380,680
Instruction	602,212		602,212
Total program expenses	982,892		982,892
Supporting services:			
Management and general	55,636		55,636
Fund-raising	38,163		38,163
Total supporting services	93,799		93,799
Total expenses and losses	1,076,691		1,076,691
Changes in net assets	99,345	781,548	880,893
Net assets, beginning of year	1,676,762	5,208,318	6,885,080
Net assets, end of year	$ 1,776,107	$ 5,989,866	$ 7,765,973

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, 2021

	Business-type activities
Cash flows from operating activities:	
Tuition and fees	$ 5,398,994
Bookstore receipts	134,454
Food services receipts	651,884
Dormitory rentals and fees	131,698
Other receipts	621,614
Other custodial receipts	1,677,611
Other custodial disbursements	1,738,601
Payments to suppliers and providers of goods and services	(23,470,617)
Payments for employee wages and benefits	(40,706,379)
Net cash used for operating activities	(57,299,342)
Cash flows from noncapital financing activities:	
Property taxes	38,610,294
State appropriations	4,423,319
Grants	18,507,638
Share of State sales taxes	1,383,090
Private grants and gifts	1,480,801
Other nonoperating expenses	13,708
Federal direct lending receipts	152,025
Federal direct lending disbursements	(152,025)
Net cash provided by noncapital financing activities	64,418,850
Cash flows from capital and related financing activities:	
Proceeds from issuance of capital debt	20,051,163
Principal paid on capital debt and leases	(3,497,689)
Capital endowments and gifts	2,808
Interest paid on capital debt	(1,802,188)
Proceeds from sale of capital assets	42,773
Purchases of capital assets	(2,917,371)
Net cash provided by capital and related financing activities	11,879,496
Cash flows from investing activities:	
Interest received on investments	128,806
Proceeds from sales and maturities of investments	2,906,285
Maturity of investments	250,000
Net cash provided by investing activities	3,285,091
Net increase in cash and cash equivalents	22,284,095
Cash and cash equivalents, July 1, 2020	25,259,631
Cash and cash equivalents, June 30, 2021	$ 47,543,725

(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, 2021
(Continued)

	Business-type activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (63,027,534)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	4,694,705
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Increase in:	
Prepaid items	(456,564)
Deferred outflows of resources related to pensions	(3,436,271)
Accounts payable	503,713
Accrued payroll and employee benefits	283,762
Compensated absences payable	111,045
Net pension liability	5,650,094
Decrease in:	
Other receivables	2,184,696
Deposits held in custody for others	(60,990)
Unearned revenues	(1,935,410)
Deferred inflows of resources related to pensions	(1,810,588)
Net cash used for operating activities	$ (57,299,342)
Noncash investing, capital, and noncapital financing activities	
Revenue bond issuance costs	$ 370,433
Gifts of depreciable and nondepreciable capital assets	2,808
Amortization of premium on general obligation bonds	443,916
Amortization of deferred inflows/outflows from general obligation bonds	(293,180)

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

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

A. Reporting entity

The District is a special-purpose government that a separately elected governing body governs. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government) and its discretely presented component unit, 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, 2021, the Foundation distributed $249,544 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office, PO Box 929, Yuma, AZ, 85364-0929.

For the year ended June 30, 2021, the District implemented the provisions of GASB Statement No. 84, Fiduciary Activities, as amended by GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans and assessed the impact to the business-type activities and fiduciary fund activities. Business-type activities may report assets with a corresponding liability that otherwise should be reported in a custodial fund in the Statement of Net Position of the business-type activity if those assets, upon receipt, are normally expected to be held for 3 months or less. Fiduciary activities for the District qualify for the 3-month exception and will not require separate fiduciary fund financial statements. The District has chosen to report such assets and liabilities in its Statement of Net Position. Additions and deductions have been reported as cash inflows and cash outflows, respectively, in the operating activities category of the Statement of Cash Flows.

B. Basis of presentation and accounting

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

A statement of net position provides information about the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the District's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding liabilities incurred to acquire or construct the assets. Nonexpendable restricted net position includes gifts that have been received for endowment purposes and federal contributions for the Federal Perkins Loan Program, 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 are as follows:

	Capitalization threshold	Depreciation method	Estimated useful life
Land	$5,000	N/A	N/A
Land improvements	5,000	N/A	N/A
Buildings	5,000	Straight-line	20-40 years
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 a revenue in future periods.

F. Postemployment benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plans' fiduciary net position and additions to/deductions from the plans' 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 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 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, 2021, the total cash on hand was $5,599, the carrying amount of the District's deposits was $34,125,501 and the bank balance was $34,404,819. The District does not have a formal policy with respect to custodial credit risk for deposits.

Investments—The District had total investments of $26,297,528 at June 30, 2021. The District categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

		Fair value measurement using		
Investments by fair value level	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury securities	$ 4,914,334	$ -	$ 4,914,334	$ -
U.S. agency securities	7,220,570		7,220,570	
Total investments categorized by fair value level	$12,134,904	$ -	$12,134,904	$ -

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

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

State Treasurer's investment pools	$ 50,000
County Treasurer's investment pool	14,112,624
Total external investment pools measured at fair value	$14,162,624

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the District held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The investment in the County Treasurer's pool is valued using the District's proportionate participation in the pool because the pool's structure does not provide for shares. The State Board of Investment provides oversight for the State Treasurer's investment pools. No comparable oversight is provided for the County Treasurer's investment pool.

***Credit risk*—**The District does not have a formal policy with respect to credit risk. As of June 30, 2021, 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	$ 50,000
County Treasurer's investment pool	Unrated	Not applicable	14,112,624
U.S. agency securities	Aaa/AA+	Moody's/Standard & Poor's	7,220,570
Total			$21,383,194

***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, 2021, of 5 percent or more in Federal National Mortgage

Association and Federal Home Loan Mortgage. These investments were 14 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, 2021, the District had the following investments in debt securities:

		Investment maturities	
Investment type	**Amount**	**Less than 1 Year**	**1-3 Years**
State Treasurer's investment pool 7	$ 50,000	$ 50,000	
County Treasurer's investment pool	14,112,624	14,112,624	
U.S. Treasury securities	4,914,334	2,282,203	$2,632,131
U.S. agency securities	7,220,570	4,652,653	2,567,917
Total	$26,297,528	$21,097,480	$5,200,048

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

Cash, deposits, and investments:		Statement of net position:	
Cash on hand	$ 5,599	Cash and cash equivalents	$47,543,725
Amount of deposits	34,125,501	Investments	12,884,903
Amount of investments	26,297,528		
Total	$60,428,628	Total	$60,428,628

Note 3 - Capital assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 504,690			$ 504,690
Construction in progress	295,635	$ 1,121,520	$ 295,635	1,121,520
Total capital assets not being depreciated	800,325	1,121,520	295,635	1,626,210
Capital assets being depreciated:				
Buildings	117,282,016	865,364		118,147,380
Equipment	13,000,332	1,147,556	$1,015,188	13,132,700
Improvements other than buildings	22,808,568	23,350		22,831,918
Library books	1,390,531	87,738	127	1,478,142
Total capital assets being depreciated	154,481,447	2,124,008	1,015,315	155,590,140
Less accumulated depreciation for:				
Buildings	$ 49,156,009	$ 2,866,019		$ 52,022,028
Equipment	10,357,624	930,019	$ 941,852	10,345,791
Improvements other than buildings	19,431,652	802,076		20,233,728
Library books	880,346	96,592	127	976,811
Total accumulated depreciation	79,825,631	4,694,706	941,979	83,578,358
Total capital assets being depreciated, net	74,655,816	(2,570,698)	73,336	72,011,782
Capital assets, net	$ 75,456,141	$(1,449,178)	$ 368,971	$ 73,637,992

Note 4 - Construction and other commitments

The District had major contractual commitments related to several capital projects at June 30, 2021, for the following: Construction of the new student experience building and the DeAnza Residence Hall replacement; air conditioning unit replacement in the Fitness Center; San Luis testing center improvements; roof repairs in the 3C, EB, and AS buildings; softball dugouts replacement; TI-LR building renovation; a Library addition, a San Luis Learning Center science room renovation; and converting the Wellton Learning Center into the Wellton Manufacturing Center.

- At June 30, 2021, the District had spent $1,121,520 on these projects and had remaining contractual commitments with contractors of $4,585,014. These projects are being financed by the funds separately identified for infrastructure improvements for the air conditioning unit replacement in the Fitness Center, the San Luis testing center improvements, the softball dugout replacement, and the solar lighting for volleyball area. Revenue bond funds are financing the student experience building, the DeAnza Residence Hall replacement, roof repairs in the 3C, EB, and AS buildings, and the replacement of the irrigation/pond pump. Restricted funds from the U.S. Department of Education, Instinct2 grant are financing the renovation of the TI, LR building renovations and San Luis Learning Center science room. Restricted funds from the National Endowment for the Humanities and the AWC Foundation are financing the Library addition. Restricted funds from the share of State sales taxes are financing the renovation at the Wellton Manufacturing Center.

Note 5 - Long-term liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within 1 year
General obligation bonds	$45,865,000		$3,110,000	$ 42,755,000	$3,255,000
Revenue bonds		$17,790,000		17,790,000	
Premiums	3,150,780	2,592,790	443,916	5,299,654	443,916
Total bonds payable	$49,015,780	$20,382,790	$3,553,916	$ 65,844,654	$3,698,916
Capital leases payable	$ 1,208,130	$ 38,806	$ 387,689	$ 859,247	$ 323,991
Net pension liability	34,592,481	5,650,094		40,242,575	
Compensated absences payable	1,490,317	1,020,005	908,960	1,601,363	360,061
Total long-term liabilities	$86,306,708	$27,091,695	$4,850,565	$108,547,839	$4,382,968

Bonds—The District's bonded debt consists of various issues of general obligation bonds and revenue bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The District repays principal and interest on the general obligation bonds from an ad valorem tax levied against all the taxable property in the District. The bonds issued are payable from such a tax without limit as to rate or amount. Revenue bonds are repaid from tuition and fees and dormitory rentals and fees. During the year, the District issued revenue bonds totaling $17,790,000 to construct buildings and fund major infrastructure needs.

The following bonds were outstanding at June 30, 2021:

Description	Original amount issued	Interest rates	Maturity ranges	Outstanding principal
General obligation bonds—series 2014	$28,665,000	2.886%	7/1/2021-25	$16,145,000
General obligation refunding bonds—series 2014A	16,035,000	3.605%	7/1/2021-30	16,035,000
General obligation refunding bonds—series 2016	10,895,000	2.568%	7/1/2021-31	10,575,000
Revenue bonds—series 2021	17,790,000	2.383%	7/1/2025-46	17,790,000
				$60,545,000

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2021:

	General obligation bonds		Revenue bonds	
	Principal	Interest	Principal	Interest
Year ending June 30				
2022	$ 3,255,000	$1,661,895		$ 659,587
2023	3,365,000	1,530,545		621,600
2024	3,535,000	1,360,805		621,600
2025	3,720,000	1,182,250		621,600
2026	3,825,000	996,565	$ 540,000	600,000
2027-31	22,600,000	2,259,405	3,040,000	2,644,600
2032-36	2,455,000	31,915	3,705,000	1,959,000
2037-41			4,395,000	1,308,600
2042-46			4,995,000	637,000
2047			1,115,000	
	$42,755,000	$9,023,380	$17,790,000	$9,673,587

The District has pledged future revenue streams from tuition, fees, rentals, and other payments from students, faculty, and others to make debt service payments on all revenue bonds outstanding at June 30, 2021. Annual principal and interest payments on the debt issuances, payable solely from these revenues through 2047, are expected to require less than 18% of the annual pledged gross revenues. Total principal and interest remaining to be paid is $27,463,587.

Note 6 - Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates with seven other Arizona community college districts and more than 200 Arizona school districts in the Arizona School Risk Retention Trust, Inc. (Trust), a public-entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, property, cyber, automobile, boiler, and machinery liability; and commercial crime risks. The coverage limits and deductibles are listed below:

Coverage	Limit	Deductible
General	$10,000,000/occurrence	None
	Employer's liability: $2,000,000/accident or disease	$500,000/accident or disease
	Cyber Liability: $5,000,000/occurrence	$5,000/occurrence
Professional	Administrative practices: $150,000/claim, $300,000 aggregate	None
	Criminal legal defense: $100,000/claim, $200,000 aggregate	None
Property	Total insurable value: $124,858,266	$1,000/occurrence
Automobile	$10,000,000/occurrence	None
	$15,000 each person/$250,000 each accident underinsured/ uninsured motorist	
Commercial crime	$1,500,000/occurrence	$100/occurrence

The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any single year. The District will be charged for any such assessment in the following year. The District also carries commercial insurance for other risks of loss, including workers' compensation, employees' health, accidental death and dismemberment for students and employees, employee travel, and student athlete injuries. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

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

Note 7 - Pension

Plan description—District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, 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 and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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

* With 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 earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the 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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.04 percent for retirement of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.65 percent for retirement, of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 10.14 percent for retirement of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill. The District's contributions to the pension plan for the year ended June 30, 2021, were $3,270,335.

Liability—At June 30, 2021, the District reported the following liability for its proportionate share of the ASRS' net pension liability.

ASRS	Net pension liability
Pension	$40,242,575

The net liability was measured as of June 30, 2020. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The District's proportion of the net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2020. The District's proportion measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

ASRS	Proportion June 30, 2020	Increase (decrease) from June 30, 2019
Pension	0.23226%	-0.00547

Expense—For the year ended June 30, 2021, the District recognized the following pension expense.

ASRS	Pension expense
Pension	$3,442,214

Deferred outflows/inflows of resources—At June 30, 2021, 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	$ 364,064	
Changes of assumptions or other inputs		
Net difference between projected and actual earnings on plan investments	3,881,443	
Changes in proportion and differences between District contributions and proportionate share of contributions	29,927	$547,241
District contributions subsequent to the measurement date	3,168,511	
Total	$7,443,945	$547,241

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as expenses as follows:

Year ending June 30	
2022	$ 192,739
2023	930,985
2024	1,403,959
2025	1,200,510

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

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected geometric real rate of return
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed income – interest rate sensitive	10%	0.22%
Real estate	20%	5.85%
Total	100%	

Discount rate—The discount rate used to measure the ASRS total pension liability was 7.5 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$55,031,176	$40,242,575	$27,880,065

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

Note 8 - Operating expenses

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

Personal services	$41,504,421
Contract services	4,803,873
Supplies and other services	2,394,367
Communications and utilities	2,153,722
Scholarships	7,525,748
Depreciation	4,694,705
Other	6,640,056
Total	$69,716,892

The District uses credit cards to pay certain vendors for goods and services. The District received $26,103 in rebates resulting from credit card payments for the year ended June 30, 2021.

Note 9 – Subsequent Events

The District has been unsuccessful in attracting full-time specialized information technology talent while requiring immediate work to be completed for the stability, continued proper operation, and growth of the College. In October 2021, the District expanded its partnership with CampusWorks to outsource all District information technology full-time employees. This action commits the District to $7,744,061 between October 1, 2021 and August 31, 2024.

Note 10 – 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. The Foundation's primary source of revenue is from contributions.

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

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

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

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

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

Use of estimates—In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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

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

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

Revenue recognition—The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend and have been met. The Foundation did not have any conditional promises to give at June 30, 2021.

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

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

In-kind contributions—Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without restrictions at that time.

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

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Time and effort
Professional services	Time and effort
Rent	Time and effort
Office supplies and technology	Time and effort
Travel and meetings	Time and effort
Memberships and subscriptions	Time and effort
Professional development	Time and effort
Printing and copying	Time and effort
Insurance	Time and effort

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

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

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

Date of management's review—In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 24, 2021, which is the date the financial statements were available to be issued.

Liquidity and availability

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

Financial assets at year-end:	
Cash and cash equivalents	$ 65,541
Contributions receivable	5,000
Accounts receivable	8,000
Investments	8,129,101
Total financial assets	8,207,642
Less amounts not available to be used within one year:	
Net assets with donor restrictions	$(6,319,641)
Quasi-endowment established by the Board	(450,734)
Financial assets available to meet general expenditures over the next twelve months	$ 1,437,267

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

Investments and fair value measurements

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

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

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

Level 2 assets use quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability.

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

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

<u>Fair Values Measured on Recurring Basis</u>

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

	Hierarchy level	**Fair value**
Cash and cash equivalents		
Money market funds	Level 1	$ 53,280
Investments		
Fixed income investments	Level 1	3,166,109
Equities	Level 1	4,962,992
Total assets		$8,182,381

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

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

Contribution receivable

Unconditional contributions receivable consist of the following:

Amounts due in:	
Less than one year	$ 5,000
One to five years	10,000
Total	$15,000

Endowments

The Foundation's endowment consists of approximately 147 individual funds established for student scholarships. Its endowment includes both donor-restricted funds and funds designated by the Board to meet matching requirements. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

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

	Without donor restriction	With donor restriction	Total
Donor-restricted funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		$2,643,268	$2,643,268
Accumulate investment gains and contributions		1,595,296	1,595,296
Board-designated endowment funds:			
Title V Match	$450,734		450,734
Total funds	$450,734	$4,238,564	$4,689,298

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

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

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

Changes in Endowment Net Assets as of year-end:

	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of year	$371,053	$3,333,740	$3,704,793
Contributions		373,494	373,494
Reclassification		(4,798)	(4,798)
Investment return, net	87,625	767,133	854,758
Amounts appropriated for expenditure	(7,944)	(231,005)	(238,949)
Endowment net assets, end of year	$450,734	$4,238,564	$4,689,298

Net assets

Net Assets without donor restrictions are as follows:

Designated for Title V match	$ 450,734
Undesignated	1,325,373
Total	$1,776,107

Net assets with donor restrictions were as follows:

Perpetual and specific purpose	
Endowments	$4,238,564
Title V Dreams to Reality	25,389
Instruction	1,216,302
Passage of Time	
Title V Dreams to Reality	509,611
Total	$5,989,866

Net assets released from donor restrictions are as follows:

Satisfaction of purpose restrictions	
Scholarships	$231,005
Instruction	542,291
Title V Dreams to Reality	9,366
Total	$782,662

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 $249,544 for the current fiscal year.

Concentrations

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

Other Required Supplementary Information

Yuma/La Paz Counties Community College District
(Arizona Western College)
Required supplementary information
Schedule of the District's proportionate share of the net pension liability
June 30, 2021

Arizona State Retirement System

	Reporting fiscal year (Measurement date)							
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
District's proportion of the net pension liability	0.232260%	0.237730%	0.237050%	0.234410%	0.253700%	0.258180%	0.253189%	
District's proportionate share of the net pension liability	$ 40,242,575	$ 34,592,481	$ 33,060,133	$ 36,516,509	$ 40,949,729	$ 40,216,044	$ 37,463,394	
District's covered payroll	$ 25,141,739	$ 25,109,014	$ 23,654,893	$ 23,355,636	$ 23,105,663	$ 24,188,420	$ 22,952,857	Information unavailable
District's proportionate share of the net pension liability as a percentage of its covered payroll	160%	138%	140%	156%	177%	166%	163%	
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

Yuma/La Paz Counties Community College District
(Arizona Western College)
Required supplementary information
Schedule of the District's pension contributions
June 30, 2021

Arizona State Retirement System	Reporting fiscal year								
	2021	2020	2019	2018	2017	2016	2015	2014	2013 through 2012
Statutorily required contribution	$ 3,245,199	$ 3,095,566	$ 2,919,511	$ 2,552,655	$ 2,573,271	$ 2,710,797	$ 2,674,695	$ 2,385,898	
District's contributions in relation to the statutorily required contribution	3,270,335	3,036,260	2,919,511	2,552,655	2,573,271	2,710,797	2,674,695	2,385,898	
District's contribution deficiency (excess)	$ (25,136)	$ 59,306	$ -	$ -	$ -	$ -	$ -	$ -	Information unavailable
District's covered payroll	$ 26,139,986	$ 25,141,739	$ 25,109,014	$ 23,654,893	$ 23,355,636	$ 23,105,663	$ 24,188,420	$ 22,952,827	
District's contributions as a percentage of employee payroll	12.41%	12.08%	11.63%	10.79%	11.02%	11.73%	11.06%	10.39%	

SINGLE AUDIT REPORT

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2021. Our report includes a reference to other auditors who audited the financial statements of the Arizona Western College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The Foundation's financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal control over financial reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that 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 2021-01 and 2021-02, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District response to findings

The 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 is responsible for preparing a corrective action plan to address each finding. The District's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this report

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

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

November 24, 2021

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

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

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, 2021. 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.

Opinion on each major federal program

In our opinion, the 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, 2021.

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.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

November 24, 2021

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?	**No**
Type of auditors' report issued on compliance for major programs:	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	**No**

Identification of major programs

Assistance Listings number	Name of federal program or cluster
	WIOA Cluster:
17.258	WIOA—Adult Program
17.259	WIOA—Youth Programs
	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
84.031	Higher Education – Institutional Aid
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Financial statement findings

2021-01

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

Condition—The District's process for managing and documenting its risks did not include an overall risk assessment process that included identifying, analyzing, and responding to the District-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT data and systems. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

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

Cause—The District did not have written policies and procedures for conducting an entity-wide risk assessment that included IT risks. Although the District had risk assessment procedures related to its IT functions, these procedures did not involve a discussion with the District's administrative officials and management who, in coordination with the IT Department, are responsible for deciding how to respond to IT risks the District faces. Further, the IT Department did not follow these procedures because it lacked resources and had turnover in key IT positions.

Criteria—The District should follow a credible industry source such as the National Institute of Standards and Technology to help effectively manage risk at the District. Effectively managing risk includes an entity-wide risk assessment process that involves members of the District's administration and IT management. The risk assessment should determine the risks the District faces as it seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and service objectives. The process should provide the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which the District might be subjected. To help ensure the District's objectives can be met, an annual risk assessment should consider IT risks. For each identified risk, the District should analyze the identified risk and develop a plan to respond within the context of the District's defined objectives and risk tolerances. The process of managing risks should also address the risk of unauthorized access and use, modification, or loss of sensitive information.

Recommendations—The District should:

1. Ask responsible administrative officials and management over finance, IT, and other entity functions for input in the District's process for managing risk, plan for where to allocate resources and where to implement critical controls, and identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.

2. Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.

3. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the District holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

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

2020-02

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

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

- **Restricting access—**Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
- **Securing systems and data—**IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

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

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

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

- **Restricting access through logical access controls—**Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Securing systems and data through IT security internal control policies and procedures—**Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

Recommendations—The District should:

1. Make it a priority to develop and document comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

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

2. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.

3. Remove terminated employees' access to IT systems and data.

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

4. Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to ensure vendor qualifications and adherence to the vendor contract.

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

This finding is similar to prior-year finding 2020-01.

DISTRICT SECTION

YUMA/LA PAZ COMMUNITY COLLEGE DISTRICT (ARIZONA WESTERN COLLEGE)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

Federal Awarding Agency/Program Title	*Federal CFDA Number*	*Additional Award Identification (Optional)*	*Name of Funder Pass-Through Entity*	*Identifying Number Assigned By Funder Pass-Through Entity*	*Total Amount Provided to Sub-Recipients*	*Federal Expenditures*	*Federal Program Total*	*Cluster Name*	*Cluster Total*
DEPARTMENT OF LABOR									
WIOA ADULT PROGRAM	*17.258*		*YUMA PRIVATE INDUSTRY COUNCIL*	*AH2020-07-01/ADULTFULL*		*$652,952*	*$652,952*	*WIOA CLUSTER*	*$1,257,184*
WIOA YOUTH ACTIVITIES	*17.259*		*YUMA PRIVATE INDUSTRY COUNCIL*	*AH2020-07-01/OSY/ABE/GED AH2020-07-01/OSY*		*$604,232*	*$604,232*	*WIOA CLUSTER*	*$1,257,184*
TOTAL DEPARTMENT OF LABOR						$1,257,184			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES									
PROMOTION OF THE HUMANITIES CHALLENGE GRANTS	45.130					$126,282	$126,282	N/A	$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES						$126,282			
SMALL BUSINESS ADMINISTRATION									
SMALL BUSINESS DEVELOPMENT CENTERS	*59.037*		*MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT*	*SBAHQ-20-B0074SBAHQ-21-B0028/*		*$99,575*	*$137,729*	*N/A*	*$0*
COVID-19 - SMALL BUSINESS DEVELOPMENT CENTERS	*59.037*	*COVID-19, 59.037*	*MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT*	*SBAHQ20C0012*		*$38,154*	*$137,729*	*N/A*	*$0*
TOTAL SMALL BUSINESS ADMINISTRATION						$137,729			
DEPARTMENT OF EDUCATION									
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	84.007					$396,909	$396,909	STUDENT FINANCIAL ASSISTANCE CLUSTER	$12,304,505
HIGHER EDUCATION INSTITUTIONAL AID	84.031				$258,759	$1,007,278	$1,007,278	N/A	$0
FEDERAL WORK-STUDY PROGRAM	84.033					$317,899	$317,899	STUDENT FINANCIAL ASSISTANCE CLUSTER	$12,304,505
TRIO STUDENT SUPPORT SERVICES	84.042					$319,093	$319,093	TRIO CLUSTER	$918,715
TRIO TALENT SEARCH	84.044					$316,169	$316,169	TRIO CLUSTER	$918,715
TRIO UPWARD BOUND	84.047					$283,453	$283,453	TRIO CLUSTER	$918,715
CAREER AND TECHNICAL EDUCATIONBASIC GRANTS TO STATES	*84.048*		*ARIZONA DEPARTMENT OF EDUCATION*	*21FCTDBG-112101-20A20FCTDBG-912101-20A*		*$380,611*	*$380,611*	*N/A*	*$0*
FEDERAL PELL GRANT PROGRAM	84.063					$11,437,672	$11,437,672	STUDENT FINANCIAL ASSISTANCE CLUSTER	$12,304,505
MIGRANT EDUCATION COLLEGE ASSISTANCE MIGRANT PROGRAM	84.149					$413,013	$413,013	N/A	$0
FEDERAL DIRECT STUDENT LOANS	84.268					$152,025	$152,025	STUDENT FINANCIAL ASSISTANCE CLUSTER	$12,304,505
CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	84.335					$62,205	$62,205	N/A	$0
COVID-19 - HEERF EDUCATION STABILIZATION FUND	84.425	COVID-19, 85.425E				$864,769	$8,285,661	N/A	$0
COVID-19 - HEERF EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425F				$5,742,432	$8,285,661	N/A	$0
COVID-19 - HEERF EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425L				$1,678,460	$8,285,661	N/A	$0
COVID-19 - HIGHER EDUCATION EMERGENCY RELIEF FUND	84.U00	COVID-19, 84,U00				$41,682	$41,682	N/A	$0
TOTAL DEPARTMENT OF EDUCATION					$258,759	$23,413,670			
TOTAL EXPENDITURE OF FEDERAL AWARDS					$258,759	$24,934,865			

Please Note:
Italicized award lines indicate pass-through funding

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

YUMA/LA PAZ COMMUNITY COLLEGE DISTRICT (ARIZONA WESTERN COLLEGE)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

Significant Accounting Policies Used in Preparing the SEFA
Expenditures and recovery of lost revenues reported on the schedule are reported on the accrual basis of accounting. Such expenditures and recovery of lost revenues 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.

10% De Minimis Cost Rate

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

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, 2021. 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.

Federal Assistance Listings numbers
The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2021 Federal Assistance Listings, as well as SAM.Gov and Grants.gov websites. When no Federal Assistance Listings number had been assigned to a program, the 2-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier and the word "unknown" were used.

DISTRICT RESPONSE

ARIZONA WESTERN COLLEGE

November 17, 2021

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

Dear Ms. Perry:

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

Sincerely,

Michelle L Landis, MPA, CPA, CMA
Director for 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
Corrective Action Plan
Year ended June 30, 2021

Financial statement findings

2021-01

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

Name(s) of contact persons: Risk Assessment: Justin Smith, Scott Estes, Ashley Herrington; Data Classification: College Data Governance Committee Chairs
Anticipated completion date: Complete Risk assessment – Q2 2022; Data Classification – Q3 2022

Risk Assessment:

1. Identify stakeholders.
2. Define a Risk Assessment Policy and Procedure.
3. Complete Risk Assessment.

Data Classification:

4. Review and update scope of Data Governance Committee Charge.
5. Review and update policy and procedures including process to identify sensitive data.
6. Deploy Spirion Toolset to scan systems and identify classified data.
7. Remediation efforts based on scan results.

2021-02

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

Name(s) of contact persons: Scott Estes, Justin Smith, Ashley Herrington
Anticipated completion date: Q1 2022

Restricting Access:

1. College will be deploying a new Account Management automated Process to manage access control to be completed prior to the end of Q1 2022.

Securing systems and data:

2. Existing ITSS policy and procedures will be updated to reflect new control procedures.

ARIZONA WESTERN COLLEGE

November 17, 2021

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

Dear Ms. Perry:

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

Sincerely,

Michelle L Landis, MPA, CPA, CMA
Director for Financial Services and Controller

Yuma/La Paz Counties Community College District
Arizona Western College
Summary schedule of prior audit findings
Year ended June 30, 2021

Status of financial statement findings

The District should improve access controls over its information technology resources.

Finding number: 2020-01 This finding initially occurred in fiscal year 2010.

Status: Partially corrected

The District should improve security over its information technology resources.

Finding number: 2020-01 This finding initially occurred in fiscal year 2014.

Status: Not corrected

The District does have routine processes and technology toolsets configured to prevent, detect, and respond to instances of suspicious, inappropriate, or unauthorized activity. Additional safeguards have been put in place on for user accounts with administrative access on select IT systems.

The District's approach to IT policies and procedures has changed over the course of FY 21, we are in progress of a full development and implementation process under new CIO leadership.

The District has begun this task in FY 21 with the District's data governance committee, however, there is still further refinement of process needed before this will be complete and holistically configured as a well-defined practice during FY 22.

The District has implemented a notification process via the IT ticketing system. The ticket is initiated by HR and notifies IT when employees are terminated. Infrastructure and Service Desk staff then process the tickets and update each ticket with the appropriate information prior to closing the ticket.

Account access were initiated via the IT ticketing system. New tickets were created to document account access reviews and closed when the process was completed.

FY 21 the District implemented internal processes to evaluate shared credential usage and access. Additionally, the district has greatly reduced the number of shared accounts through this process.

The District has deployed Multi Factor Authentication (MFA) for multiple IT systems and requires MFA for all employees using Microsoft Office 365's suite of cloud products. The District has not yet classified each IT system and data type to determine where additional authentication requirements are needed.

The District will develop, document, and follow a process for subsequent monitoring of IT vendor contracts in FY 22

ARIZONA
AuditorGeneral
Making a Positive Difference