



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Financial Statements and Report on Internal Control and
on Compliance

Santa Cruz County Provisional Community College District

(Santa Cruz Community College)
Year Ended June 30, 2013



Debra K. Davenport
Auditor General

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Santa Cruz County Provisional Community College District
(Santa Cruz Community College)
Financial Statements and Report on Internal Control and on Compliance
Year Ended June 30, 2013

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Governing Board of
Santa Cruz County Provisional Community College District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of Santa Cruz County Provisional Community College District as of and for the year ended June 30, 2013, 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 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.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Santa Cruz County Provisional Community College District as of June 30, 2013, and the respective changes in financial position 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 and the Budgetary Comparison Schedule—General Fund as listed in the table of contents 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

March 21, 2014

Santa Cruz County Provisional Community College District
(Santa Cruz Community College)
Management's Discussion and Analysis
Year Ended June 30, 2013

This discussion and analysis of the Santa Cruz County Provisional Community College District's (District) financial performance is prepared by the District's management and provides an overview of the District's financial position and activities for the year ended June 30, 2013. Please read it in conjunction with the financial statements, which immediately follow.

Basic Financial Statements

The District's annual financial statements were prepared in conformity with U.S. generally accepted accounting principles (GAAP). The District is a special-purpose governmental unit governed by a separately elected governing body. The financial statements are presented in accordance with the reporting model prescribed by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis*, and consist of the following:

The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Governmental Fund Balance Sheet/Statement of Net Position and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities combines information about the reporting government as a whole and fund statements to report the General Fund's financial position and the results of its operations. Government-wide financial statements are designed to provide readers with a broad overview of the District's finances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

The General Fund is the District's general operating fund. It is used to account for all of the District's financial resources.

Financial Highlights and Analysis

In accordance with state statute, the District does not offer degrees, certificates, or diplomas. As a result, the District has contracted with Cochise County Community College District (CC) to provide educational programs and services.

The District and CC entered into an intergovernmental agreement and operating agreement under which CC provided educational programs and services to the District from July 1, 2012 through June 30, 2013. The agreement established that CC will provide educational programs; certification of faculty; admission and registration of students; payroll services for CC employees; academic records and transcripts; access to student information; financial aid counseling, processing, and distribution; student employment; curriculum and master schedule development; information technology services; collection of all tuition and fees for credit courses; cashiering for CC-related functions; access to information relative to enrollments; and payment to adjunct faculty.

Santa Cruz County Provisional Community College District
(Santa Cruz Community College)
Management's Discussion and Analysis
Year Ended June 30, 2013

The District exercises primary tax levy authority for the generation of funds and collects other general revenues to pay for the contracted education and other general operating expenses. The District continues to act in a financially conservative manner during the budgetary process, looking to maintain a secure financial future for the institution.

Condensed Financial Information

The financial information in the *Statement of Net Position* on page 1 reflects the District's assets, liabilities, and net position. The *Statement of Activities* on page 2 presents the District's operations. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or regressing. The following tables present summaries of the District's net position and the changes in net position for the years ended June 30, 2012 and 2013.

Net Position
As of June 30, 2013 and 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase / (Decrease)</u>
Assets:			
Current assets	<u>\$254,167</u>	<u>\$221,768</u>	<u>\$32,399</u>
Total assets	<u>254,167</u>	<u>221,768</u>	<u>32,399</u>
Liabilities:			
Current liabilities	<u>212,347</u>	<u>198,072</u>	<u>14,275</u>
Total liabilities	<u>212,347</u>	<u>198,072</u>	<u>14,275</u>
Net Position:			
Restricted		1,313	(1,313)
Unrestricted	<u>41,820</u>	<u>22,383</u>	<u>19,437</u>
Total net position	<u>\$ 41,820</u>	<u>\$ 23,696</u>	<u>\$18,124</u>

Santa Cruz County Provisional Community College District
(Santa Cruz Community College)
Management's Discussion and Analysis
Year Ended June 30, 2013

Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase/ (Decrease)</u>
Expenses:			
Educational and general	\$355,041	\$354,402	\$ 639
Total expenses	<u>355,041</u>	<u>354,402</u>	<u>639</u>
Revenues:			
Program revenues:			
Operating grants and contracts	_____	<u>18,677</u>	<u>(18,677)</u>
Total program revenues	_____	<u>18,677</u>	<u>(18,677)</u>
General revenues:			
Property taxes	258,279	267,462	(9,183)
State appropriations	63,500		63,500
Santa Cruz County contract contributions	29,350	87,259	(57,909)
Share of state sales taxes	21,670		21,670
Other	<u>366</u>	_____	<u>366</u>
Total general revenues	<u>373,165</u>	<u>354,721</u>	<u>18,444</u>
Total revenues	<u>373,165</u>	<u>373,398</u>	<u>(233)</u>
Change in net position	18,124	18,996	<u>\$ (872)</u>
Net Position:			
Beginning	<u>23,696</u>	<u>4,700</u>	
Ending	<u>\$ 41,820</u>	<u>\$ 23,696</u>	

Significant Variances

For the fiscal year ended June 30, 2013, the third year of operations for the District, the financial data presented above is for analysis and comparison of significant variances relative to assets, liabilities, net position, revenues, and expenses.

- Total assets at June 30, 2013, were \$254,167, consisting of cash in bank of \$188,477, property taxes receivable of \$65,626, and accounts receivable of \$64. Total assets increased by a net amount of \$32,399. This net increase was primarily due to an increase in cash and receivables from additional property taxes, which was offset by a decrease in due from other governments because there was no support due from Santa Cruz County to the District at the end of fiscal year 2013.
- The total liabilities, representing current obligations for educational and general expenses, increased by \$14,275 because of an increase in the intergovernmental educational programs and services contract payable at year-end to CC.

Santa Cruz County Provisional Community College District
(Santa Cruz Community College)
Management's Discussion and Analysis
Year Ended June 30, 2013

- The total education and general expenses increased by only \$639 because of no significant changes to expenses.
- The total program revenues decreased by \$18,677 because the operating grant received in fiscal year 2012 was not available to the District in fiscal year 2013.
- The total general revenues increased by a net amount of \$18,444 primarily because of state appropriations of \$63,500 and share of state sales tax of \$21,670 received in fiscal year 2013 that were not apportioned to the District in fiscal year 2012, offset by a decrease in Santa Cruz County contributions of \$57,909 because less assistance was needed from the County due to increased state funding.

General Fund Budget

The District's actual educational and general expenditures were only \$3,512 or 1 percent more than the budgeted amount. These expenditures were funded by greater than anticipated property tax revenues. The actual revenues exceeded the budgeted amount by \$1,396 primarily because of more property taxes received in fiscal year 2013.

Additional budgetary information can be found on pages 9 and 10 of this report.

Current Factors Having Probable Future Financial Significance

Proposition 301 monies are given to provisional community colleges to use for workforce development activities. The District began receiving these monies during fiscal year 2013 and expects to continue to receive just over \$20,000 annually. It is anticipated that the State will continue to take a conservative approach to state spending and budgeting in the immediate fiscal periods to come.

Due to enrollment growth at the District and a constant need for additional and appropriate classroom and personnel space, the District's Governing Board decided to increase the budget by increasing the District's tax rate which provided additional funding for F/Y 2014. The District used the additional funding to enter into an operating lease for a much larger building with more needed classroom and personnel space. This also allowed for all District functions to be housed in a central location, instead of leasing space throughout the County. The building was remodeled to fit the needs of the District's students, and as a result enrollment has yet again increased during F/Y 2014.

As a result of reductions in outside sources of funding, the District plans to keep its tax levy at the maximum without a truth in taxation hearing. The District will consider adjustments to tuition as well as continuing to explore additional cost saving measures. Despite these economic pressures, the District will continue to provide outstanding educational services to our growing constituencies at affordable prices and monitor these external economic changes and their impacts on the District.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Jennifer K. St. John, Chief Fiscal Officer, at (520) 375-7820.

Santa Cruz County Provisional Community College District
(Santa Cruz Community College)
Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2013

	Balance Sheet— General Fund	Reconciliation (Note 4)	Statement of Net Position— Governmental Activities
Current assets			
Cash in bank	\$ 188,477		\$ 188,477
Property taxes receivable	65,626		65,626
Accounts receivable	<u>64</u>		<u>64</u>
Total assets	<u>\$ 254,167</u>		<u>254,167</u>
 Current liabilities			
Due to other governments	\$ 212,347		212,347
Deferred revenue	<u>24,794</u>	\$ (24,794)	<u> </u>
Total liabilities	<u>237,141</u>	<u>(24,794)</u>	<u>212,347</u>
 Fund balance/Net position			
Fund balance:			
Unassigned	<u>17,026</u>	<u>(17,026)</u>	
Total fund balance	<u>17,026</u>	<u>(17,026)</u>	
Total liabilities and fund balance	<u>\$ 254,167</u>	<u>(41,820)</u>	
 Net position:			
Unrestricted		<u>41,820</u>	<u>41,820</u>
Total net position		<u>\$ 41,820</u>	<u>\$ 41,820</u>

See accompanying notes to financial statements.

Santa Cruz County Provisional Community College District
(Santa Cruz Community College)
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance/Statement of Activities
Year Ended June 30, 2013

	<u>General Fund</u>	<u>Reconciliation (Note 4)</u>	<u>Statement of Activities— Governmental Activities</u>
Expenditures/Expenses:			
Educational and general	\$ 355,041		\$ 355,041
Total expenditures/expenses	<u>355,041</u>		<u>355,041</u>
 General revenues:			
Property taxes	263,239	\$ (4,960)	258,279
State appropriations	63,500		63,500
Santa Cruz County contract contributions	29,350		29,350
Share of state sales taxes	21,670		21,670
Miscellaneous	<u>366</u>		<u>366</u>
Total general revenues	<u>378,125</u>	<u>(4,960)</u>	<u>373,165</u>
 Net change in fund balance	 23,084	 (23,084)	
Change in net position		18,124	18,124
 Fund balance (deficit)/Net position:			
July 1, 2012	<u>(6,058)</u>	<u>29,754</u>	<u>23,696</u>
June 30, 2013	<u>\$ 17,026</u>	<u>\$ 24,794</u>	<u>\$ 41,820</u>

See accompanying notes to financial statements.

Santa County Provisional Community College District
(Santa Cruz Community College)
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Santa Cruz County Provisional Community College District (District) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. 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).

Because Santa Cruz County Provisional Community College District is a provisional district, it cannot offer degrees, certificates, or diplomas and, therefore, contracts with an accredited district. Educational programs and services are provided through intergovernmental agreements as follows:

The District and Cochise County Community College (CC) entered into an intergovernmental operating agreement under which CC provided educational programs and services to the District from July 1, 2012 through June 30, 2013. The agreement established that CC will provide educational programs; certification of faculty; admission and registration of students; payroll services for CC employees; academic records and transcripts; access to student information; financial aid counseling, processing, and distribution; student employment; curriculum and master schedule development; information technology services; collection of all tuition and fees for credit courses; cashiering for CC-related functions; access to information relative to enrollments; and payment to adjunct faculty.

District personnel are not directly employed by the District. The staff is directly employed by CC. The cost of the personnel compensation and related benefits is paid to CC through an intergovernmental agreement.

B. Basis of Presentation and Accounting

The basic financial statements include the Governmental Fund Balance Sheet/Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. Since the District is a single-program government, it presents the government-wide financial statements in combination with the fund financial statements.

Santa County Provisional Community College District
(Santa Cruz Community College)
Notes to Financial Statements
June 30, 2013

The Governmental Fund Balance Sheet/Statement of Net Position provides information about the assets, liabilities, and fund balance/net position of the District 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 district obligations. The District does not have any net position that is 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 anything other than general operating purposes.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities provides information about the District's financial activities during the year. Revenues are classified as either program or general, and all changes in net position are reported. Generally, revenues generated by the District for instruction and student services along with operating and capital grants and contributions are considered to be program revenues. Other revenues used for instruction and student services, such as property taxes, Santa Cruz County contract contributions, state appropriations, and share of state sales taxes, not classified as program revenues are considered to be general revenues.

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

The fund financial statements, the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The District considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. The District's major revenue sources susceptible to accrual are property taxes, state appropriations, share of state sales taxes, and contract contributions. Expenditures are recorded when the related fund liability is incurred.

The government-wide financial statements, the Statement of Net Position and the Statement of Activities 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 in the year in which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Santa County Provisional Community College District
(Santa Cruz Community College)
Notes to Financial Statements
June 30, 2013

C. Cash and Investments

The District's cash consists of demand deposits. The District had no investments at June 30, 2013.

D. Capital Assets

The District had no capital assets at June 30, 2013.

E. Property Tax Revenues

The District's property tax is adopted by the Governing Board and reviewed on an annual basis. The Santa Cruz County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

F. Fund Balance Classifications

Fund balance of the governmental fund is reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications. The District's fund balance only consists of unassigned.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the District uses restricted fund balances first. For the disbursement of unrestricted fund balances, the District uses committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

Santa County Provisional Community College District
(Santa Cruz Community College)
Notes to Financial Statements
June 30, 2013

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. The statutes do not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with the property of another when making investment decisions about those monies. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

Deposits—At June 30, 2013, the carrying amount of the District's deposits and the bank balance was \$188,477. The District does not have a formal policy with respect to custodial credit risk of deposits.

Note 3 - Due To Other Governments

At June 30, 2013, the District had reported a total amount due to CC of \$212,347 for providing educational programs and services during the year.

Note 4 - Reconciliations

The reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position at June 30, 2013, was as follows:

Fund balance—governmental fund	\$17,026
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the fund.	<u>24,794</u>
Net position of governmental activities	<u>\$41,820</u>

The reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities for the year ended June 30, 2013, was as follows:

Net change in fund balance—governmental fund	\$23,084
Amounts reported for governmental activities in the Statement of Activities are different because:	
Collections of revenues in the governmental fund exceeded revenues reported in the Statement of Activities	<u>(4,960)</u>
Change in net position of governmental activities	<u>\$18,124</u>

Santa County Provisional Community College District
(Santa Cruz Community College)
Notes to Financial Statements
June 30, 2013

Note 5 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Arizona School Risk Retention Trust, Inc., a public-entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, property, automobile, boiler and machinery, and commercial crime risks. The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any one year. The District will be charged for any such assessment in the following year.

Note 6 - Intergovernmental Agreement

The District and Santa Cruz County entered into an intergovernmental agreement under which the District agrees to a budget of \$287,629 based on anticipated property tax revenue for fiscal year 2011 and maintain the same property tax rate for fiscal years 2011 through 2013. If the district revenues generated or received from its tax levy falls short of \$287,629 for fiscal years 2011 through 2013, the County agrees to assist the District financially. The County provided the District with \$29,350 in fiscal year 2013.

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Santa Cruz County Provisional Community College District
(Santa Cruz Community College)
Required Supplementary Information
Budgetary Comparison Schedule—General Fund
Year Ended June 30, 2013

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Property taxes	\$ 258,279	\$ 263,239	\$ 4,960
State appropriations	63,400	63,500	100
Santa Cruz County contract contributions	29,350	29,350	
Share of state sales taxes	25,200	21,670	(3,530)
Miscellaneous	500	366	(134)
Total revenues	<u>376,729</u>	<u>378,125</u>	<u>1,396</u>
Expenditures:			
Educational and general	<u>351,529</u>	<u>355,041</u>	<u>(3,512)</u>
Total expenditures	<u>351,529</u>	<u>355,041</u>	<u>(3,512)</u>
Net change in fund balance	25,200	23,084	(2,116)
Fund balance (deficit):			
July 1, 2012	<u>(25,200)</u>	<u>(6,058)</u>	<u>19,142</u>
June 30, 2013	<u>\$ -</u>	<u>\$ 17,026</u>	<u>\$ 17,026</u>

See accompanying notes to budgetary comparison schedule.

Santa Cruz County Provisional Community College District
(Santa Cruz Community College)
Required Supplementary Information
Notes to Budgetary Comparison Schedule—General Fund
June 30, 2013

Note 1- Budgeting and Budgetary Control

Arizona Revised Statutes require the District to prepare and adopt a budget annually. The Governing Board must approve the operating and capital outlay budgets on or before June 20. The Governing Board shall not adopt the budget if the property tax requirements of the budget, excluding amounts budgeted and levied for secondary property taxes, exceed the amounts established by statute. The budget must contain the estimated cost of all operating, capital outlay, and debt service expenditures. The District budgets all General Fund expenditures in total since most costs are paid through the agreement with Cochise County Community College.

Note 2- Expenditures in Excess of Appropriations

For the year ended June 30, 2013, expenditures in the General Fund exceeded the final budget amount by \$3,512. These expenditures were funded by greater than anticipated property tax revenues.



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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
Santa Cruz County Provisional 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 governmental activities and General Fund of Santa Cruz County Provisional Community College District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control over Financial Reporting

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

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Debbie Davenport
Auditor General

March 21, 2014



**Santa Cruz County Provisional
Community College District
(Santa Cruz Community College)**

Financial Statements and Report on Internal Control
and on Compliance
Year Ended June 30, 2013

State of Arizona
Office of the Auditor General