

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

CONCLUSION: Santa Cruz County Provisional Community College District is responsible for preparing its annual financial report, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the District's financial statements annually. A summary of the District's financial statements is presented below.

Based on our audit, we issued opinions on the District's financial statements and issued a report on internal control and on compliance over financial reporting. The information in the District's fiscal year 2017 financial statements is reliable. Our Office identified an internal control weakness over financial reporting. This finding is summarized on the next page.

Condensed financial information

Statement of net position—This statement reports all of the District's assets, liabilities, and net position. Net position is reported in two major categories:

- **Net investment in capital assets**—shows the equity in leasehold improvements.
- **Unrestricted**—shows the remaining net position balance after allocating the net investment in capital assets balance.

Statement of activities—This statement reports all revenues, expenses, and other changes in net position. Revenues include general revenues, such as taxes raised for general purposes. Net position increased by \$297,374, or 26 percent, in fiscal year 2017.

Statement of net position As of June 30, 2017

Assets	
Current and other assets	\$1,863,105
Capital assets, net of amortization	95,623
Total assets	1,958,728
Liabilities	
Current liabilities	391,606
Noncurrent liabilities	124,805
Total liabilities	516,411
Net position	
Net investment in capital assets	(29,182)
Unrestricted	1,471,499
Total net position	\$1,442,317

Statement of activities Year ended June 30, 2017

General revenues	
Property taxes	\$1,529,974
State appropriations and share of sales tax	183,531
Miscellaneous	14,680
Total revenues	1,728,185
Total expenses	1,430,811
Increase in net position	297,374
Net position—beginning	1,144,943
Net position—ending	\$1,442,317

Understanding the District's financial report

Understanding how to extract information from the District's financial report is important when reviewing financial performance and evaluating future financial decisions. As described below, our Office's financial report user guide and internal control and compliance reports user guide, available at azauditor.gov, help users identify and understand important and useful information in the District's financial report and in our report on internal control and on compliance over financial reporting. Specifically:

- **Financial report user guide**—describes key financial information contained in district financial reports and indicates where to find this information. Key components in a financial report include the independent auditors' report, management's discussion and analysis, financial statements, notes to financial statements, and other required supplementary information.
- **Internal control and compliance reports user guide**—describes our internal control and compliance report over financial reporting, which provides information about whether the District has effective internal control procedures and whether it has complied with certain financial related laws and regulations.

Summary of audit finding and recommendation

We found an internal control weakness over the District's financial reporting related to its lack of policies and procedures over financial operations. Our report on internal control and on compliance includes a schedule of findings and recommendations that contains further details to help the District correct the internal control weakness summarized below.

District should develop written policies and procedures over its financial operations—The District's Governing Board depends on accurate financial information prepared in accordance with U.S. generally accepted accounting principles (GAAP) to fulfill its oversight responsibilities and to report accurate information to the public. However, the District lacked adequate internal controls over its financial operations, including detailed instructions and internal controls over processing payroll, cash receipts and disbursements, preparing bank reconciliations, and compiling its annual financial report. Because the District lacked these procedures, it had to correct misstatements before its financial report could be issued.

Recommendation

The District should develop and implement comprehensive written policies and procedures over its financial operations. These policies and procedures should include complete instructions and internal controls for all aspects of financial operations and for compiling its annual financial report to ensure that it is accurate and complete and prepared in accordance with GAAP.