



REPORT HIGHLIGHTS

SINGLE AUDIT

Subject

Santa Cruz County issues financial statements annually. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

Our Conclusion

The information in the County's financial statements is fairly stated in all material respects, and the financial statements can be relied on. However, auditors identified internal control weaknesses and found instances of noncompliance with federal program requirements and state laws, see the summary to the right.



2009

Year Ended June 30, 2009

Summary of Audit Findings

Auditors identified internal control weaknesses that affected the County's financial reporting process and its financial statements. In addition, auditors found that the County did not always comply with federal program requirements and state laws. The County's single audit reporting package includes auditor recommendations to help management correct these deficiencies. The findings are summarized as follows:

Financial Reporting Process—The County lacked internal control policies and procedures needed to prepare accurate and timely financial statements and its schedule of federal expenditures. Therefore, the County did not submit its Single Audit Reporting Package to the federal clearinghouse by the required extended deadline of June 30, 2010.

Treasurer's Procedures—The County Treasurer's Office is responsible for managing and investing over \$90 million in deposits and investments that are held for Santa Cruz County and other political subdivisions like school districts. However, the Office lacked comprehensive written internal control policies and procedures that adequately explained the process over investing, managing, recording, tracking, and reconciling those deposits and investments exposing them to potential misuse and loss.

Procurement Policies—The County did not have adequate internal control policies and procedures to comply with state regulations. Auditors determined that the County violated state bidding requirements when it purchased items for the federal Homeland Security Grant Program Cluster costing over \$33,000. This also resulted in noncompliance with the federal procurement requirements for this federal program.

Capital Assets Procedures—The County did not adequately safeguard, track, and report its capital assets because it had not performed a physical inventory since 2006, did not always properly tag assets, and had not reconciled its capital asset listing to the amounts reported on the financial statements. In addition, due to these weaknesses auditors determined that the County did not comply with federal equipment requirements for two federal programs, High Intensity Drug Trafficking Areas and the Homeland Security Grant Program Cluster.

Auction Procedures—Auditors identified \$5,400 in auction proceeds that were not deposited into county bank accounts, of which the County spent \$4,200 without retaining any receipts to support how it was spent. Further, the County did not record this activity on its financial system.

Computer System Controls—The County did not have adequate internal control policies and procedures regulating access and database management for its New World financial system. Also, the County did not have a disaster recovery plan.

Board Approval of Transfers—The County did not comply with state laws requiring the County Board of Supervisors' approval of transfers of monies between budget items.

Summary of Financial Information

TO OBTAIN MORE INFORMATION

A copy of the full report is available at:
www.azauditor.gov

Contact person:
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Government-wide financial statements provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

Statement of Net Assets—This statement reports all of Santa Cruz County's assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- Invested in capital assets, net of related debt, shows the equity in land, buildings, equipment, and infrastructure.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by other governments and external parties.
- Unrestricted net assets shows the net resources available for general operations.

Condensed Statement of Net Assets Governmental and Business-Type Activities As of June 30, 2009 (In Thousands)

Assets	
Current assets	\$ 71,484
Capital assets, net	100,034
Total assets	171,518
Liabilities	
Current liabilities	6,271
Long-term liabilities	66,146
Total liabilities	72,417
Net assets	
Invested in capital assets, net of related debt	76,022
Restricted	7,868
Unrestricted	15,211
Total net assets	\$ 99,101

Statement of Activities—This statement shows how net assets changed during the year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues raised for general purposes). Additionally, revenues and expenses are reported as either governmental activities (principally supported by taxes and intergovernmental revenues) or business-type activities (principally supported by user fees and charges). The County's net assets increased by \$2,009,000 during the fiscal year.

Condensed Statement of Activities Governmental and Business-Type Activities As of June 30, 2009 (In Thousands)

Program revenues	
Governmental activities	\$16,962
Business-type activities	1,691
General revenues	
Governmental activities	27,370
Business-type activities	15
Total revenues	46,038
Expenses	
Governmental activities	44,371
Business-type activities	(342)
Total expenses	44,029
Change in net assets	2,009
Net assets—beginning, as restated	97,092
Net assets—ending	\$99,101

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Year Ended June 30, 2009