

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE S
FINANCIAL AUDIT**

Fiscal Year Ended June 30, 2011

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE S
FINANCIAL AUDIT**

June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Ventura County Community College District
255 W. Stanley Avenue, Suite 150
Ventura, CA 93001

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Construction Fund – Measure S Bond Program of the Ventura County Community College District as of and for the year ended June 30, 2011. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Bond Construction Fund in accordance with auditing standards generally accepted in the United States of America 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 for the Bond Construction Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Construction Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Bond Construction Fund of the Ventura County Community College District as of June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011 on our consideration of the Ventura County Community College District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

September 26, 2011

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
BOND CONSTRUCTION FUND**

June 30, 2011

ASSETS

Cash in County Treasury	\$	95,237,474
Accounts Receivable		338,718
Prepaid Expenditures		<u>66,550</u>
TOTAL ASSETS	\$	<u>95,642,742</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	<u>6,646,884</u>
TOTAL LIABILITIES		<u>6,646,884</u>

FUND BALANCE

Restricted		<u>88,995,858</u>
TOTAL FUND BALANCE		<u>88,995,858</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u>95,642,742</u>

See the accompanying notes to the financial statements.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BOND CONSTRUCTION FUND

For the Fiscal Year Ended June 30, 2011

REVENUES

Interest Income \$ 1,257,898

TOTAL REVENUES 1,257,898

EXPENDITURES

Supplies and Materials 404,994

Other Expenses and Services 52,662

Capital Outlay 58,792,468

TOTAL EXPENDITURES 59,250,124

Net change in Fund Balance (57,992,226)

Fund Balance at Beginning of Year 146,988,084

Fund Balance at End of Year \$ 88,995,858

See the accompanying notes to the financial statements.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BOND CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest Income	\$ 3,000,000	\$ 1,257,898	\$ (1,742,102)
TOTAL REVENUES	<u>3,000,000</u>	<u>1,257,898</u>	<u>(1,742,102)</u>
EXPENDITURES			
Supplies and Materials	637,460	404,994	232,466
Other Expenses and Services	646,138	52,662	593,476
Capital Outlay	<u>146,733,055</u>	<u>58,792,468</u>	<u>87,940,587</u>
TOTAL EXPENDITURES	<u>148,016,653</u>	<u>59,250,124</u>	<u>88,766,529</u>
Net change in Fund Balance	<u>\$ (145,016,653)</u>	(57,992,226)	<u>\$ 87,024,427</u>
Fund Balance at Beginning of Year		<u>146,988,084</u>	
Fund Balance at End of Year		<u>\$ 88,995,858</u>	

See the accompanying notes to the financial statements.

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Bond Construction Fund related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does not purport to present the results of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Bond Construction Fund of the Ventura County Community College District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

FUND BALANCE CLASSIFICATION

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Ventura County Community College District Bond Construction Fund does not currently have any nonspendable fund balance.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Trustees. These amounts cannot be used for any other purpose unless the District Board of Trustees removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Ventura County Community College District Bond Construction Fund does not currently have any committed fund balance.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. Ventura County Community College District Bond Construction Fund does not currently have any assigned fund balance.

Unassigned: The residual fund balance for the Bond Construction Fund and all other spendable amounts. Ventura County Community College District Bond Construction Fund does not currently have any unassigned fund balance.

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Construction Fund are determined by its measurement focus. The Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Bond Construction Fund are accounted for in the basic financial statements of the Ventura County Community College District.

NOTE 2 - DEPOSITS – CASH IN COUNTY TREASURY:

In accordance with Education Code Section 41001, the District maintains all of its cash in the Ventura County Treasury as part of the common investment pool. These pooled funds are carried at cost which may differ from fair value. The fair market value of the District’s deposits for the Bond Construction Fund in this pool as of June 30, 2011, as provided by the pool sponsor, was \$95,896,517.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – PURCHASE COMMITMENTS:

As of June 30, 2011, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$18,000,000. Projects will be funded through bond proceeds.

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 – BONDED DEBT:

On March 5, 2002, the voters authorized the issuance and sale of general obligation bonds totaling \$356,347,814. The proceeds of the bonds will generally be used to construct, acquire, modernize and equip district facilities, classrooms and sites, including campus, facility and classroom replacement, modernization and seismic retrofit, parking construction and improvements; bond proceeds will not be used for salaries of school administrators or other operating expenses of the District.

Capital appreciation bonds were issued as part of Series C with maturity dates from August 1, 2011 through 2028. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, compounded semiannually on February 1 and August 1, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued in 2010-11 is \$2,674,903. The first principal payment is due August 1, 2011.

The outstanding bonded debt for the Ventura County Community College District at June 30, 2011 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
08/01/02	3.00-5.00%	8/1/2027	\$ 85,000,000	\$ 61,500,000	\$ 1,000,000	\$ 60,500,000
10/26/05	3.00-5.00%	8/1/2030	80,000,000	63,100,000	425,000	62,675,000
10/28/08	3.77-7.50%	8/1/2033	191,347,814	191,347,814		191,347,814
			<u>\$ 356,347,814</u>	<u>\$ 315,947,814</u>	<u>\$ 1,425,000</u>	<u>\$ 314,522,814</u>

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2011	\$ 1,884,123	\$ 30,877	\$ 14,713,775	\$ 16,628,775
2012	2,209,365	70,635	14,645,100	16,925,100
2013	4,145,612	129,388	14,521,950	18,796,950
2014	4,676,632	208,368	14,343,750	19,228,750
2015	5,022,041	272,959	14,149,250	19,444,250
2016-2020	36,685,577	7,404,423	67,058,688	111,148,688
2021-2025	55,248,768	25,161,232	58,039,250	138,449,250
2026-2030	93,530,696	33,759,304	45,860,825	173,150,825
2031-2034	<u>111,120,000</u>	<u> </u>	<u>12,625,250</u>	<u>123,745,250</u>
	<u>\$314,522,814</u>	<u>\$ 67,037,186</u>	<u>\$ 255,957,838</u>	<u>\$637,517,838</u>

The repayment of the debt related to the Measure S General Obligation Bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the Ventura County Community College District's basic financial statements.

NOTE 5 – LITIGATION:

The District is a defendant in a pending liability lawsuit. A settlement of the litigation has been reached but not approved by the Board as of the date of this report. The settlement includes the release of amounts held in escrow. Any additional amounts owed in excess of the escrow account are not material to these financial statements.

NOTE 6 – SUBSEQUENT EVENT:

The District sold \$49,905,000 General Obligation Refunding Bonds on July 14, 2011. The bonds were sold with an interest rate of 2.50% to 5.00% and mature in 2028. The bonds were sold to advance refund a portion of the outstanding Election of 2002 General Obligation Bonds, Series A, and to pay the costs associated with the issuance of the Bonds.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees
The Citizens' Oversight Committee
Ventura County Community College District
255 W. Stanley Avenue, Suite 150
Ventura, CA 93001

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Construction Fund of the Ventura County Community College District as of and for the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ventura County Community College District's internal control over Bond Construction Fund financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Bond Construction Fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 financial statements will not be prevented or detected and corrected on a timely basis.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Our consideration of internal control over fund financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over fund financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ventura County Community College District's Bond Construction Fund financial statements are free of 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 of the Bond Construction Fund disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's Trustees, Citizens' Oversight Committee and District management, and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

September 26, 2011

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION FUND**

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2011

There were no findings and responses related to the financial audit of the Bond Construction Fund for the fiscal year ended June 30, 2011 or 2010.