

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
BOND CONSTRUCTION FUND
MEASURE S
FINANCIAL AND PERFORMANCE AUDITS**

June 30, 2014

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
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**MEASURE S
FINANCIAL AND PERFORMANCE AUDITS**

June 30, 2014

CONTENTS

	<u>Page</u>
Financial Audit of Bond Construction Fund for Measure S:	
Independent Auditor’s Report.....	1-2
Balance Sheet – Bond Construction Fund	3
Statement of Revenues, Expenditures and Change in Fund Balance – Bond Construction Fund	4
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Bond Construction Fund	5
Notes to the Financial Statements.....	6-10
Independent Auditor’s 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	11-12
Schedule of Findings and Responses.....	13
Performance Audit of Measure S:	
Independent Auditor’s Report on Proposition 39 Compliance Requirements.....	14
Background Information	15
Objectives	16
Scope of the Audit	16
Procedures Performed	17
Conclusion	18

**FINANCIAL AUDIT OF BOND CONSTRUCTION FUND
MEASURE S**

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Ventura County Community College District

Report on the Financial Statements

We have audited the accompanying Measure S financial statements of the Ventura County Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's Measure S Bond Construction Fund 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 accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, we 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 opinion.

The Board of Trustees
The Citizens' Oversight Committee
Ventura County Community College District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure S Bond Construction Fund of the District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the District's internal control over the Measure S Bond Construction Fund 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 the internal control over the Measure S Bond Construction Fund 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 the Measure S Bond Construction Fund financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
October 10, 2014

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

BALANCE SHEET
BOND CONSTRUCTION FUND
June 30, 2014

<u>Assets</u>	
Cash in county treasury	\$ 35,924,570
Accounts receivable	31,481
Total Assets	<u>\$ 35,956,051</u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts payable	\$ 1,731,225
Total Liabilities	<u>1,731,225</u>
Fund Balance	
Restricted	<u>34,224,826</u>
Total Fund Balance	<u>34,224,826</u>
Total Liabilities and Fund Balance	<u>\$ 35,956,051</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, 2014

Revenues	
Interest income	\$ 168,386
Total Revenues	<u>168,386</u>
Expenditures	
Supplies and materials	8,523
Other services	127,814
Capital outlay	<u>16,424,041</u>
Total Expenditures	<u>16,560,378</u>
Net change in fund balance	(16,391,992)
Fund Balance - Beginning of Year	<u>50,616,818</u>
Fund Balance - End of Year	<u>\$ 34,224,826</u>

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Interest income	\$ 150,000	\$ 168,386	\$ 18,386
Total Revenues	<u>150,000</u>	<u>168,386</u>	<u>18,386</u>
Expenditures			
Supplies and materials	15,652	8,523	7,129
Other services	217,975	127,814	90,161
Capital outlay	50,549,620	16,424,041	34,125,579
Total Expenditures	<u>50,783,247</u>	<u>16,560,378</u>	<u>34,222,869</u>
Deficiency of revenues over expenditures	<u>(50,633,247)</u>	<u>(16,391,992)</u>	<u>34,241,255</u>
Other Financing Uses			
Transfers out	<u>(1,957)</u>	<u>-</u>	<u>1,957</u>
Total Other Financing Uses	<u>(1,957)</u>	<u>-</u>	<u>1,957</u>
Net change in fund balance	<u>\$ (50,635,204)</u>	<u>(16,391,992)</u>	<u>\$ 34,243,212</u>
Fund Balance - Beginning of Year		<u>50,616,818</u>	
Fund Balance - End of Year		<u>\$ 34,224,826</u>	

See the accompanying notes to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

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 result 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 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).

During the year, 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 entitled “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 THE FINANCIAL STATEMENTS
June 30, 2014**

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. 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 are considered restricted. The fund balance of the Bond Construction Fund is therefore classified as restricted.

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 Bond Construction funds are 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 District.

ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 - DEPOSITS - CASH IN COUNTY TREASURY:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Ventura County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value. The fair market value of the District's Bond Construction Fund deposits in this pool as of June 30, 2014, as provided by the County Treasurer, was \$35,906,182, as based upon the District's pro-rata share of the fair value for the entire portfolio (in relation to the amortized costs of the portfolio).

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. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 - 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.

Between 2002 and 2008, the District issued bonds, Series A through C, totaling \$356,347,814. In 2011, the District issued a refunding bond to partially retire Series A. In 2014, the District issued a refunding bond to retire the remaining Series A and partially retire Series B.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 3 - BONDED DEBT: (continued)

The outstanding bonded debt for the District at June 30, 2014 is:

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issuc</u>	<u>Outstanding July 1, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
Series A	8/1/2002	3.00-5.00%	1/28/2014	\$ 85,000,000	\$ 6,825,000	\$	\$ 6,825,000	\$ -
Series B	10/26/2005	3.00-5.00%	8/1/2016	80,000,000	61,300,000		58,700,000	2,600,000
Series C	10/28/2008	3.77-7.50%	8/1/2033	191,347,814	190,629,326		570,613	190,058,713
2011 Ref	7/14/2011	2.50-5.00%	8/1/2027	49,905,000	49,905,000		2,380,000	47,525,000
2014 Ref	1/28/2014	3.00-5.00%	8/1/2030	61,860,000		61,860,000		61,860,000
				<u>\$ 468,112,814</u>	<u>\$ 308,659,326</u>	<u>\$ 61,860,000</u>	<u>\$ 68,475,613</u>	<u>\$ 302,043,713</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2015	\$ 6,391,632	\$ 208,368	\$ 13,856,553	\$ 20,456,553
2016	5,027,041	272,959	13,589,088	18,889,088
2017	5,705,924	529,076	13,371,513	19,606,513
2018	6,508,681	861,319	13,164,313	20,534,313
2019	7,257,857	1,267,143	12,942,963	21,467,963
2020-2024	45,457,121	17,207,879	60,293,431	122,958,431
2025-2029	57,900,457	46,459,543	50,313,875	154,673,875
2030-2034	167,795,000		24,849,488	192,644,488
	<u>\$ 302,043,713</u>	<u>\$ 66,806,287</u>	<u>\$ 202,381,224</u>	<u>\$ 571,231,224</u>

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 accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest has been reflected in the long term debt balance on the District's financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 4 - COMMITMENT AND CONTINGENCIES:

A. Purchase Commitments

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$16 million to be funded through bond proceeds.

B. Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.



**INDEPENDENT AUDITOR'S 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

We have audited, 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, the Measure S Bond Construction Fund financial statements of the Ventura County Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's Measure S Bond Construction Fund financial statements, and have issued our report thereon dated October 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over the Measure S Bond Construction Fund financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 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.

**INDEPENDENT AUDITOR'S 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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure 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 disclosed no instances of non-compliance 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.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
October 10, 2014

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014**

There were no findings related to the financial audit of the Bond Construction Fund for the year ended June 30, 2014. In addition, there were no findings related to the financial audit of the Bond Construction Fund for the year ended June 30, 2013.