

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE S**

FINANCIAL AND PERFORMANCE AUDITS

June 30, 2016

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

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



INDEPENDENT AUDITOR'S REPORT

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

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, 2016, 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 from 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, the auditor considers internal control relevant to the entity'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 entity'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, 2016, 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 17, 2016 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 17, 2016

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

**BALANCE SHEET
June 30, 2016**

Assets

Cash in county treasury	\$ 6,739,389
Accounts receivable	<u>26,296</u>
Total Assets	<u><u>\$ 6,765,685</u></u>

Liabilities and Fund Balance

Liabilities

Accounts payable	<u>\$ 2,381,031</u>
Total Liabilities	<u>2,381,031</u>

Fund Balance

Restricted	<u>4,384,654</u>
Total Fund Balance	<u>4,384,654</u>
Total Liabilities and Fund Balance	<u><u>\$ 6,765,685</u></u>

See the accompanying notes to the financials statements

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

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2016**

Revenues	
Interest income	\$ 79,223
Total Revenues	<u>79,223</u>
Expenditures	
Supplies	40,129
Other services	130,627
Capital outlay	<u>16,019,298</u>
Total Expenditures	<u>16,190,054</u>
Net change in fund balance	(16,110,831)
Fund Balance at Beginning of Year	<u>20,495,485</u>
Fund Balance at End of Year	<u>\$ 4,384,654</u>

See the accompanying notes to the financials statements

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

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest income	\$ 50,000	\$ 79,223	\$ 29,223
Total Revenues	50,000	79,223	29,223
Expenditures			
Supplies	45,653	40,129	5,524
Other services	156,225	130,627	25,598
Capital outlay	20,372,831	16,019,298	4,353,533
Total Expenditures	20,574,709	16,190,054	4,384,655
Net change in fund balance	\$ (20,524,709)	(16,110,831)	\$ 4,413,878
Fund Balance at Beginning of Year		20,495,485	
Fund Balance at End of Year		\$ 4,384,654	

See the accompanying notes to the financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

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 Changes in Fund Balance is a statement of financial activities of the Measure S Bond Construction Fund related to the current reporting period. Fund expenditures frequently include amounts for buildings, equipment, etc. Consequently, these statements do 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 Measure S 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).

Cash in the county treasury is recorded at cost, which approximates fair value.

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.

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 Measure S Bond Construction Fund is therefore classified as restricted.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure S Bond Construction Fund are determined by its measurement focus. The Measure S Bond Construction 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 Measure S 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.

NOTE 2: DEPOSITS AND INVESTMENTS

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. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 100.18% of amortized costs. The District’s deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted 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.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: DEPOSITS AND INVESTMENTS

County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participants percentage participation on the date of such withdrawals.

The pools sponsor's annual financial report may be obtained from the Ventura County Board of Supervisors, County Government Center, 800 South Victoria Avenue, Ventura, CA 93009.

NOTE 3: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations, by major object account.

NOTE 4: COMMITMENT AND CONTINGENCIES

Purchase Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for Measure S bond projects totaling approximately \$3 million.

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
Ventura, California

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, 2016, 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 17, 2016.

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 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 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
October 17, 2016

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016**

There were no findings related to the financial audit of the Measure S Bond Construction Fund for the year ended June 30, 2016. In addition, there were no findings related to the financial audit of the Measure S Bond Construction Fund for the year ended June 30, 2015.

PERFORMANCE AUDIT OF MEASURE S



INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Ventura County Community College District (the District) Measure S Bond Construction Fund for the year ended June 30, 2016.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 15 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure S bond funds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure S bond funds for the fiscal year ended June 30, 2016, only for the specific projects developed by the District's Board of Trustees, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
October 17, 2016

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
PERFORMANCE AUDIT OF MEASURE S**

June 30, 2016

BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions.

In March 2002, a general obligation bond proposition (Measure S) of the District was approved by the voters of that District. Measure S authorized the District to issue up to \$356,347,814 of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Trustees of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure S bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure S Bond Construction Fund have been expended only for authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Measure S Bond Construction Fund.
- Determine whether expenditures charged to the Measure S Bond Construction Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure S in March 2002.
- Provide the District Board and the Measure S Citizens' Oversight Committee with a performance audit as required under the provisions of the California Constitution.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2015 to June 30, 2016. The sample of expenditures tested included object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2016, were not reviewed or included within the scope of our audit or in this report.

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
PERFORMANCE AUDIT OF MEASURE S**

June 30, 2016

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2016, for the Measure S Bond Construction Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure S with regards to the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure S election documents.
- We selected a sample of expenditures for the year ended June 30, 2016, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified on a sample basis that funds from the Measure S Bond Construction Fund were expended on the authorized bond projects and not used for salaries of school administrators or other operating expenses of the District.

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure S Bond Construction Fund and that such expenditures were made on authorized bond projects and not expended for salaries of school administrators or other operating expenditures.