

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT**

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

**Fiscal Year Ended June 30, 2013**

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2013**

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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

### **Report on the Financial Statements**

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 Measure S Bond Construction Fund of the Ventura County Community College District (the District) as of and for the year ended June 30, 2013, 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.

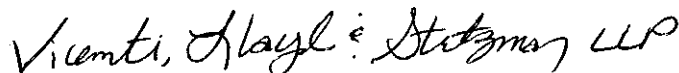
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2013, 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 September 20, 2013 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, CA

September 20, 2013

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

BALANCE SHEET  
BOND CONSTRUCTION FUND  
June 30, 2013

<b><u>Assets</u></b>	
Cash in county treasury	\$ 53,101,989
Accounts receivable	<u>82,674</u>
<b>Total Assets</b>	<b><u>\$ 53,184,663</u></b>
<b><u>Liabilities and Fund Balance</u></b>	
<b>Liabilities</b>	
Accounts payable	\$ <u>2,567,845</u>
<b>Total Liabilities</b>	<u>2,567,845</u>
<b>Fund Balance</b>	
Restricted	<u>50,616,818</u>
<b>Total Fund Balance</b>	<u>50,616,818</u>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 53,184,663</u></b>

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, 2013

<b>Revenues</b>	
Interest income	\$ 288,314
<b>Total Revenues</b>	<u>288,314</u>
<b>Expenditures</b>	
Supplies and materials	37,325
Other services	259,264
Capital outlay	<u>13,810,651</u>
<b>Total Expenditures</b>	<u>14,107,240</u>
Net change in fund balance	(13,818,926)
Fund Balance - Beginning of Year	<u>64,435,744</u>
Fund Balance - End of Year	<u>\$ 50,616,818</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Interest income	\$ 350,000	\$ 288,314	\$ (61,686)
<b>Total Revenues</b>	<u>350,000</u>	<u>288,314</u>	<u>(61,686)</u>
<b>Expenditures</b>			
Supplies and materials	88,966	37,325	51,641
Other services	434,952	259,264	175,688
Capital outlay	<u>64,181,324</u>	<u>13,810,651</u>	<u>50,370,673</u>
<b>Total Expenditures</b>	<u>64,705,242</u>	<u>14,107,240</u>	<u>50,598,002</u>
Net change in fund balance	<u>\$ (64,355,242)</u>	(13,818,926)	<u>\$ 50,536,316</u>
Fund Balance - Beginning of Year		<u>64,435,744</u>	
Fund Balance - End of Year		<u>\$ 50,616,818</u>	

See the accompanying notes to the financial statements.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**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, 2013**

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

**FUND BALANCE CLASSIFICATION**

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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.

**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 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.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**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 Measure S Bond Construction Fund in this pool as of June 30, 2013, as provided by the pool sponsor, was \$53,052,059.

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 – 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. The proceeds of the refunding bond were used to partially retire Series A. The difference in cash flow requirements related to this refunding is a savings of cash outflow of approximately \$5.3 million. The present value of the economic gain to the District amounts to approximately \$4.1 million.

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 2012-13 is \$3,519,536.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 3 – BONDED DEBT: (continued)**

The outstanding bonded debt for the District at June 30, 2013 is:

	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
Series A	8/1/2002	3.00-5.00%	8/1/2027	\$ 85,000,000	\$ 7,825,000	\$	\$ 1,000,000	\$ 6,825,000
Series B	10/26/2005	3.00-5.00%	8/1/2030	80,000,000	62,080,000		780,000	61,300,000
Series C	10/28/2008	3.77-7.50%	8/1/2033	191,347,814	191,058,691		429,365	190,629,326
Refunding	7/14/2011	2.50-5.00%	8/1/2027	49,905,000	49,905,000			49,905,000
				<u>\$ 406,252,814</u>	<u>\$ 310,868,691</u>	<u>\$ -</u>	<u>\$ 2,209,365</u>	<u>\$ 308,659,326</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2013, 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>
2014	\$ 4,230,612	\$ 129,388	\$ 14,114,762	\$ 18,474,762
2015	4,741,632	208,368	13,957,412	18,907,412
2016	5,067,041	272,959	13,785,887	19,125,887
2017	5,870,924	529,076	13,598,287	19,998,287
2018	6,673,681	861,319	13,400,763	20,935,763
2019-2023	43,288,744	13,506,256	62,979,807	119,774,807
2024-2028	60,793,328	35,686,672	53,175,788	149,655,788
2029-2033	137,253,364	15,741,636	36,368,375	189,363,375
2034	40,740,000		2,240,700	42,980,700
	<u>\$ 308,659,326</u>	<u>\$ 66,935,674</u>	<u>\$ 223,621,781</u>	<u>\$ 599,216,781</u>

**NOTE 4 – PURCHASE COMMITMENTS:**

As of June 30, 2013, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$8 million to be funded through bond proceeds.



**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  
255 W. Stanley Avenue, Suite 150  
Ventura, CA 93001

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 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 Measure S Bond Construction Fund of the Ventura County Community College District (the District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's Measure S Bond Construction Fund basic financial statements, and have issued our report thereon dated September 20, 2013.

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.

**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***

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.

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, CA  
September 20, 2013

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

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

There were no findings related to the financial audit of the Measure S Bond Construction Fund for the fiscal years ended June 30, 2013 and June 30, 2012.