



**VENTURA COUNTY
COMMUNITY COLLEGE
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2006

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ventura County Community College District
Ventura, California

We have audited the accompanying basic financial statements of the Ventura County Community College District (the District) as of and for the years ended June 30, 2006 and 2005, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Ventura County Community College District as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006, on our consideration of the District's internal control over 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 or 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vanniel, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 8, 2006



Ventura County Community College District

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DR. JAMES MEZNEK
CHANCELLOR

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of the Ventura County Community College District (the District) as of June 30, 2006. The report consists of three basic financial statements: the Statement of Financial Position, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported primarily by local property taxes and State apportionment revenues. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Systems Office has recommended that all State community colleges follow the Business Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

- The District's primary funding source is based upon apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full Time Equivalent Students (FTES). During the 2005-2006 fiscal year, the reported FTES were 24,163 as compared to 25,439 in the 2004-2005 fiscal year. The fully funded cap for fiscal year 2005-2006 is 24,163 as compared to 25,729 for 2004-2005.
- The District is continuing several construction and modernization projects at our three college campuses resulting in completed building and improvements and improvements to sites of approximately \$13.5 million in the 2005-2006 fiscal year. These projects are funded both through State construction revenues and through our voter approved general obligation bond.
- Costs for employee salaries decreased by 3.4 percent or \$3 million from the 2005-2006 fiscal year and costs associated with employee benefits decreased by one percent or \$300,000. This decrease in the benefit costs has been due to new negotiated rates on health and medical benefits and a small decrease in the PERS retirement contribution.
- During the 2005-2006 fiscal year, the District provided almost \$11.6 million in financial aid to students attending classes at the three colleges. This aid was provided in the form of grants, scholarships, loans, and tuition reductions funded through the Federal government, State Chancellor's Office, and local funding.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

The District issued \$85 million in general obligation bonds on August 12, 2002, for construction and renovation projects and equipment throughout the District. These projects were approved by the voters within the District's boundaries and will be completed over the coming three to five years.

THE DISTRICT AS A WHOLE

Net Assets

Table 1

(Amounts in thousands)

	2006	2005	2004
ASSETS			
Current Assets			
Cash and investments	\$ 163,352	\$ 86,807	\$ 98,151
Accounts receivable (net)	14,708	13,568	14,239
Other current assets	2,101	1,845	2,337
Total Current Assets	<u>180,161</u>	<u>102,220</u>	<u>114,727</u>
Capital Assets (net)	<u>306,293</u>	<u>271,716</u>	<u>255,204</u>
Total Assets	<u>\$ 486,454</u>	<u>\$ 373,936</u>	<u>\$ 369,931</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	26,337	17,425	15,466
Amounts held in trust for others	4,105	3,423	2,605
Current portion of long-term obligations	13,986	5,601	11,627
Total Current Liabilities	<u>44,428</u>	<u>26,449</u>	<u>29,698</u>
Long-term Debt	<u>144,457</u>	<u>77,694</u>	<u>82,230</u>
Total Liabilities	<u>188,885</u>	<u>104,143</u>	<u>111,928</u>
NET ASSETS			
Invested in capital assets	150,494	191,330	164,265
Restricted	132,118	66,451	85,079
Unrestricted	14,957	12,012	8,659
Total Net Assets	<u>297,569</u>	<u>269,793</u>	<u>258,003</u>
Total Liabilities and Net Assets	<u>\$ 486,454</u>	<u>\$ 373,936</u>	<u>\$ 369,931</u>

Cash and investments consist primarily of funds held in the Ventura County Treasury. The changes in our cash position are explained in the Statement of Cash Flows on pages 13 and 14.

Much of the unrestricted net assets have been designated by the Board or by contracts for such purposes as our required general reserve for ongoing financial health, commitments on contracts, and bookstore and cafeteria reserves.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* on page 12.

Table 2

(Amounts in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues			
Tuition and fees	\$ 15,952	\$ 16,795	\$ 13,590
Grants and contracts	27,457	26,953	25,429
Auxiliary sales and charges	11,685	12,063	12,213
Total Operating Revenues	<u>55,094</u>	<u>55,811</u>	<u>51,232</u>
Operating Expenses			
Salaries and benefits	115,579	118,922	112,700
Supplies and maintenance	38,080	43,379	33,867
Depreciation	4,829	4,300	3,880
Total Operating Expenses	<u>158,488</u>	<u>166,601</u>	<u>150,447</u>
Loss on Operations	<u>(103,394)</u>	<u>(110,790)</u>	<u>(99,215)</u>
Nonoperating Revenues			
State apportionments	57,818	52,092	45,789
Property taxes	56,039	44,334	48,148
State revenues	4,185	4,078	4,137
Net interest expense	(984)	(1,600)	(2,581)
Other nonoperating revenues	7,127	6,764	4,569
Total Nonoperating Revenue	<u>124,185</u>	<u>105,668</u>	<u>100,062</u>
Other Revenues			
State and local capital income	<u>6,984</u>	<u>16,912</u>	<u>25,483</u>
Net Increase in Net Assets	<u>\$ 27,775</u>	<u>\$ 11,790</u>	<u>\$ 26,330</u>

The District's primary revenue fund is the State apportionment calculation which is comprised of three sources of revenues: local property taxes, student enrollment fees, and State apportionment. We noted an increase in the property taxes levied and received from property within the county. However, these increases were offset by a corresponding reduction in State apportionment revenues.

Auxiliary revenue consists of bookstore and cafeteria net revenues. The three college campuses each maintain their own bookstores and cafeterias to provide services to the students and faculty of the college. The operations are self-supporting and contribute to the student programs on each campus.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Grant and contract revenues relate primarily to student financial aid as well as to specific Federal and State grants received for programs serving the students and programs of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

Interest income of \$5.3 million was offset by interest expense of \$6.3 million. The interest income is primarily the result of cash held in the Ventura County Treasury. Interest income is up approximately \$2.8 million over the 2004-2005 fiscal year due to higher interest rates and an increase in the balance of cash held at the County Treasury due to the issuance of the 2002 Series B General Obligation Bonds in the amount of \$80,000,000. Interest expense has increased approximately \$2.1 million due to more interest due, associated with our general obligation bonds.

Expenses are reported by their functional categories as follows:

Table 3

(Amounts in thousands)

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies and Materials</u>	<u>Equipment and Repairs</u>	<u>Depreciation</u>	<u>Total</u>
Academic support	\$ 8,899	\$ 3,557	\$ 470	\$ 9	\$ -	\$ 12,935
Administrative support	12,404	5,003	6,305	62	-	23,774
Ancillary and auxiliary	2,942	1,316	9,466	3	100	13,827
Community services	425	140	274	1	-	840
Instructional	47,303	13,226	1,471	71	-	62,071
Instructional support	2,047	880	382	17	-	3,326
Plant operations	3,983	2,204	4,433	56	-	10,676
Student aid	-	-	11,675	-	-	11,675
Student services	7,894	3,356	1,239	11	-	12,500
Depreciation	-	-	-	-	4,729	4,729
Physical property	-	-	599	-	-	599
Other	-	-	1,536	-	-	1,536
Total	\$ 85,897	\$ 29,682	\$ 37,850	\$ 230	\$ 4,829	\$ 158,488

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

Changes in Cash Position

Table 4

(Amounts in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash Provided by (Used in)			
Operating activities	\$ (90,258)	\$ (102,898)	\$ (97,421)
Noncapital financing activities	124,823	108,449	98,767
Capital financing activities	38,485	(18,668)	(13,813)
Investing activities	5,190	3,425	3,956
Net Increase (Decrease) in Cash	78,240	(9,692)	(8,511)
Cash, Beginning of Year	80,232	89,924	98,435
Cash, End of Year	<u>\$ 158,472</u>	<u>\$ 80,232</u>	<u>\$ 89,924</u>

The Statement of Cash Flows on pages 13 and 14 provides information about our cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. Our primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While State apportionment revenues and property taxes are the primary source of noncapital related revenue, the GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the college's programs and services – our students. The District depends upon this funding to continue the current level of operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had \$306.3 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2005, our net capital assets were \$271.7 million. The District is currently in the middle of a major capital improvement program with construction ongoing throughout the college campuses. These projects are primarily funded through our general obligation bonds. These projects are accounted for within our Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be brought in to the depreciable Buildings and Improvement category.

Capital projects are continuing through the 2006-2007 fiscal year and beyond with primary funding through our general obligation bond.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

Table 5

(Amounts in millions)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 175.1	\$ 37.8	\$ (13.6)	\$ 199.3
Buildings and improvements	131.3	13.5	-	144.8
Equipment and vehicles	14.3	1.7	-	16.0
Subtotal	320.7	53.0	(13.6)	360.1
Accumulated depreciation	(49.0)	(4.8)	-	(53.8)
	<u>\$ 271.7</u>	<u>\$ 48.2</u>	<u>\$ (13.6)</u>	<u>\$ 306.3</u>

Obligations

At the end of the 2005-2006 fiscal year, the District had \$146.7 million in general obligation bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through an increase in the assessed property taxes on property within the Ventura County Community College District boundaries. Other obligations for the District includes Certificates of Participation issued to fund various capital improvement projects throughout the District and a Note Payable to fund energy retrofitting projects.

In addition to the above obligations, the District is obligated to employees of the District for vacation and load banking benefits and lease purchase agreements for equipment.

Table 6

(Amounts in millions)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 69.2	\$ 80.0	\$ (2.5)	\$ 146.7
COPs and notes payable	9.9	-	(2.1)	7.8
	79.1	80.0	(4.6)	154.5
Other liabilities	4.2	-	(0.3)	3.9
Total Long-Term Obligations	<u>\$ 83.3</u>	<u>\$ 80.0</u>	<u>\$ (4.9)</u>	<u>\$ 158.4</u>
Amount due within one year				<u>\$ 14.0</u>

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The Board of Trustees adopted the final amendment to the budget for the 2005-2006 fiscal year on August 8, 2006.

Within the Unrestricted General Fund, operating costs have continually increased. The State Budget has not kept pace with the increased operating costs, primarily in health and welfare benefits, especially in regards to the need to recognize postretirement benefits.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

The economic position of the District is closely tied to the State of California as State apportionments and property taxes allocated to the District represent approximately 80 percent of the total unrestricted sources of revenues received within the General Fund.

Enrollment continues to be our biggest challenge. Over the past two years, the District's base revenue has been reduced by \$5.7 million, compounding. Many enrollment management strategies have been implemented and, for budget purposes, we are assuming stable enrollment for fiscal year 2007, i.e. enrollment will be the same as the prior year. The District no longer budgets growth or restoration prior to earning that revenue.

The District has the opportunity to generate additional revenue by restoring FTES lost in the prior two years, as well as growing to the CAP allowed. At this time, that would consist of 290 FTES from fiscal year 2005, 1,275 FTES from fiscal year 2006, and 422 in potential growth for fiscal year 2007. Although the District does not anticipate being able to earn all the restoration/growth FTES, we are developing plans at this time to earn what is possible.

Student enrollment fees will decrease for the spring semester to \$20 per unit. We expect that we will be able to increase enrollment due to that fee reduction. This fee decrease will be a budgetary problem in fiscal year 2008, as the State will require an additional \$40 million to backfill the full-year implementation of the reduction in revenue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Ventura County Community College District, 255 West Stanley Avenue, Suite 150, Ventura, CA 93001.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 170,559	\$ 158,396
Investments	163,181,473	86,648,702
Accounts receivable	11,949,867	12,876,211
Student loans receivable, net	2,758,351	691,175
Prepaid expenses	207,634	213,509
Stores inventories	1,892,777	1,631,363
Total Current Assets	<u>180,160,661</u>	<u>102,219,356</u>
NONCURRENT ASSETS		
Capital assets, net of depreciation	306,292,932	271,716,316
Total Noncurrent Assets	<u>306,292,932</u>	<u>271,716,316</u>
TOTAL ASSETS	<u>486,453,593</u>	<u>373,935,672</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	12,668,633	8,985,904
Accrued interest payable	2,864,182	1,417,517
Deferred revenue	10,804,533	7,021,324
Amounts held in trust on behalf of others	4,104,475	3,423,341
Accrued compensated absences	731,252	814,105
Bonds and notes payable	13,068,360	4,552,877
Lease obligations	41,982	41,550
Other long-term liabilities	144,389	191,716
Total Current Liabilities	<u>44,427,806</u>	<u>26,448,334</u>
NONCURRENT LIABILITIES		
Accrued compensated absences payable	1,913,419	2,093,854
Bonds and notes payable	141,497,282	74,565,642
Lease obligations	13,091	55,073
Other long-term liabilities	1,033,379	979,640
Total Noncurrent Liabilities	<u>144,457,171</u>	<u>77,694,209</u>
TOTAL LIABILITIES	<u>188,884,977</u>	<u>104,142,543</u>
NET ASSETS		
Invested in capital assets, net of related debt	150,494,449	191,329,818
Restricted for:		
Debt service	24,303,149	18,597,259
Capital projects	106,317,192	47,853,952
Educational programs	1,200,477	1,220,201
Other activities	296,684	197,738
Unrestricted	14,956,665	10,594,161
Total Net Assets	<u>\$ 297,568,616</u>	<u>\$ 269,793,129</u>

The accompanying notes are an integral part of these financial statements.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 21,562,584	\$ 22,195,254
Less: Scholarship discount and allowance	(5,610,306)	(5,400,400)
Net tuition and fees	<u>15,952,278</u>	<u>16,794,854</u>
Grants and Contracts, noncapital:		
Federal	15,027,209	13,988,286
State	12,430,112	12,964,882
Auxiliary Enterprise Sales and Charges		
Bookstore	10,371,577	10,510,095
Cafeteria	1,313,174	1,544,708
Internal Service Sales and Charges	-	8,443
TOTAL OPERATING REVENUES	<u>55,094,350</u>	<u>55,811,268</u>
OPERATING EXPENSES		
Salaries	85,896,798	88,938,019
Employee benefits	29,682,371	29,983,835
Supplies, materials, and other operating expenses and services	37,850,324	37,214,906
Equipment, maintenance, and repairs	229,739	6,164,302
Depreciation	4,829,422	4,299,988
TOTAL OPERATING EXPENSES	<u>158,488,654</u>	<u>166,601,050</u>
OPERATING LOSS	<u>(103,394,304)</u>	<u>(110,789,782)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	57,817,844	52,091,649
Local property taxes	56,038,729	44,333,880
State taxes and other revenues	4,184,751	4,077,706
Investment income, net	4,526,628	2,061,729
Interest expense on capital related debt	(6,255,330)	(4,118,654)
Interest income on capital asset-related debt, net	745,122	456,780
Loss on disposal of capital assets	(7,259)	(4,986)
Transfer from agency fund	22,030	141,717
Transfer to agency fund	(265,158)	(267,992)
Other nonoperating revenue	7,378,153	6,896,083
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>124,185,510</u>	<u>105,667,912</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>20,791,206</u>	<u>(5,121,870)</u>
State revenues, capital	5,044,366	6,797,925
Local revenues, capital	1,939,915	10,113,940
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>6,984,281</u>	<u>16,911,865</u>
INCREASE IN NET ASSETS	27,775,487	11,789,995
NET ASSETS, BEGINNING OF YEAR	<u>269,793,129</u>	<u>258,003,134</u>
NET ASSETS, END OF YEAR	<u>\$ 297,568,616</u>	<u>\$ 269,793,129</u>

The accompanying notes are an integral part of these financial statements.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 19,844,744	\$ 16,987,386
Grants and contracts	25,419,148	27,048,317
Payments to vendors for supplies and services	(19,137,993)	(29,930,674)
Payments to or on behalf of employees	(115,952,100)	(118,235,395)
Payments for scholarships and grants	(11,674,755)	(11,259,651)
Auxiliary enterprise sales and charges	11,233,357	12,477,332
Loans issued to students	(68,941)	(78,664)
Collection of loans to students	78,664	93,947
Net Cash Flows from Operating Activities	<u>(90,257,876)</u>	<u>(102,897,402)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	57,237,085	52,942,208
Property taxes	56,038,729	44,333,880
State taxes and other apportionments	4,555,909	4,168,701
Other nonoperating	6,990,955	7,004,067
Net Cash Flows From Noncapital Financing Activities	<u>124,822,678</u>	<u>108,448,856</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(43,356,488)	(20,371,235)
Proceeds from sale of capital assets	-	1,193
State revenue, capital projects	8,089,465	6,332,104
Local revenue, capital projects	2,409,359	9,699,705
Proceeds from capital debt	80,000,000	-
Principal paid on capital debt	(4,594,427)	(10,556,067)
Interest paid on capital debt	(4,808,665)	(4,230,484)
Interest received on capital asset-related debt	745,122	456,780
Net Cash Flows From Capital Financing Activities	<u>38,484,366</u>	<u>(18,668,004)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,694,589	1,652,187
Interest received from investments	3,495,766	1,772,554
Net Cash Flows From Investing Activities	<u>5,190,355</u>	<u>3,424,741</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,239,523	(9,691,809)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	80,232,202	89,924,011
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 158,471,725</u>	<u>\$ 80,232,202</u>

The accompanying notes are an integral part of these financial statements.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH USED BY OPERATING ACTUALS		
Operating Loss	\$ (103,394,304)	\$ (110,789,782)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	4,829,422	4,299,988
Changes in assets and liabilities:		
Receivables, net	894,640	(187,540)
Inventories	(261,414)	214,420
Prepaid items	5,875	277,835
Notes receivables, net	(9,723)	(15,283)
Accounts payable and accrued liabilities	3,682,729	1,343,792
Deferred revenue	3,313,765	1,140,715
Funds held for others	681,134	818,453
Total Adjustments	<u>13,136,428</u>	<u>7,892,380</u>
Net Cash Used By Operating Activities	<u>\$ (90,257,876)</u>	<u>\$ (102,897,402)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	170,559	158,396
Cash in county treasury	158,301,166	80,073,806
Total Cash and Cash Equivalents	<u>\$ 158,471,725</u>	<u>\$ 80,232,202</u>
 NONCASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 2,129,764</u>	<u>\$ 2,240,510</u>

The accompanying notes are an integral part of these financial statements.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Ventura County Community College District (the District) was established in 1962 as a political subdivision of the State of California and provides post secondary educational services to residents of Ventura County. The District operates under a locally elected five-member Board of Trustees form of government which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates three colleges located within Ventura County. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Ventura County Community College District, this includes general operations, cafeteria service, and student related activities of the District.

- **Joint Powers Agencies and Public Entity Risk Pools**

The District is associated with one joint powers agency (JPA). The organization does not meet the criteria for inclusion as component units of the District. The JPA is the Statewide Association of Community Colleges.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

The accounting policies of the District conform to accounting principles generally accepted in the United State of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets
 - Statement of Revenues, Expenses and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

The following is a summary of the more significant policies:

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$987,161 and \$679,575 for the years ended June 30, 2006 and 2005, respectively.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

Inventory

Inventory consists primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-process as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 20 years; equipment and vehicles, 2 to 15 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most Federal, State, and local grants and contracts.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionment, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Ventura bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2006 and 2005, the District distributed \$3,241,855 and \$2,688,691, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students however the amounts are included on the Schedule of Federal Financial Assistance.

New Accounting Pronouncements

- **GASB Statement No. 42:** In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 2004 and have been implemented by the District in fiscal year 2005-2006.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

- **GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The District is not a plan sponsor of an OPEB Plan.
- **GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement will require employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's revenues, similar to the implementation for GASB Statements No. 34 and 35. GASB Statement No. 45 will be effective for the Ventura County Community College District on July 1, 2007. The effect of this pronouncement on the financial condition of the District has not been determined. The Board and the District has begun the study and evaluation of the effects of the pronouncement and has begun to set aside funds that will meet the funding requirements. It is anticipated that the District will be in full compliance with this standard by the required implementation date.
- **GASB Statement No. 46:** In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. The District has implemented this statement.
- **GASB Statement No. 47:** In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. The District has implemented this statement.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, consist of the following:

Cash on hand and in banks	\$ 170,559
Investments	163,181,473
Total Deposits and Investments	<u>\$ 163,352,032</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in U.S. Treasury notes and the County investment pools.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
U.S. Treasury Notes	\$ 4,880,307	12/06-6/08
County Pool	157,523,064	286*
Total	<u>\$ 162,403,371</u>	

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2006. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2006
U.S. Treasury Notes	\$ 4,880,307	AAA	AAA
County Pool	157,523,064	N/A	N/A
Total	<u>\$ 162,403,371</u>		

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2006, the District's bank balance of \$334,326 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - ACCOUNTS RECEIVABLES

Accounts receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

	<u>2006</u>	<u>2005</u>
Federal Government		
Categorical aid	\$ 1,802,528	\$ 1,658,458
State Government		
Apportionment	4,370,767	3,500,504
Categorical aid	1,075,339	1,453,173
Lottery	714,860	1,780,817
Other State sources	1,231,883	3,211,025
Local Government		
Interest	1,718,138	687,276
Other local sources	1,036,352	584,958
Total	<u>\$ 11,949,867</u>	<u>\$ 12,876,211</u>
Student loan receivables	3,745,512	1,370,750
Less reserve	(987,161)	(679,575)
Student loan receivables, net	<u>\$ 2,758,351</u>	<u>\$ 691,175</u>

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2006, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$120,475,827	\$ -	\$ -	\$120,475,827
Construction in progress	54,638,320	37,743,823	13,577,782	78,804,361
Total Capital Assets Not Being Depreciated	<u>175,114,147</u>	<u>37,743,823</u>	<u>13,577,782</u>	<u>199,280,188</u>
Capital Assets Being Depreciated				
Buildings and improvements	122,853,577	13,450,280	-	136,303,857
Site improvements	8,415,740	104,917	-	8,520,657
Furniture and equipment	11,879,341	1,594,831	13,552	13,460,620
Vehicles	2,459,042	97,228	-	2,556,270
Total Capital Assets Being Depreciated	<u>145,607,700</u>	<u>15,247,256</u>	<u>13,552</u>	<u>160,841,404</u>
Total Capital Assets	<u>320,721,847</u>	<u>52,991,079</u>	<u>13,591,334</u>	<u>360,121,592</u>
Less Accumulated Depreciation				
Buildings and improvements	33,187,841	2,990,792	-	36,178,633
Site improvements	4,808,450	296,927	-	5,105,377
Furniture and equipment	8,917,064	1,331,991	6,293	10,242,762
Vehicles	2,092,176	209,712	-	2,301,888
Total Accumulated Depreciation	<u>49,005,531</u>	<u>4,829,422</u>	<u>6,293</u>	<u>53,828,660</u>
Net Capital Assets	<u>\$271,716,316</u>	<u>\$48,161,657</u>	<u>\$13,585,041</u>	<u>\$306,292,932</u>

Depreciation expense for the year was \$4,829,422.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Capital asset activity for the District for the fiscal year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$120,475,827	\$ -	\$ -	\$120,475,827
Construction in progress	62,780,435	19,139,854	27,281,969	54,638,320
Total Capital Assets Not Being Depreciated	<u>183,256,262</u>	<u>19,139,854</u>	<u>27,281,969</u>	<u>175,114,147</u>
Capital Assets Being Depreciated				
Buildings and improvements	95,580,380	27,273,197	-	122,853,577
Site improvements	8,390,580	25,160	-	8,415,740
Furniture and equipment	10,314,973	1,612,566	48,198	11,879,341
Vehicles	2,432,690	49,752	23,400	2,459,042
Total Capital Assets Being Depreciated	<u>116,718,623</u>	<u>28,960,675</u>	<u>71,598</u>	<u>145,607,700</u>
Total Capital Assets	<u>299,974,885</u>	<u>48,100,529</u>	<u>27,353,567</u>	<u>320,721,847</u>
Less Accumulated Depreciation				
Buildings and improvements	30,644,454	2,543,387	-	33,187,841
Site improvements	4,512,007	296,443	-	4,808,450
Furniture and equipment	7,711,599	1,251,872	46,407	8,917,064
Vehicles	1,902,902	208,286	19,012	2,092,176
Total Accumulated Depreciation	<u>44,770,962</u>	<u>4,299,988</u>	<u>65,419</u>	<u>49,005,531</u>
Net Capital Assets	<u>\$255,203,923</u>	<u>\$43,800,541</u>	<u>\$27,288,148</u>	<u>\$271,716,316</u>

Depreciation expense for the year was \$4,299,988.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Operating Transfers

Operating transfers between District governmental funds are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2006	2005
Accrued payroll and benefits	\$ 3,182,712	\$ 3,298,767
Construction	6,048,367	3,007,556
Other	3,437,554	2,679,581
Total	<u>\$ 12,668,633</u>	<u>\$ 8,985,904</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2006	2005
Federal financial assistance	\$ 63,336	\$ 331,469
State categorical aid	902,994	1,302,876
Apportionment	1,306,314	1,016,810
Schedule maintenance	885,282	415,838
Other State	1,833,914	1,133,849
Enrollment fees	5,278,779	1,386,313
Other local	533,914	1,434,169
Total	<u>\$ 10,804,533</u>	<u>\$ 7,021,324</u>

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 8 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2006 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds, 2002 Series A	\$69,200,000	\$ -	\$2,500,000	\$ 66,700,000	\$ 2,200,000
General obligation bonds, 2002 Series B	-	80,000,000	-	80,000,000	8,720,000
Certificates of participation	6,490,000	-	1,650,000	4,840,000	1,725,000
Notes payable	3,428,519	-	402,877	3,025,642	423,360
Total Bonds and Notes Payable	79,118,519	80,000,000	4,552,877	154,565,642	13,068,360
Other Liabilities					
Compensated absences	2,907,959	-	263,288	2,644,671	731,252
Load banking	1,171,356	6,412	-	1,177,768	144,389
Capital leases	96,623	-	41,550	55,073	41,982
Total Other Liabilities	4,175,938	6,412	304,838	3,877,512	917,623
Total Long-Term Obligations	\$83,294,457	\$80,006,412	\$4,857,715	\$158,443,154	\$13,985,983

The changes in the District's long-term obligations during the 2005 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds, 2002 Series A	\$77,700,000	\$ -	\$ 8,500,000	\$69,200,000	\$2,500,000
Certificates of participation	8,075,000	-	1,585,000	6,490,000	1,650,000
Notes payable	3,811,904	-	383,385	3,428,519	402,877
Total Bonds and Notes Payable	89,586,904	-	10,468,385	79,118,519	4,552,877
Other Liabilities					
Compensated absences	2,918,039	-	10,080	2,907,959	814,105
Load banking	1,167,592	3,764	-	1,171,356	191,716
Capital leases	184,305	-	87,682	96,623	41,550
Total Other Liabilities	4,269,936	3,764	97,762	4,175,938	1,047,371
Total Long-Term Obligations	\$93,856,840	\$ 3,764	\$10,566,147	\$83,294,457	\$5,600,248

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

Description of Debt

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local tax collections. Payments for the certificates of participation (COPs) are made by the Other Debt Service Fund. The notes payable obligation payments are made by the General Unrestricted Fund. The compensated absences and load banking will be paid by the fund for which the employee worked. Capital lease payments are made out of the General Unrestricted Fund and the Enterprise Fund.

General obligation bonds were approved by a local election in March 2002. The total amount approved by the voters was \$356,347,814. At June 30, 2006, \$165,000,000 had been issued and \$146,700,000 was outstanding. Interest rates on the bonds range from three percent to five percent.

The COPs were issued in 1998 in the amount of \$16,290,000 to fund various capital improvement projects throughout the District. At June 30, 2006, \$4,840,000 was outstanding. The certificates mature through June 2008 with interest rates ranging from 3.9 percent to 4.4 percent.

The notes payable were issued in 2001 in the amount of \$4,248,885 to fund energy-retrofitting projects throughout the District. At June 30, 2006, \$3,025,642 was outstanding. The note matures through September 2012 with an interest rate of 4.9 percent.

The District has utilized capital lease purchase agreements to purchase equipment. The current lease purchase agreements will be paid through December 2007.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Series	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 1, 2005	Issued	Redeemed	Outstanding June 30, 2006
8/12/2002	2002 A	8/1/2027	3.00 - 5.00%	\$85,000,000	\$69,200,000	\$ -	\$2,500,000	\$ 66,700,000
10/26/2005	2002 B	8/1/2030	3.00 - 5.00%	80,000,000	-	80,000,000	-	80,000,000
					<u>\$69,200,000</u>	<u>\$80,000,000</u>	<u>\$2,500,000</u>	<u>\$146,700,000</u>

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

The general obligation bonds mature through 2028 as follows:

2002 Series A

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 2,200,000	\$ 3,237,750	\$ 5,437,750
2008	1,000,000	3,189,750	4,189,750
2009	1,000,000	3,158,500	4,158,500
2010	1,000,000	3,126,000	4,126,000
2011	1,000,000	3,092,250	4,092,250
2012-2016	10,300,000	14,428,125	24,728,125
2017-2021	17,500,000	10,780,000	28,280,000
2022-2026	22,100,000	5,599,250	27,699,250
2027-2028	10,600,000	540,000	11,140,000
Total	<u>\$ 66,700,000</u>	<u>\$ 47,151,625</u>	<u>\$ 113,851,625</u>

The general obligation bonds mature through 2031 as follows:

2002 Series B

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 8,720,000	\$ 3,430,306	\$ 12,150,306
2008	7,800,000	3,182,506	10,982,506
2009	115,000	3,063,781	3,178,781
2010	265,000	3,056,756	3,321,756
2011	425,000	3,044,816	3,469,816
2012-2016	4,950,000	14,791,325	19,741,325
2017-2021	11,195,000	13,124,313	24,319,313
2022-2026	20,565,000	9,285,625	29,850,625
2027-2031	25,965,000	3,361,875	29,326,875
Total	<u>\$ 80,000,000</u>	<u>\$ 56,341,303</u>	<u>\$ 136,341,303</u>

Certificates of Participation

The certificates mature through 2008 as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,725,000	\$ 192,518	\$ 1,917,518
2008	3,115,000	102,794	3,217,794
Total	<u>\$ 4,840,000</u>	<u>\$ 295,312</u>	<u>\$ 5,135,312</u>

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Notes Payable

The notes mature through 2013 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 423,360	\$ 143,139	\$ 566,499
2008	444,884	121,615	566,499
2009	467,503	98,996	566,499
2010	491,271	75,228	566,499
2011	516,248	50,251	566,499
2012-2013	682,376	25,748	708,124
Total	<u>\$ 3,025,642</u>	<u>\$ 514,977</u>	<u>\$ 3,540,619</u>

Capital Leases

The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2005	\$ 117,663
Payments	54,416
Balance, June 30, 2006	<u>\$ 63,247</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2007	\$ 49,086
2008	14,161
Total	63,247
Less: Amount Representing Interest	8,174
Present Value of Minimum Lease Payments	<u>\$ 55,073</u>

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in PERS is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in STRS is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these postemployment health benefits on a pay-as-you-go-basis. During the 2005-2006 fiscal year, the District provided insurance premium benefits to 523 retired employees with total expenditures of \$5,304,993.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

The approximate accumulated future liability for the District at June 30, 2006, amounts to \$167,345,832. This amount was based on an actuarial study performed on June 21, 2006. At June 30, 2006, the District had set aside approximately \$2,700,000 for the future liability.

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2006, the District contracted with the Statewide Association of Community Colleges Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2006, the District participated in the Statewide Association of Community Colleges Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

STRS

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-2006 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$3,916,944, \$4,092,142, and \$3,771,436, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State.

CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The Ventura County Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2005-2006 was 9.116 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2006, 2005, and 2004, were \$2,203,280, \$2,505,357, and \$2,473,974, respectively, and equaled 100 percent of the required contributions for each year.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$2,129,764 (4.517 percent) of salaries subject to STRS. No contributions were made for PERS for the year ended June 30, 2006. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. This amount has been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseeable emergency.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2006.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Moorpark College Maintenance Warehouse	\$ 62,537	09/01/06
Moorpark College Track and Field	47,174	07/01/06
Moorpark College Child Development Center	2,642,747	12/31/06
Moorpark College Library Renovation	4,019,010	12/31/07
Moorpark College PE Renovation	560,690	12/31/07
Moorpark College EATM Building	611,281	12/01/09
Moorpark College Academy Center	835,153	03/30/09
Moorpark College Health/Science Complex	867,439	12/31/10
Moorpark College Planning and Development Cost	484,504	12/31/10
Moorpark College Infrastructure	131,925	12/31/10
Moorpark College Data Switch Project	139,632	12/31/07
Moorpark College Piped Utility Systems	8,202	12/31/10
Oxnard College CSSC	1,000	12/31/07
Oxnard College Gym Remodel	103,327	12/30/06
Oxnard College Track and Field	1,215,874	12/31/06
Oxnard College Auto Technology	669,304	12/31/07
Oxnard College North Campus Parking Lot	38,992	07/01/06
Oxnard College Electrical Systems Upgrade	92,540	12/31/06
Oxnard College Student Services Center	529,181	12/31/08
Oxnard College Learning Resources Center MDF Renovation	1,493,070	12/31/06
Oxnard College Warehouse	1,738,751	06/30/07
Oxnard College Planning and Development Cost	707,472	12/31/11
Oxnard College Child Development Center	10,340	12/30/06
Oxnard College PA/Classroom and Auditorium	1,393,546	12/31/11
Oxnard College Data Switch Project	105,874	12/31/07
Oxnard College Special Repairs	48,562	12/31/11
Oxnard College Piped Utility Systems	7,942	12/31/08
Ventura College Learning Resources Telecommunications Center	1,778,031	07/01/06
Ventura College Modernization	1,493,343	12/31/08
Ventura College Master Plan	82,027	07/01/06
Ventura College Renovate Athletic Facilities	4,239,376	10/30/06
Ventura College Health/Science Complex	336,135	08/30/09
Ventura College GP and High Tech Project	846,516	08/30/09
Ventura College Food Service	53,990	06/30/07
Ventura College Planning and Development Cost	650,176	06/30/11
Ventura College East/West Parking Lot Renovation	7,137	12/31/06
Ventura College Piped Utility System	11,595	12/31/09
Fire/Sheriff Planning and Development Cost	195,189	12/31/09
Fire/Sheriff Data Switch Project	217,765	12/31/07
Fire/Sheriff Master Plan	74,183	12/31/09
Fire/Sheriff Academy	1,468,563	12/31/09
	<u>\$ 30,020,095</u>	

The projects are funded through a combination of general obligation bonds, certificates of participation, and capital project apportionments from the State Chancellor's Office.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Statewide Association of Community Colleges Joint Powers Authority (JPA). The District pays annual premiums for its property liability health and worker's compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPA has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPA and the District are included in these statements. Audited financial statements are available from the entity.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

NOTE 14 - TAX AND REVENUE ANTICIPATION NOTES

On July 1, 2005, the District issued \$8,105,000 Tax and Revenue Anticipation Notes bearing interest at 4.0 percent, with a yield of 2.62 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2006. By April 30, 2006, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$8,105,000 and related accrued interest and cash held in trust are not included in these financial statements.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2005</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2006</u>
7/1/2005	4.0%	06/30/06	<u>\$ 8,105,000</u>	<u>\$ -</u>	<u>\$ 8,105,000</u>	<u>\$ -</u>

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SUPPLEMENTARY INFORMATION

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VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2006

The Ventura County Community College District was established in 1962 and is comprised of an area of approximately 882 square miles located in Ventura County. There were no changes in the boundaries of the District during the current year.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Mary Anne Rooney	President	2006
Dr. Larry O. Miller	Vice President	2008
Ms. Cheryl Heitmann	Member	2006
Mr. Arturo D. Hernandez	Member	2006
Mr. Robert O. Huber	Member	2008

ADMINISTRATION

Dr. James M. Meznik	Chancellor
Mr. William Studt	Vice Chancellor, Human Resources
Ms. Susan F. Johnson	Vice Chancellor, Business and Administrative Services

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION		
HIGHER EDUCATION ACT		
Title V Hispanic Servicing Institutions [1]	84.031S	\$ 724,475
Pass through from Foundation at CSUSB - Title V	84.031S	76,625
Pass through from Allan Hancock Title V Cooperative	84.031S	455,356
Child Care Access Means Parents in School (CCAMPIS)	84.335A	26,113
TRIO Talent Search	84.044	192,910
FINANCIAL AID CLUSTER [1]		
Federal College Work Study - FWS	84.033	378,573
Pell Grant	84.063	9,476,496
Student Financial Aid Administrative Costs	84.063	78,364
Supplemental Educational Opportunity Grant - SEOG	84.007	479,489
Federal Loans	84.032	3,241,855
VOCATIONAL AND TECHNICAL EDUCATION ACT		
Title IC	84.048	738,769
VTEA Regional Consortium Program Improvement Workshop	84.051	4,323
VTEA IIB Consortium Grant	84.051	167,972
Workability III - Department of Rehabilitation	84.126A	254,186
Cases Services - Department of Rehabilitation	84.126A	48,751
Tech Prep	84.243	193,804
Tech Prep Demo Program	84.353	48,896
Passed through from California Department of Education		
Tech Prep Consortium	84.243	175,235
U.S. DEPARTMENT OF LABOR		
Veterans	17.804	1,882
Passed through from County of Ventura Human Services Agency		
Nurse Workforce Initiative	17.528	139,053
BESD Medical Assistant Training	[2]	45,044
WIA Biotech Career Pathways	17.260	1,226
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Child Care and Development Grant: Yosemite Child Care Consortium	93.575	55,772
Passed through from County of Ventura Human Services Agency		
Title IV - E Casa Pacifica [1]	93.658	599,218
Title IV - E Special Projects Training [1]	93.658	125,598
Passed through from California Community College Chancellors Office		
Temporary Assistance for Needy Families (TANF)	93.558	94,750
U.S. DEPARTMENT OF AGRICULTURE		
Hispanic Serving Institutions Education Grant	10.223	215,448

[1] Tested as a major program.

[2] Federal Catalog Number not available

See accompanying note to supplementary information.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Total Expenditures
NATIONAL SCIENCE FOUNDATION		
Passed through from Santa Clarita Community College District		
Project CREATE	47.076	\$ 34,398
Passed through from Sinclair Community College District		
Collaborative Design and Rapid Tool MFG	47.076	28,676
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through from County of Ventura Sheriff's Department		
Office of Emergency Services		
State Homeland Security Program (SHSP)	97.073	2,500
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through from City of Simi Valley Department of		
Environmental Services		
Community Development Block Grant (CDBG)	14.227	10,405
U.S. DEPARTMENT OF COMMERCE		
Passed through from National Oceanic and Atmospheric		
Administration (NOAA)		
Educational Partnership Program-White Abalone Restoration	11.481	101,760
U.S. DEPARTMENT OF SMALL BUSINESS ADMINISTRATION		
Passed through from Long Beach City College District		
Small Business Development Center	59.037	50,920
OTHER FEDERAL REVENUE		
Fish and Wildlife	[2]	222
Total Federal Programs		<u><u>\$18,269,064</u></u>

[1] Tested as a major program.

[2] Federal Catalog Number not available

See accompanying note to supplementary information.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
AB1725 Staff Diversity 05-07	\$ 25,276	\$ -	\$ 25,276
AB1725 Staff Diversity 03-05	14,408	6,198	20,606
AB1725 Staff Diversity 04-06	42	25,438	25,480
Alternate Text Production Center Year 1	597,000	-	597,000
Americorps 04-05 Year 5	-	31,773	31,773
Biotechnology Center Leadership 05-06	152,500	-	152,500
Block Grant FY 06	440,448	-	440,448
Board of Financial Assistance Program (BFAP)	-	56,436	56,436
Business and Workforce Performance (COE) 05-06	178,875	-	178,875
Business and Workforce Performance (COE) 04-05	-	193,875	193,875
Cal Grant B	1,163,402	2,909	1,166,311
Cal Grant C	32,094	216	32,310
CalWorks 05-06	55,069	-	55,069
CalWorks 05-06	195,117	-	195,117
CalWorks 05-06	112,804	-	112,804
Central Coast Applied Biotech Center 05-06	193,875	-	193,875
CITD 05-06 Economic Development Grant	178,875	-	178,875
College of the Canyons Biotech Coop Grant	42,776	-	42,776
Cooperative Agency Resource Education (CARE) 05-06	283,364	-	283,364
Credit Matriculation 05-06	1,091,103	-	1,091,103
Disabled Students Programs and Services (DSPS) 05-06	2,468,103	-	2,468,103
Disabled Students Programs and Services (DSPS) 04-05	-	8,153	8,153
Enrollment Growth Associate's Degree in Nursing 04-05	-	75,898	75,898
Enrollment Growth Associate's Degree in Nursing 05-06	89,507	-	89,507
Enrollment Growth Associate's Degree in Nursing 05-06	58,823	-	58,823
Extended Opportunity Program and Services (EOPS) 05-06	2,043,103	-	2,043,103
FSS Mesa 04-05	-	20,375	20,375
FSS Mesa 05-06	81,500	-	81,500
First 5 of Ventura Tuition Assistance for Needy Families	44,291	-	44,291
Foster Kinship Care Education	396,867	-	396,867
Governor's WIA and Equipment Grant	199,093	-	199,093
Governor's WIA and Equipment Grant	193,345	-	193,345
HR Technology Training (TTIP) 01-03	-	16,523	16,523
Independent Living-Foster Children 04-05	10,200	-	10,200
Library Automation FY 06	110,091	-	110,091
MCCCP NSF Scholarship Grant	6,250	-	6,250
Mt. SAC Family and Consumer Services Collaborative	5,000	-	5,000
Middle College High School (MCHS) 05-06	-	127,000	127,000
Middle College High School (MCHS)	139,212	-	139,212
Middle College High School (MCHS) 05-06	-	100,749	100,749
Noncredit Matriculation 03-04	-	-	-
State Instructional Equipment 03-05	203	396,088	396,291
State Instructional Equipment 04-06	691,796	165,204	857,000
Student Financial Aid Administration Allowance 05-06	1,026,902	-	1,026,902
TANF Child Development Careers Program June 05 - May 06	111,808	-	111,808
TANF Child Development Careers Program June 06	8,170	-	8,170
Telecomm and Technical Infrastructure Program (TTIP) 01-03	-	16,580	16,580

See accompanying note to supplementary information.

Program Revenues				
Cash	Accounts	Deferred	Total	Program
Received	Receivable	Revenue	Revenue	Expenditures
\$ 27,503	\$ -	\$ 22,222	\$ 5,281	\$ 5,281
14,408	-	7,364	7,044	7,044
42	-	-	42	42
567,150	29,850	-	597,000	597,000
-	21,368	-	21,368	21,368
128,100	24,248	-	152,348	152,348
440,448	-	293,907	146,541	146,541
56,436	-	-	56,436	56,436
150,255	3,199	-	153,454	153,454
-	14,932	-	14,932	14,932
1,163,792	2,519	-	1,166,311	1,166,311
32,310	-	-	32,310	32,310
52,880	1,361	-	54,241	54,241
176,795	17,422	-	194,217	194,217
108,130	4,674	-	112,804	112,804
150,255	28,081	-	178,336	178,336
150,255	28,620	-	178,875	178,875
-	41,563	-	41,563	41,563
277,340	6,024	258	283,106	283,106
1,091,103	-	16,240	1,074,863	1,074,863
2,468,103	-	948	2,467,155	2,467,155
8,153	-	8,153	-	-
(3,611)	12,144	-	8,533	8,533
89,507	-	614	88,893	88,893
58,823	-	1,375	57,448	57,448
1,998,103	29,949	2,178	2,025,874	2,025,874
(18,602)	20,375	-	1,773	1,773
61,125	-	15,970	45,155	45,155
10,663	33,057	-	43,720	43,720
198,433	194,393	-	392,826	392,826
1,643	176,688	-	178,331	178,331
43,216	141,148	-	184,364	184,364
436	-	-	436	436
2,977	7,064	-	10,041	10,041
110,091	-	16,807	93,284	93,284
-	-	-	-	-
1,500	2,986	-	4,486	4,486
127,000	-	-	127,000	127,000
-	139,150	-	139,150	139,150
68,999	31,750	-	100,749	100,749
33	-	33	-	-
203	-	-	203	203
691,796	-	316,093	375,703	375,703
1,026,902	-	10,649	1,016,253	1,016,253
78,230	31,507	-	109,737	109,737
-	7,914	-	7,914	7,914
1,051	-	-	1,051	1,051

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
TTIP 02-04 4CNET	\$ 35,100	\$ 149,756	\$ 184,856
TTIP Library Automation 02-04	70	111,041	111,111
TTIP Library Automation 03-05	2,010	106,078	108,088
TTIP Library Automation 04-06	16,452	93,639	110,091
TTIP TCO 03-04 (Cal Ren)	141,251	55,589	196,840
TTIP TCO 03-04 (Cal Ren) Additional Allocation	-	62,540	62,540
TTIP Technology for Access 01-03	14,518	394,538	409,056
Video Captioning ACCESS	-	4,607	4,607
Workplace Resource Learning Center 05-06	178,875	-	178,875
Total	<u>\$ 12,829,568</u>	<u>\$ 2,221,203</u>	<u>\$ 15,050,771</u>

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 35,099	\$ -	\$ 827	\$ 34,272	\$ 34,272
-	-	-	-	-
2,010	-	-	2,010	2,010
16,452	-	1,499	14,953	14,953
141,251	-	111,764	29,487	29,487
62,540	-	62,540	-	-
14,518	-	13,553	965	965
31	-	-	31	31
150,255	23,353	-	173,608	173,608
<u>\$ 12,034,132</u>	<u>\$ 1,075,339</u>	<u>\$ 902,994</u>	<u>\$ 12,206,477</u>	<u>\$ 12,206,477</u>

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2006

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	2,700	-	2,700
2. Weekly census	18,138	-	18,138
3. Daily census	1,735	-	1,735
4. Actual hours of attendance	443	-	443
5. Independent study/work experience	949	-	949
Subtotal	23,965	-	23,965
B. <u>Noncredit FTES</u>			
1. Summer	16	-	16
2. Actual hours of attendance	182	-	182
Subtotal	198	-	198
Total FTES	24,163	-	24,163
C. <u>Basic Skills Courses</u>			
1. Credit			1,250
2. Non credit			29
Total Basic Skills FTES			1,279
D. <u>FTES Generated in Leased Space</u>			
			601

See accompanying note to supplementary information.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which require reconciliation to the audited financial statements at June 30, 2006.

See accompanying note to supplementary information.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance:

General Fund	\$12,960,131
Special Revenue Funds	296,684
Capital Project Funds	106,317,192
Debt Service Funds	24,303,149
Enterprise Funds	3,666,511
Internal Service Funds	3,294,798
Fiduciary Funds	4,131,162

Total Fund Balance - All District Funds **\$ 154,969,627**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	360,121,592
Accumulated depreciation is	(53,828,660)

Less fixed assets already recorded in the enterprise funds	<u>(207,975)</u>	306,084,957
--	------------------	-------------

Amounts held in trust on behalf of others (Trust and Agency Funds)		(4,104,475)
--	--	-------------

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.

(2,864,182)

Long-term liabilities at year end consist of:

Bonds payable	146,700,000
Certificates of participation	4,840,000
Notes payable	3,025,642
Capital leases payable	55,073
Load banking	1,177,768
Compensated absences	2,644,671
Less capital lease payable already recorded in enterprise funds	(16,823)
Less load banking already recorded in funds	(1,177,768)
Less compensated absences already recorded in funds	(731,252)

Total Net Assets **\$ 297,568,616**

See accompanying note to supplementary information.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2006

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State General Apportionment

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the audited financial statements.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

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INDEPENDENT AUDITORS' REPORTS

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**INDEPENDENT AUDITORS' 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**

Board of Trustees
Ventura County Community College District
Ventura, California

We have audited the financial statements of Ventura County Community College District (the District) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated September 8, 2006. 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 financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of Ventura County Community College District in a separate letter dated September 8, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ventura County Community College District's basic 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaughn, Trine, Day, & Co., LLP

Rancho Cucamonga, California
September 8, 2006



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Ventura County Community College District
Ventura, California

Compliance

We have audited the compliance of Ventura County Community College District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Ventura County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Ventura County Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Ventura County Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Varenek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 8, 2006



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Ventura County Community College District
Ventura, California

We have audited the financial statements of the Ventura County Community College District (the District) for the years ended June 30, 2006 and 2005, and have issued our report thereon dated September 8, 2006.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

General Directive

- MIS Implementation - Required Data Elements

Administration

- Open Enrollment
- Minimum Conditions - Standards of Scholarship
- Student Fee - Instructional Materials and Health Fees
- Apportionment of Instructional Service Agreements/Contracts
- Residency Determination for Credit Courses
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Enrollment Fee
- Students Actively Enrolled
- Salaries of Classroom Instructors (50% Law)
- Use of Matriculation Funds
- Allocation of Costs (DSPS and EOPS)
- Non Credit Courses

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for findings 2006-1 through 2006-4 as described in the accompanying Schedule of State Award Findings and Questioned Costs, the Ventura County Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2006.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vannich, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 8, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2006**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.031S</u>	<u>Title V Hispanic Servicing Institutions</u>
<u>84.033, 84.063, 84.007, 84.032</u>	<u>Financial Aid Cluster</u>
<u>93.658</u>	<u>Title IV</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 548,072</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

None reported.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

None reported.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

The following finding represents instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2006-1

Instructional Material Fee

The District is lacking proper board policies in regards to instructional fees.

Program Affected

Instructional Fees - Instructional Materials and Health Fee

Identified Condition

We noted the following areas of concern regarding student fees:

- **District Board Policies - Instructional Material Fees:** The governing boards of community college districts that require students to provide instructional material or other materials for a course must have adopted policies that specify the conditions under which such materials will be required. These policies should reflect the intent of the legislature that districts are not required to provide all materials, textbooks, equipment, and clothing necessary for each course and program. Districts may require students to provide these instructional materials only if they provide a continuing value to the students outside of the classroom setting, are tangible personal property that is owned or controlled by the student, and the material must not be solely or exclusively available from the district. The Board policies for the District did not specifically address the above criteria.
- **Instructional Material Fees:** California Code of Regulations Section 59402 defines "required instructional and other materials". As outlined above, these fees must provide a continuing value to the students outside of the classroom setting, be tangible personal property that is owned or controlled by the student, and the material must not be solely or exclusively available from the district. In reviewing the District's instructional fee documentation for the Moorpark campus, it was not apparent what the various fees were for or if they were approved fees based on Education Code Section 76365 requirements.
- **Optional Fees:** If any fees are considered optional, then the District must clearly describe to the students that the fees are optional so that they cannot be mistaken as a required fee. This was not clearly documented in any of the three Colleges' catalog or class schedules.

Effect

Strengthening and developing Board policies and procedures for each campus to follow will reduce the risk of noncompliance requirements which could result in questioned costs.

Recommendation

The District should review their Board approved policies and documentation of student fees noted in the College's catalog or class schedules in order to assure proper compliance with State regulations.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

Questioned Costs

None noted.

District Response

The District does not concur with the finding regarding District Board Policies. Ventura County Community College has adopted the League's format, which most districts have adopted. Chapter 5 of the Board Policies, BP 5030 specifically states "students may be required to provide required instructional and other materials for a credit or non-credit course, provided such materials are of continuing value to the student outside the classroom and provided that such materials are not solely or exclusively available from the District." This policy satisfies the requirement of the Education Code 76365 and Title 5, Section 59400, et seq.

The District concurs with the finding for the Instructional Material Fees. Moorpark College has been given direction to maintain supporting documents for all material fees and that the supporting documents are to be available for audit purposes.

The District concurs with the finding for the Optional Fees. The District will incorporate proper wording in the three Colleges' catalogs or class schedules so that the student will clearly understand optional fees verses mandatory fees.

2006-2

Standards of Scholarship

One college campus is not following the State Compliance requirements for repeating classes.

Program Affected

Minimum Conditions - Standards or Scholarship (Section 436) - Noncompliance with CCR, Title 5, Sections 55763 (b)

Identified Condition

Oxnard College: The College is not following the repeat policy that is stated in the course catalog (page 16) regarding course repetitions. The catalog states that, "courses may be repeated once for the purpose of improving a recorded grade". However, students are allowed to repeat a course for a second time when there have been extenuating circumstances. The student is required to fill out a "Petition for Course Repetition Due to Extenuating Circumstances", as well as submit backup documentation supporting the circumstance. The petition then must be approved by either the governing board or its designee. During testing, it was noted that all students were filling out the petitions and being allowed to repeat courses; however, no supporting documentation was being submitted for approval of repeats. In addition, the reasons being given for the repeat appeared not to be extenuating.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

Criteria

California Code of Regulations, Title 5, Sections 55761-55763 and 58161

Title 5, Section 55763 (b) states, "except as provided in Subsections (c), repetition of courses for which substandard work has not been recorded shall be permitted only upon petition and with the written permission of the governing board or its designee, grades awarded for those courses repeated under the provisions shall not be counted in calculating a student's grade point average".

Effect

Strengthening and developing a tracking mechanism will reduce the risk of noncompliance requirements which could result in questioned costs.

Recommendation

We recommend that Oxnard College review their policies relating to repeats and ensure that they are following the policies, which includes receiving all necessary back up documentation and denying petitions when necessary.

Questioned Costs

None noted.

District Response

The District concurs with the finding and the recommendation. To correct the finding, the Dean of Student Services will conduct an orientation for all counselors regarding the need to provide supporting documentation together with the petition for a course repeat. Additionally, the Admissions and Records Office will no longer process a petition for a course repeat unless supporting documentation is provided. During fall 2006 registration, all petitions received by the Admissions and Records Office without supporting documentation were excluded from apportionment on the 320 Report.

2006-3

Standards of Scholarship

The District is using credits and grades earned in the second repetition to improve a student's grade point average.

Program Affected

Minimum Conditions - Standards or Scholarship (Section 436) - Noncompliance with CCR, Title 5, Sections 55761-55763 and 58161.

Identified Condition

Districts are required to meet certain minimum conditions which include Standards of Scholarship. These conditions can have an impact on the districts receiving State aid. Within our testing of Standards of Scholarship, our sample included 15 students who had repeated the same course two or more times and for which substandard work had or had not been recorded. We noted all the students tested received a grade for those courses repeated twice, and these grades were counted in calculating the student's grade point average.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

In regards to calculating GPA, Legal Opinion E 04-01 states, "a district may allow such repetitions but it may not claim apportionment for a second or subsequent repetitions and it may not allow the student to take advantage of the provisions of section 55761 more than once". This means that if the District does allow subsequent repetitions, the student's new grade cannot be substituted for the prior one in calculating GPA.

However, section 55761 does not preclude a district from awarding credit to the student for the second repetition and recording the passing grade on his or her transcript, provided the earlier grades also remain on the record. The student could use this credit to count toward an Associate Degree or toward transfer requirements. Moreover, receiving a passing grade from a second repetition would allow the student to enter a course for which the repeated course was a prerequisite. What is prohibited is using credits and grades earned in a second repetition to improve a student's GPA.

The District does not have a mechanism in place that calculates the proper credits and grades earned, which would be zero under the provision stated above improving the student's grade point average.

Criteria

California Code of Regulations, Title 5, Sections 55761-55763 and 58161

Title 5, Section 55763 (b) states, "except as provided in Subsections (c), repetition of courses for which substandard work has not been recorded shall be permitted only upon petition and with the written permission of the governing board, grades awarded for those courses repeated under the provisions shall not be counted in calculating a student's grade point average".

Legal Advisory 04-04, Withdrawal and Course Repetition, Date January 21, 2004

Legal Advisory 04-01 states, "58161 does not preclude the college from awarding credit to the student for the second repetition and recording the passing grade on the student's transcript. However, what is prohibited in section 58161 is using credits and grades earned in the second repetition to improve a student's grade point average".

Effect

Strengthening and developing a tracking mechanism will reduce the risk of noncompliance requirements which could result in questioned costs.

Recommendation

We recommend that the College and/or District develop a mechanism that calculates the proper credits and grades earned, which under the provision stated above prohibits using credits and grades earned in the second repetition in improving the student's grade point average.

Questioned Costs

None noted.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

District Response

The District concurs with the finding and recommendation. The District will take the following steps to correct our internal processes so they comply with California Community College regulations and related legal opinions which include:

1. Within this academic year, develop and implement electronic processes to monitor course repetitions and ensure that a student is allowed only a single repetition of a course in which he/she received a substandard grade.
2. The District will also train all counseling faculty and appropriate staff on course repetition regulations to ensure consistency in the interpretation of these regulations at the District's three sites.

2006-4

CalWORKs Eligibility

Uses of CalWORKs State Funds and CalWORKs TANF Funds (Section 433) - No supporting documents to identify eligibility by the County Welfare Department for CalWORKs recipients for each academic term.

Program Affected

CalWORKs State Funds and CalWORKs Federal Temporary Assistance for Needy Families Funds passed through the California Community Colleges Chancellor's Office as CalWORKs State Funds and CalWORKs Federal Temporary Assistance for Needy Families (TANF).

Identified Condition

In our sample of 25 CalWORKs recipients for eligibility requirements of the Ventura County Community College District, we noted the following issues of noncompliance:

1. Moorpark College: We noted two CalWORKs recipients who were receiving CalWORKs services did not have the proper eligibility documented through the County Welfare Department (CWD) for each academic term the recipient was served. We were unable to determine eligibility at the beginning of each term. CalWORKs does not have a consistent tracking mechanism for tracking student eligibility and for all CalWORKs and TANF-funded services. Also, in our sample of 25 CalWORKs recipients for eligibility requirements at Moorpark College, we noted 18 CalWORKs recipients who were receiving CalWORKs services did have documented eligibility through the tape match provided from the CWD; however, the auditor could not determine the point of time the tape match was processed by the CWD nor any signature and/or verification of whether the file came from the CWD for each academic term the recipient was served. Therefore, no determination could be made to determine if eligibility was verified at the beginning of each term as required.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

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2. Oxnard College: We noted two CalWORKs recipients who were receiving CalWORKs services did not have the proper eligibility documented through the CWD for each academic term the recipient was served. We were unable to determine eligibility at the beginning of each term. CalWORKs does not have a consistent tracking mechanism for tracking student eligibility and for all CalWORKs and TANF-funded services. Also, in our sample of 25 CalWORKs recipients for eligibility requirements at Oxnard College, we noted 12 CalWORKs recipients who were receiving CalWORKs services did have documented eligibility through the tape match provided from the CWD; however, the auditor could not determine the point of time the tape match was processed by the CWD nor any signature and/or verification of whether the file came from the CWD for each academic term the recipient was served. Therefore, no determination could be made to determine if eligibility was verified at the beginning of each term as required.
3. Ventura College: We noted one CalWORKs recipient who was receiving CalWORKs services did not have the proper eligibility documented through the CWD for each academic term the recipient was served. We were unable to determine eligibility at the beginning of each term. CalWORKs does not have a consistent tracking mechanism for tracking student eligibility and for all CalWORKs and TANF-funded services. Also, in our sample of 25 CalWORKs recipients for eligibility requirements at Ventura College, we noted nine CalWORKs recipients who were receiving CalWORKs services did have documented eligibility through the tape match provided from the CWD; however, the auditor could not determine the point of time the tape match was processed by the CWD nor signature and/or verification the file came from the County Welfare Department for each academic term the recipient was served. The auditor also was unable to determine eligibility at the beginning of each term due to the timing at which the college receives the tape match from CWD. The auditor noted Ventura College has two summer sections, and no tape match was available for eligibility verification for these terms.

Criteria

The California Community Colleges Chancellor's Office CalWORKs Program Handbook Guidelines Section V subsection Eligibility Documentation states, "eligibility for services must be coordinated through the local county welfare department. Once the initial eligibility determination is made by the County Welfare Department, on-going communication with the County is essential to ensure that a student remains in good standing. Eligibility determinations must be conducted at the beginning of each term to ensure students are eligible for services prior to receiving them."

Effect

Strengthening and developing an independent tracking mechanism will reduce the risk of noncompliance eligibility requirements result could lead to questioned costs.

Recommendation

We recommend that the District and the Colleges strengthen and develop an independent internal tracking of student eligibility and for all CalWORKs and TANF-funded services. Services provided through other College departments, like the Child Care Center, must be coordinated with the CalWORKs program office to also verify a student's ongoing eligibility for services, their academic progress, and to monitor program expenses that are directly attributable to support for the identified CalWORKs eligible recipients.

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STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

Questioned Costs

None noted.

District Response

The District concurs with the findings and recommendations. The District is currently working with the County of Ventura, who has just recently implemented a new computer system, to obtain direct database query access of CalWORKs recipient information that is anticipated to provide a link to real time recipient eligibility/assessment information, Welfare to Work plans, and historical data. The colleges are also currently reviewing and strengthening internal processes with respect to recipient file documentation that will ensure the detection of individual file deficiencies, and identification of corrective action, and to enhance data retrieval. Standard forms and checklists are also currently being reviewed and modified as necessary to improve tracking and data integrity; data match files are now date specific.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

FEDERAL

2005-1

Personnel Activity Reports

The District is not preparing personnel activity reports as required by OMB Circular A-21, Part J, No. 10 for employees charged to the Title V - Strengthening Institutions.

Recommendation

Under the cost principles set forth by OMB Circular A-21, Part J, No. 10, employees who work on multiple activities must complete personnel activity reports or equivalent documentation and must meet the following standards:

- Reflect actual activity of each employee,
- Account for total activity that an employee is compensated for,
- Prepared monthly and must coincide with one or more pay periods, and
- Signed by employee.

For employees who work solely on a single Federal Program, OMB Circular A-21, Part J, No. 10 states that the payroll charges must be supported by certifications. These certifications must be prepared at least annually, signed by the employees, and state that the employee worked solely on the program for the period covered by the certification.

Current Status

Implemented.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

STATE

2005-2

Student Fees

We noted the following area of concerns regarding student fees:

- **District Board Policies - Instructional Material Fees:** The governing boards of community college districts that require students to provide instructional material or other materials for a course must have adopted policies that specify the conditions under which such materials will be required. These policies should reflect the intent of the legislature that districts are not required to provide all materials, textbooks, equipment, and clothing necessary for each course and program. Districts may only require students to provide these instructional materials only if they provide a continuing value to the students outside of the classroom setting, is tangible personal property that is owned or controlled by the student, and the material must not be solely or exclusively available from the district. The Board policies for the District did not specifically address the above criteria.
- **Instructional Material Fees:** California Code of Regulations Section 59402 defines "required instructional and other materials". As outlined above, these fees must provide a continuing value to the students outside of the classroom setting, is tangible personal property that is owned or controlled by the student, and the material must not be solely or exclusively available from the district. In reviewing the District's instructional fee documentation, it was not apparent to distinguish what the various fees were for and if they were approved fees based on Education Code Section 76365 requirements.
- **Optional Fees:** If any fees are considered optional, then they must clearly describe to the students that they are optional and that they cannot be mistaken as a required fee. This is not clearly documented in the College's catalog or class schedule.

Recommendation

The District should review their Board approved policies and documentation of student fees noted in the College's catalog or class schedules in order to assure proper compliance with State regulations.

Current Status

Not implemented. See current year findings and questioned costs 2006-1.