

**VICTOR VALLEY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Victor Valley Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2013, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 15. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 13 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vauvinez, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 18, 2013



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USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of Victor Valley Community College District (the District) as of June 30, 2013. The report consists of three basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, 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, 2013. 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.

Victor Valley Community College District was established in 1961 and serves the County of San Bernardino and a small portion of the County of Los Angeles. Students in our college may complete the freshman and sophomore years of a baccalaureate degree and transfer to upper division study at a university or complete a certificated vocational program and move directly into the workforce.

OVERVIEW OF THE FINANCIAL STATEMENTS

Victor Valley Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position 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 Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. 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 Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

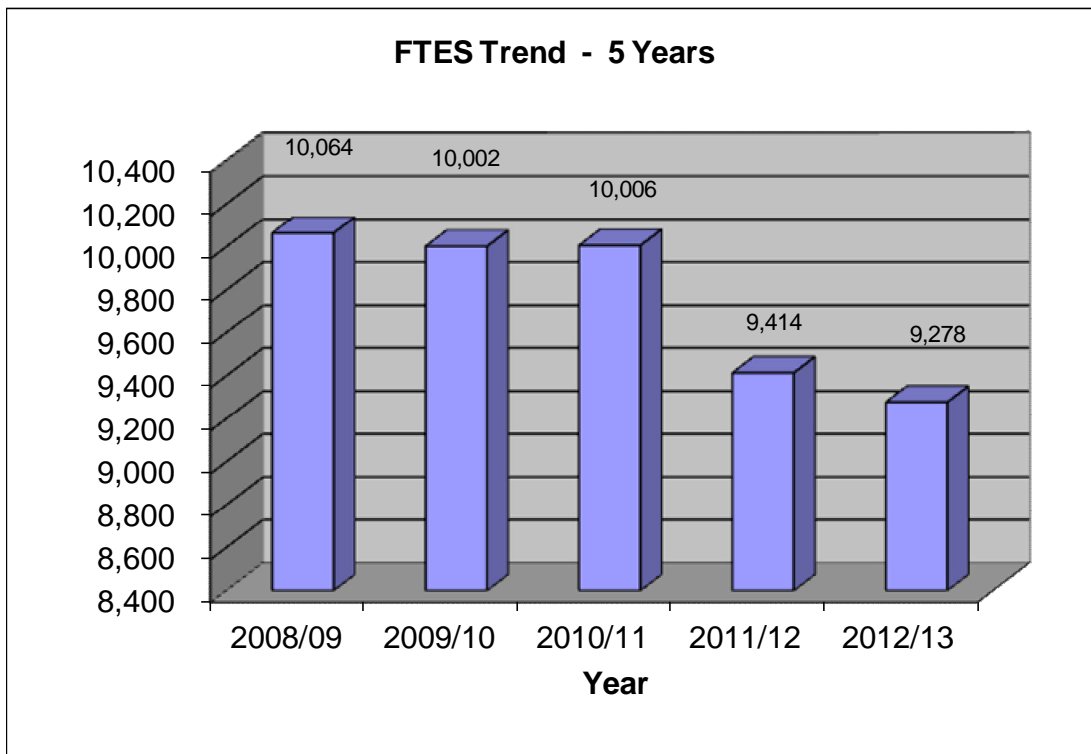
FINANCIAL HIGHLIGHTS

This section provides condensed information for each of the three basic financial statements, as well as illustrative charts and tables.

The District continues to provide courses and programs to the community despite a reduction in State apportionment. It received approximately \$54,057 less in fiscal year 2012-2013, in comparison to the prior year. However, the mid-size college threshold (eligibility requirement for an additional \$1,107 million in base funding) was reduced from 10,000 to 9,236, allowing the college to reduce the amount of unfunded FTES. For instance, the actual FTES of 9,279 is now only 290.63 from the total funded FTES (8,988.37). In addition, the college rolled over 553.87 FTES into fiscal year 2013-2014 in anticipation of pending growth funds.

Past experience indicates that growth funds are usually allocated when the economy improves, which parallels with a downturn in enrollment at Victor Valley Community College. The rolling forward of the prior year FTES has been used as a defensive mechanism to provide the college ample time to react to any revenue increase. Further, the District continues its efforts to reduce operating costs by engaging in energy saving projects. During the fiscal years 2009 through 2013, bond funded energy management projects were completed that saves approximately \$525,181 per year in utilities cost.

The District's primary funding is based upon an apportionment allocation made by the State of California Community Colleges Chancellor's Office. The primary basis for the Chancellor's apportionment calculation is the District's reporting of FTES. Below is the District's five-year trend for FTES:



VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Once the Chancellor's Office calculates the District's base apportionment, it reduces the net amount to be distributed by the amount of property taxes and enrollment fees expected to be paid directly to the District. The matrix below lists the three components and illustrates the net effect of the changes. Overall, total apportionment decreased by \$1,200,962.

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Property tax revenue	\$ 6,243,457	\$ 6,975,018	\$ (731,561)
Tuition and fees	3,017,306	2,762,499	254,807
Apportionment	<u>33,841,946</u>	<u>34,566,154</u>	<u>(724,208)</u>
Total	<u>\$ 43,102,709</u>	<u>\$ 44,303,671</u>	<u>\$ (1,200,962)</u>

SELECTED HIGHLIGHTS

During fiscal year 2012-2013, total FTES decreased by 1.4 percent. This decrease was designed to place the institution closer to the mid-size college eligibility requirement thereby decreasing unfunded FTES and adding to the roll into next year.

While the total workload production decreased from the prior fiscal year, the college actually increased the number of FTES (actual roll as a percentage of total workload) rolled into fiscal year 2013-2014 (6.0 percent vs. 4.7 percent in the previous year).

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net assets of the District as of the end of the fiscal year, and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets, liabilities, and net position.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net assets and their availability for expenditure by the District.

(Amounts in thousands)

	<u>2013</u>	<u>*2012</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash and investments	\$ 43,281	\$ 48,882	\$ (5,601)
Accounts receivable	14,679	16,061	(1,382)
Other current assets	1,339	1,609	(270)
Total Current Assets	<u>59,299</u>	<u>66,552</u>	<u>(7,253)</u>
Noncurrent Assets			
Investments	26,926	24,928	1,998
OPEB asset	6,842	5,871	971
Capital assets (net)	123,220	125,114	(1,894)
Total Noncurrent Assets	<u>156,988</u>	<u>155,913</u>	<u>1,075</u>
Total Assets	<u>\$ 216,287</u>	<u>\$ 222,465</u>	<u>\$ (6,178)</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 9,081	\$ 8,304	\$ 777
Current portion of long-term obligations	1,932	1,662	270
Total Current Liabilities	<u>11,013</u>	<u>9,966</u>	<u>1,047</u>
Long-Term Obligations	<u>154,742</u>	<u>153,240</u>	<u>1,502</u>
Total Liabilities	<u>165,755</u>	<u>163,206</u>	<u>2,549</u>
NET POSITION			
Net investment in capital assets	(1,392)	4,696	(6,088)
Restricted	9,720	9,619	101
Unrestricted	42,204	44,944	(2,740)
Total Net Position	<u>50,532</u>	<u>59,259</u>	<u>(8,727)</u>
Total Liabilities and Net Position	<u>\$ 216,287</u>	<u>\$ 222,465</u>	<u>\$ (6,178)</u>

* As restated. See Note 15 for more information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. The District's net position decreased from last year by \$8.7 million for the fiscal year ending June 30, 2013. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

The net position is divided into three major categories. The first category, *net investment in capital assets*, provides the equity amount in the property, plant, and equipment owned by the District. The second category, *expendable restricted net position*, are net position available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is *unrestricted net position* that is available to the District for any lawful purpose of the District.

- Approximately 60 percent of the cash balance and investments is cash deposited in the San Bernardino County Treasury Pool. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and the return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash.
- The majority of the accounts receivable balance in the amount of \$12.8 million is from Federal and State sources for grant and entitlement programs and apportionment funding.
- Capital assets had a net balance of \$123.2 million. Depreciation expense of \$4.1 million was recognized during 2012-2013.
- Accounts payable in the amount of \$5.4 million are amounts due as of the fiscal year-end for goods and services received as of June 30, 2013. Interest payable accruals total \$2.3 million. Other current liabilities in the amount of \$3.3 million related mainly to deferred revenues and the current portion of compensated absences payable, bonds payable, supplementary employee retirement plan, and lease obligations; noncurrent liabilities in the amount of \$154.7 million include noncurrent portions for compensated absences payable, general obligation bonds, supplementary employee retirement plan, and lease obligations have been recognized for the year ended June 30, 2013.
- The District currently has \$147.3 million outstanding related to the issuance of general obligation debt. Additional information regarding long-term debt is included in the Debt Administration section of this discussion and analysis.
- During 2012-2013, the District made a contribution to its postemployment benefits (OPEB) irrevocable trust in the amount of \$800,000. As of June 30, 2013, the trust had a balance of \$9.4 million.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not by the District, the operating and nonoperating expenses incurred, whether paid or not by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

(Amounts in thousands)

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Operating Revenues			
Tuition and fees	\$ 3,017	\$ 2,763	\$ 254
Auxiliary sales and charges	2,791	3,524	(733)
Total Operating Revenues	<u>5,808</u>	<u>6,287</u>	<u>(479)</u>
Operating Expenses			
Salaries and benefits	50,270	50,791	(521)
Supplies and maintenance	11,782	16,473	(4,691)
Student financial aid	22,391	36,136	(13,745)
Depreciation	4,063	4,078	(15)
Total Operating Expenses	<u>88,506</u>	<u>107,478</u>	<u>(18,972)</u>
Loss on Operations	<u>(82,698)</u>	<u>(101,191)</u>	<u>18,493</u>
Nonoperating Revenues			
State apportionments	33,842	34,566	(724)
Property taxes	6,244	6,975	(731)
Other taxes	6,379	6,094	285
Grants and contracts	27,136	41,426	(14,290)
Other nonoperating revenues (expenses)	(991)	(750)	(241)
Total Nonoperating Revenue	<u>72,610</u>	<u>88,311</u>	<u>(15,701)</u>
Other Revenues and Losses			
Local capital income	1,364	1,733	(369)
Loss on disposal of capital assets	(2)	(20)	18
Total Other Revenues and Losses	<u>1,362</u>	<u>1,713</u>	<u>(351)</u>
Change in Net Position	<u>\$ (8,726)</u>	<u>\$ (11,167)</u>	<u>\$ 2,441</u>

The schedule above has been prepared from the Statement of Revenues, Expenses, and Changes in Net Position. State general apportionment, while budgeted for operations, is considered nonoperating revenues, according to the Governmental Accounting Standards Board's prescribed reporting format.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Total operating revenues reflect an increase in tuition and fees of \$254,807 from the previous year. This may be a direct correlation of the college implementing a drop for nonpayment policy, where students have to pay fees within five business days of registration or be dropped from classes. More than half of the District's students qualify for the Board of Governor's Grant (BOGG), which waives their enrollment fees. Grants and contracts increase and decrease when grant periods end or when new grants are obtained by the District. Auxiliary sales and charges reflect decreases in bookstore sales.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are nonoperating revenue because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

- Tuition and fees are generated by the resident, non-resident, and foreign fees paid by the students attending Victor Valley Community College, including fees such as parking fees, community services classes, and other related fees.
- Non-capital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- State apportionment is generated based on the workload measures reported to the State by the District. The District has experienced slight increases in the various workload measures.
- Local property taxes are received through the Auditor-Controller's Office for San Bernardino and Los Angeles Counties. The amount received for property taxes is deducted from the total State general apportionment amount calculated by the State for the District.

Total operating expenses decreased by \$19.0 million. The decrease is comprised of three parts:

1. Salaries and benefits decreased by \$0.5 million;
2. Supplies, maintenance, and other operating expenses decreased by \$4.7 million with approximately \$3.0 million of the decrease due to a reduction of equipment expenditures; and
3. Payments to students decreased by \$13.8 million mainly due to the elimination of the District's Direct Loan Program and continued declining enrollment.

Operating expenses are 56.8 percent related to personnel costs. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for nonoperating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

(Amounts in thousands)

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (80,855)	\$ (96,302)	\$ 15,447
Noncapital financing activities	74,621	86,622	(12,001)
Capital financing activities	453	(14,370)	14,823
Investing activities	<u>2,179</u>	<u>2,131</u>	<u>48</u>
Net Change in Cash	(3,602)	(21,919)	18,317
Cash, Beginning of Year	<u>73,809</u>	<u>95,728</u>	<u>(21,919)</u>
Cash, End of Year	<u><u>\$ 70,207</u></u>	<u><u>\$ 73,809</u></u>	<u><u>\$ (3,602)</u></u>

The primary operating activities contributing to cash flow are student tuition and fees, while the primary operating activity using cash flow throughout the year is the payment of salaries and benefits.

Even though State apportionment, property taxes, Federal, State, and local grants and contracts are the primary source of non-capital related revenue (and cash flow), GASB accounting standards require that these sources of revenue be shown as nonoperating revenue, since they come from general resources of the Federal and State government and not from the primary users of the college's programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

Cash flow used in operating activities increased by \$15.4 million during fiscal year 2012-2013.

Cash flow provided by non-capital financing activities decreased by \$12.0 million from 2011-2012. This was caused by a \$14.5 million decrease in grants and contracts, offset by a \$2.5 million increase in apportionment, property taxes, and other receipts.

The primary source of funds included in capital and related financing activities is the issuance of general obligation bonds.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because these assets cannot be used to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Assets

At June 30, 2013, the District had total capital assets of \$170.5 million consisting of land, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of \$47.3 million.

Capital additions consist primarily of replacement, renovation, and new construction of facilities, as well as significant investments in equipment, including information technology. Current year additions were funded with a combination of special categorical, unrestricted general fund dollars, and capital outlay appropriations.

(Amounts in thousands)

	*Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 12,212	\$ 1,405	\$ -	\$ 13,617
Buildings and improvements	143,444	605	-	144,049
Furniture and equipment	12,771	161	(100)	12,832
Subtotal	168,427	2,171	(100)	170,498
Accumulated depreciation	(43,313)	(4,063)	98	(47,278)
	<u>\$ 125,114</u>	<u>\$ (1,892)</u>	<u>\$ (2)</u>	<u>\$ 123,220</u>

* As restated. See Note 15 for more information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Debt

At June 30, 2013, the District had \$156.7 million in total debt. The District was successful in passing a bond measure before the voters in November 2008. The general obligation bond was used in part to retire the outstanding certificates of participation debt. See notes to the financial statements for additional information on long-term obligations.

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 144,899	\$ 3,410	\$ 976	\$ 147,333
Compensated absences	1,577	47	-	1,624
Supplemental employee retirement plan	1,858	-	464	1,394
Capital leases	6,567	-	244	6,323
Total Long-Term Debt	<u>\$ 154,901</u>	<u>\$ 3,457</u>	<u>\$ 1,684</u>	<u>\$ 156,674</u>
Amount due within one year				<u>\$ 1,932</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the: Office of Fiscal Services, Victor Valley Community College District, 18422 Bear Valley Road, Victorville, California 92395-5850.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2013**

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 1,331,826
Cash and cash equivalents - restricted	12,729
Investments - unrestricted	10,736,423
Investments - restricted	31,199,910
Accounts receivable	14,201,995
Student loans receivable	467,902
Due from fiduciary funds	9,176
Prepaid expenses	466,553
Inventories	871,516
Other current assets	567

Total Current Assets

59,298,597

Noncurrent Assets

Investments - unrestricted	26,925,829
Other postemployment benefits other than pensions (OPEB) asset	6,841,784
Nondepreciable capital assets	13,616,514
Depreciable capital assets, net of depreciation	109,603,920

Total Noncurrent Assets

156,988,047

TOTAL ASSETS

216,286,644

LIABILITIES

Current Liabilities

Accounts payable	5,417,962
Accrued interest payable	2,293,333
Due to fiduciary funds	8,562
Deferred revenue	1,360,958
Compensated absences payable - current portion	40,000
Bonds payable - current portion	1,158,413
Lease obligations - current portion	269,259
Other long-term liabilities - current portion	464,606

Total Current Liabilities

11,013,093

Noncurrent Liabilities

Compensated absences payable - noncurrent portion	1,584,062
Bonds payable - noncurrent portion	146,174,537
Lease obligations - noncurrent portion	6,053,689
Other long-term liabilities - noncurrent portion	929,212

Total Noncurrent Liabilities

154,741,500

TOTAL LIABILITIES

165,754,593

NET POSITION

Net investment in capital assets	(1,391,795)
Restricted for:	
Debt service	5,246,332
Capital projects	3,289,200
Educational programs	1,184,216
Unrestricted	42,204,098
TOTAL NET POSITION	<u>\$ 50,532,051</u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES	
Student Tuition and Fees	\$ 11,466,954
Less: Scholarship discount and allowance	(8,449,648)
Net tuition and fees	<u>3,017,306</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	2,425,145
Cafeteria	207,961
Other Operating Revenues	<u>157,707</u>
TOTAL OPERATING REVENUES	<u><u>5,808,119</u></u>
OPERATING EXPENSES	
Salaries	38,165,036
Employee benefits	12,104,587
Supplies, materials, and other operating expenses and services	10,682,046
Student financial aid	22,390,974
Equipment, maintenance, and repairs	1,100,384
Depreciation	<u>4,062,720</u>
TOTAL OPERATING EXPENSES	<u><u>88,505,747</u></u>
OPERATING LOSS	<u><u>(82,697,628)</u></u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	33,841,946
Local property taxes, levied for general purposes	6,243,457
Taxes levied for other specific purposes	6,378,783
Federal grants	23,223,118
State grants	3,912,915
State taxes and other revenues	1,704,435
Investment income	2,179,017
Interest expense on capital related debt	(9,132,749)
Investment income on capital asset-related debt, net	447,684
Transfer from fiduciary funds	105,837
Other nonoperating revenue	<u>3,704,472</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u><u>72,608,915</u></u>
LOSS BEFORE OTHER REVENUES AND LOSSES	<u><u>(10,088,713)</u></u>
OTHER REVENUES AND LOSSES	
Local revenues, capital	1,364,130
Loss on disposal of capital assets	(1,808)
TOTAL OTHER REVENUES AND LOSSES	<u><u>1,362,322</u></u>
CHANGE IN NET POSITION	(8,726,391)
NET POSITION, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 15)	<u>59,258,442</u>
NET POSITION, END OF YEAR	<u><u>\$ 50,532,051</u></u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 2,947,282
Payments to vendors for supplies and services	(13,170,881)
Payments to or on behalf of employees	(51,031,672)
Payments to students for scholarships and grants	(22,390,974)
Auxiliary enterprise sales and charges	2,790,813
Net Cash Flows From Operating Activities	<u>(80,855,432)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	34,614,728
Grant and contracts	27,558,829
Property taxes - non-debt related	6,243,457
State taxes and other apportionments	1,704,435
Other nonoperating	4,498,991
Net Cash Flows From Non-Capital Financing Activities	<u>74,620,440</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(782,352)
Local revenue, capital projects	1,364,130
Property taxes - related to capital debt	6,378,783
Proceeds from capital debt	3,409,909
Principal paid on capital debt	(1,220,234)
Interest paid on capital debt	(9,144,583)
Interest received on capital asset-related debt	447,684
Net Cash Flows From Capital Financing Activities	<u>453,337</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>2,179,017</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(3,602,638)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>73,809,355</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 70,206,717</u></u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2013**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (82,697,628)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	4,062,720
Changes in Assets and Liabilities	
Receivables	(46,982)
Inventories	244,034
Prepaid expenses and other assets	(944,245)
Accounts payable and accrued liabilities	(1,032,869)
Deferred revenue	(23,042)
Compensated absences and supplemental employee retirement plan	(417,420)
Total Adjustments	<u>1,842,196</u>
Net Cash Flows From Operating Activities	<u><u>\$ (80,855,432)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,344,555
Cash in county treasury	41,936,333
SunAmerica Annuity and Life Assurance Company	26,925,829
Total Cash and Cash Equivalents	<u><u>\$ 70,206,717</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 1,143,766</u></u>
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The accompanying notes are an integral part of these financial statements.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	<u>Trust</u>
ASSETS	
Cash and cash equivalents	\$ 258,692
Investments	55,492
Accounts receivable	31
Due from primary government funds	8,562
Total Assets	<u>322,777</u>
LIABILITIES	
Accounts payable	55,954
Due to primary government funds	9,176
Total Liabilities	<u>65,130</u>
NET POSITION	
Unreserved	257,647
Total Net Position	<u>\$ 257,647</u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Trust</u>
ADDITIONS	
Local revenues	<u>\$ 225,523</u>
DEDUCTIONS	
Services and operating expenditures	<u>94,084</u>
OTHER FINANCING USES	
Transfers out to governmental funds	<u>(105,837)</u>
Change in Net Position	25,602
Net Position - Beginning	<u>232,045</u>
Net Position - Ending	<u><u>\$ 257,647</u></u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - ORGANIZATION

Victor Valley Community College District (the District) was established in 1961 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. 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 Funds, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operated one community college located in Victorville, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provision of Governmental Accounting Standards Board (GASB) Statement No. 61. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are 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, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

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. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38 and No. 39. 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:
 - Statements of Net Position - Primary Government
 - Statements of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statements of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statements of Fiduciary Net Position
 - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2013, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

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 does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2013.

Inventories

Stores inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the college. Inventories are stated at the lower of cost, or market on an average basis. 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 and an estimated useful life greater than one year. 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 to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 39 years; site improvements, 20 years; machinery and equipment, 5 to 20 years; vehicles, 8 years.

Accrued Liabilities and Long-Term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Compensated Absences

Compensated absences are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. The District participates in underloading, whereby any faculty who fall below load one semester may be assigned additional classes the following semester to make up for the shortage.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

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.

Noncurrent Liabilities

Noncurrent liabilities include bonds, compensated absences, and capital lease obligations, with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component of net investment in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position 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. The entity-wide financial statements report \$9,719,748 of restricted net position.

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. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

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 San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed a General Obligation Bond in 2008 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study 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*.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California.

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.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 15 for more information.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

NOTE 3 - DEPOSITS 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.

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 accompanying 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2013, consist of the following:

Primary government	\$ 70,206,717
Fiduciary funds	314,184
Total Deposits and Investments	<u>\$ 70,520,901</u>
Cash on hand and in banks	\$ 1,527,997
Cash in revolving	75,250
Investments	68,917,654
Total Deposits and Investments	<u>\$ 70,520,901</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

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 investing in the San Bernardino County Investment Pool and SunAmerica Annuity and Life Assurance Company.

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	Weighted Average Days to Maturity
San Bernardino County Investment Pool	\$ 41,962,993	381
SunAmerica Annuity and Life Assurance Company	26,925,829	N/A
Total	<u>\$ 68,888,822</u>	

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. 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. The San Bernardino County Investment Pool was rated by Fitch Ratings.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2013
San Bernardino County Investment Pool	\$ 41,962,993	Not Required	AAA/V1
SunAmerica Annuity and Life Assurance Company	26,925,829	Not Required	Not Rated
Total	<u>\$ 68,888,822</u>		

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are the Guaranteed Investment Contract (GIC) with SunAmerica Annuity and Life Assurance Company which represents 39 percent.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

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. 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 agency. 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, 2013, the District's bank balance of \$172,547 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 4 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 445,664	\$ -
State Government		
Apportionment	11,509,647	-
Categorical aid	20,278	-
Lottery	809,071	-
Local Sources		
Interest	25,146	-
Property taxes	373,687	-
Victor Valley College Foundation	224,743	-
Other local sources	793,759	31
Total	<u>\$ 14,201,995</u>	<u>\$ 31</u>
Student receivables	<u>\$ 467,902</u>	<u>\$ -</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2013, was as follows:

	*Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 11,883,784	\$ -	\$ -	\$ 11,883,784
Construction in progress	328,052	1,404,678	-	1,732,730
Total Capital Assets Not Being Depreciated	<u>12,211,836</u>	<u>1,404,678</u>	<u>-</u>	<u>13,616,514</u>
Capital Assets Being Depreciated				
Land improvements	13,699,377	-	-	13,699,377
Buildings and improvements	129,744,549	605,087	-	130,349,636
Furniture and equipment	12,771,399	161,147	100,085	12,832,461
Total Capital Assets Being Depreciated	<u>156,215,325</u>	<u>766,234</u>	<u>100,085</u>	<u>156,881,474</u>
Total Capital Assets	<u>168,427,161</u>	<u>2,170,912</u>	<u>100,085</u>	<u>170,497,988</u>
Less Accumulated Depreciation				
Land improvements	3,901,556	619,709	-	4,521,265
Buildings and improvements	29,229,823	2,805,648	-	32,035,471
Furniture and equipment	10,181,732	637,363	98,277	10,720,818
Total Accumulated Depreciation	<u>43,313,111</u>	<u>4,062,720</u>	<u>98,277</u>	<u>47,277,554</u>
Net Capital Assets	<u>\$ 125,114,050</u>	<u>\$ (1,891,808)</u>	<u>\$ 1,808</u>	<u>\$ 123,220,434</u>

* As restated. See Note 15 for more information.

Depreciation expense for the year was \$4,062,720.

Interest expense on capital related debt for the year ended June 30, 2013, was \$9,158,631. Of this amount, \$25,882 was capitalized in the current year.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Accrued payroll	\$ 1,964,619	\$ -
Construction	2,948,157	-
Other	505,186	55,954
Total	<u>\$ 5,417,962</u>	<u>\$ 55,954</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	<u>Primary Government</u>
Federal categorical	\$ 75,535
State categorical	132,859
Other State	31,145
Student fees	139,517
Other local	981,902
Total	<u>\$ 1,360,958</u>

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2013, the amounts owed between the government and the fiduciary funds were \$9,176 and \$8,562, respectively.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

Interfund Operating Transfers

Operating transfers between funds of the District 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 restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2013 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to \$105,837.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
2008 General obligation bonds, Series A	\$ 53,993,504	\$ 308,602	\$ 710,000	\$ 53,592,106	\$ 870,000
2008 General obligation bonds, Series B	12,000,000	-	-	12,000,000	-
2008 General obligation bonds, Series C	77,243,057	3,101,307	215,000	80,129,364	288,413
Premium on issuance	1,662,655	-	51,175	1,611,480	-
Total Bonds and Notes Payable	144,899,216	3,409,909	976,175	147,332,950	1,158,413
Other Liabilities					
Compensated absences	1,576,876	47,186	-	1,624,062	40,000
Supplemental Employee Retirement Plan	1,858,424	-	464,606	1,393,818	464,606
Capital leases	6,567,007	-	244,059	6,322,948	269,259
Total Other Liabilities	10,002,307	47,186	708,665	9,340,828	773,865
 Total Long-Term Debt	 \$ 154,901,523	 \$ 3,457,095	 \$ 1,684,840	 \$ 156,673,778	 \$ 1,932,278

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Capital lease payments and the Supplemental Employee Retirement Plan will be made by the Unrestricted General Fund. The compensated absences will be paid by the fund for which the employee worked.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds				Bonds
				Outstanding July 1, 2012	Issued	Accreted	Redeemed	Outstanding June 30, 2013
2009	08/01/31	3.00% - 5.375%	\$ 54,004,963	\$ 53,993,504	\$ -	\$ 308,602	\$ 710,000	\$ 53,592,106
2009	08/01/33	6.67%	12,000,000	12,000,000	-	-	-	12,000,000
2009	06/01/49	3.17% - 7.20%	70,017,065	77,243,057	-	3,101,307	215,000	80,129,364
				<u>\$ 143,236,561</u>	<u>\$ -</u>	<u>\$ 3,409,909</u>	<u>\$ 925,000</u>	<u>\$ 145,721,470</u>

2008 General Obligation Bonds, Series A

In June 2009, the District issued \$54,004,963 of the Victor Valley Community College District, 2008 General Obligation Bonds, Series A. The bonds issued included \$27,635,000 of current interest serial bonds, \$24,440,000 of current interest term bonds, and \$1,929,963 of capital appreciation bonds, with the capital appreciation bonds accreting to \$5,410,000. The bonds have a final maturity to occur on August 1, 2031, with interest rates from 3.00 percent to 5.375 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District property and facilities, as well as to refund all of the Victor Valley Community College District, 1997 variable rate certificates of participation. At June 30, 2013, the principal balance outstanding was \$53,592,106.

2008 General Obligation Bonds – Build America Bonds, Series B

In June 2009, the District issued \$12,000,000 of the Victor Valley Community College District, 2008 General Obligation Bonds - Build America Bonds, Series B. The bonds have a final maturity to occur on August 1, 2033, with an interest rate of 6.67 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District property and facilities, as well as to refund all of the Victor Valley Community College District, 1997 variable rate certificates of participation. At June 30, 2013, the principal balance outstanding was \$12,000,000.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

2008 General Obligation Bonds, Series C

In June 2009, the District issued \$70,017,065 of the Victor Valley Community College District, 2008 General Obligation Bonds, Series C. The bonds issued included \$16,135,000 of current interest serial bonds, \$20,000,000 of current interest term bonds, \$6,600,646 of capital appreciation serial bonds, with the capital appreciation bonds accreting to \$27,000,000, \$21,177,379 of capital appreciation term bonds, with capital appreciation bonds accreting to \$248,200,000, and \$6,104,040 of convertible capital appreciation term bonds, with a conversion value of \$12,070,000. The bonds have a final maturity to occur on June 1, 2049, with interest rates from 3.17 percent to 7.20 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District property and facilities. At June 30, 2013, the principal balance outstanding was \$80,129,364. Unamortized premium on issuance at June 30, 2013, was \$1,611,480.

The 2008 General Obligation Bonds, Series A mature through 2032 as follows:

Fiscal Year	Principal	Accreted Interest	Current Interest	Total
2014	\$ 870,000	\$ -	\$ 2,558,438	\$ 3,428,438
2015	1,045,000	-	2,520,138	3,565,138
2016	1,230,000	-	2,474,638	3,704,638
2017	1,425,000	-	2,420,538	3,845,538
2018	991,555	648,445	2,391,038	4,031,038
2019-2023	9,195,551	1,844,449	11,439,188	22,479,188
2024-2028	19,015,000	-	7,879,925	26,894,925
2029-2032	19,820,000	-	1,879,044	21,699,044
Total	\$ 53,592,106	\$ 2,492,894	\$ 33,562,947	\$ 89,647,947

The 2008 General Obligation Bonds, Series B mature through 2034 as follows:

Fiscal Year	Principal	Current Interest	Total
2014	\$ -	\$ 800,400	\$ 800,400
2015	-	800,400	800,400
2016	-	800,400	800,400
2017	-	800,400	800,400
2018	-	800,400	800,400
2019-2023	-	4,002,000	4,002,000
2024-2028	-	4,002,000	4,002,000
2029-2033	11,000,000	3,388,027	14,388,027
2034	1,000,000	33,350	1,033,350
Total	\$ 12,000,000	\$ 15,427,377	\$ 27,427,377

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

The 2008 General Obligation Bonds, Series C mature through 2049 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest	Total
2014	\$ 288,413	\$ 16,587	\$ 2,127,763	\$ 2,432,763
2015	338,231	61,769	2,127,763	2,527,763
2016	374,284	120,716	2,127,763	2,622,763
2017	405,679	194,321	2,127,763	2,727,763
2018	423,225	276,775	2,127,763	2,827,763
2019-2023	1,251,037	1,458,963	13,543,156	16,253,156
2024-2028	1,041,405	3,278,595	14,787,875	19,107,875
2029-2033	2,460,055	5,759,945	14,787,875	23,007,875
2034-2038	17,224,821	37,016,702	14,372,969	68,614,492
2039-2043	28,207,041	48,774,435	6,097,713	83,079,189
2044-2048	24,463,522	73,691,490	1,391,644	99,546,656
2049	3,651,651	41,603,680	-	45,255,331
Total	\$ 80,129,364	\$ 212,253,978	\$ 75,620,047	\$ 368,003,389

Capital Leases

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with option to purchase is summarized below:

Balance, July 1, 2012	Equipment \$ 9,126,874
Payments	(537,590)
Balance, June 30, 2013	\$ 8,589,284

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2014	\$ 551,310
2015	565,441
2016	579,996
2017	594,989
2018	610,431
2019-2023	3,300,494
2024-2027	<u>2,386,623</u>
Total	8,589,284
Less: Amount Representing Interest	<u>(2,266,336)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 6,322,948</u></u>

Supplemental Employee Retirement Plan (SERP)

The District has entered into an agreement to provide certain benefits to employees participating in the early retirement incentive program. The District will pay a total of \$1,393,818 on behalf of the retirees over the next three years in accordance with the following schedule:

Year Ending June 30,	SERP Payment
2014	\$ 464,606
2015	464,606
2016	<u>464,606</u>
Total	<u><u>\$ 1,393,818</u></u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2013, amounted to \$1,624,062.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The postemployment benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, vision, and life insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 51 retirees and beneficiaries currently receiving benefits, and 299 active plan members.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2012-2013, the District contributed \$1,472,215 to the Plan. Of this amount, \$672,215 was used for current premiums with the remaining \$800,000 as a contribution to the District's irrevocable trust with Futuris.

Annual OPEB Cost and Net OPEB Asset

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB asset to the Plan:

Annual required contribution	\$ 501,378
Contribution made	(1,472,215)
Increase in net OPEB asset	<u>(970,837)</u>
Net OPEB asset, July 1, 2012	<u>(5,870,947)</u>
Net OPEB asset, June 30, 2013	<u><u>\$ (6,841,784)</u></u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2011	\$ 549,184	\$ 449,790	82%	\$ (5,674,303)
2012	501,378	698,022	139%	(5,870,947)
2013	501,378	1,472,215	294%	(6,841,784)

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 8,137,692
Actuarial Value of Plan Assets	7,801,056
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 336,636</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	96%
Covered Payroll	<u>N/A</u>
UAAL as Percentage of Covered Payroll	<u>N/A</u>

The above noted actuarial accrued liability was based on the May 1, 2012, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a seven percent investment rate of return, based on the Plan being funded through Futuris. The cost trend rate used was four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at June 30, 2013, was 28 years. At June 30, 2013, the irrevocable trust with Futuris held assets in the amount of \$9,351,853.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 11 - RISK MANAGEMENT

Insurance Coverages

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. The District purchases commercial insurance for property with coverages of \$250,000,000 per occurrence, subject to various policy limits. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence, all subject to various deductibles. Employee health coverage benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2013, the District contracted with the Statewide Association of Community Colleges Joint Powers Authority (JPA) 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 2012-2013, the District participated in the Protected Insurance Program for Schools and Colleges (PIPS) 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 ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Employee Medical Benefits

The District has contracted with Southern California Schools Employee Benefit Association (SCSEBA) to provide employee medical benefits. SCSEBA is a shared risk pool comprised of community colleges and school districts in Southern California. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of the claim's flow. The Board of Directors has the right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active members are required to contribute 8.0 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$1,746,278, \$1,689,515, and \$1,823,217, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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, CA 95811.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Funding Policy

Active members are required to contribute 7.0 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 required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$1,442,645, \$1,344,836, and \$1,386,583, respectively, and equal 100 percent of the required contributions for each year.

PARS-ARS (Public Agency Retirement System Alternate Retirement System)

The District contributes to the Public Agency Retirement System Alternate Retirement System (PARS-ARS), a defined contribution retirement plan administered by the District. PARS-ARS employs a corporate Trustee and Trust Administrator who receives and invests contributions to the Plan and manages the assets of the Trust.

Active plan members contribute 3.75 percent of their salary and the District contributes the equivalent 3.75 percent. Interest earnings on the plan investments minus administrative costs are credited to the members accounts monthly and accumulate tax-free until withdrawal.

Tax Deferred Annuity

The District provides a Tax Shelter Annuity Plan for all eligible employees, as defined in the Plan documents. Participants may contribute a portion of their earnings under a 403(b) plan, which has a maximum deferral limit of \$15,000 if under age 50, and \$20,000 if over age 50. The District will not make matching contributions to the Plan on behalf of participants. However, the District absorbs some costs associated with the administration of the Plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, which amounted to \$1,143,766, \$1,085,384, and \$942,989, respectively, (5.176 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2013, 2012, and 2011. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

The District is a member of the Statewide Association of Community Colleges and Southern California Schools Employee Benefit Association (SCSEBA) Joint Powers Authority JPAs. The District pays annual premiums for its property liability, excess liability, and health coverage. The relationship between the District and the JPAs is such that it is not a component unit of the District for financial reporting purposes.

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

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

NOTE 14 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. 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, 2013.

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, 2013.

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Science/Health Building	\$ 11,081,047	May 2014
Solar Covered Parking and Other Efficiency Upgrades	1,413,925	October 2015
Music Building Code Compliance and Renovation	42,999	October 2015
	<u>\$ 12,537,971</u>	

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District's prior year beginning net position has been restated as of June 30, 2013.

Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$2,176,842.

Primary Government	
Net Position - Beginning	\$ 57,081,600
Restatement of capital assets for implementation of GASB Statement No. 62	<u>2,176,842</u>
Net Position - Beginning, as Restated	<u><u>\$ 59,258,442</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2009	\$ -	\$ 6,582,497	\$ 6,582,497	0%	N/A	N/A
March 1, 2011	7,845,902	8,274,773	428,871	95%	N/A	N/A
May 1, 2012	7,801,056	8,137,692	336,636	96%	N/A	N/A

SUPPLEMENTARY INFORMATION

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2013

Victor Valley Community College is a public community college operated under the Education Code of the State of California. The District was established by authority of the voters who created the District in 1960. The District began classes in 1961. The present campus was started in 1963 and opened its doors to students in 1965. The District encompasses an area of approximately 2,200 square miles and includes the communities of Adelanto, Apple Valley, Cedar Springs, Helendale, Hesperia, Lucerne Valley, Oro Grande, Phelan, Wrightwood, Los Flores, and Victorville. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Lorrie Denson	President	December 2015
Michael Krause	Vice President	December 2015
Dennis Henderson	Clerk	December 2015
Joseph W. Brady	Member	December 2017
John Pinkerton	Member	December 2017

ADMINISTRATION

Dr. Christopher O'Hearn	Superintendent/President
G.H. Javaheripour	Vice President, Administrative Services
Peter Allan	Interim Executive Vice President, Instruction and Student Services
Fusako Yokotobi	Vice President, Human Resources

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Pell Grant	84.063		\$ 20,821,433
Pell Grant - Administration	84.063		12,540
Direct Loans	84.268		37,579
Supplemental Education Opportunity Program	84.007		446,400
Supplemental Education Opportunity Program - Administration	84.007		2,994
College Work Study	84.033		353,664
College Work Study - Administration	84.033		9,230
Total Student Financial Assistance Cluster			<u>21,683,840</u>
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A		623,741
TRIO Cluster			
Upward Bound	84.047A		215,974
Upward Bound Math/Science	84.047M		79,649
Total TRIO Cluster			<u>295,623</u>
Passed through from California Community Colleges			
Chancellor's Office			
Career and Technical Education Grants	84.048	12-C01-066	471,301
CTE Transitions	84.048A	12-112-990	41,002
Total U.S. Department of Education			<u>23,115,507</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Educational Assistance	64.028		3,401
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families Cluster			
Passed through from California Community Colleges			
Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	115,723
Total Federal Programs			<u><u>\$ 23,234,631</u></u>

[1] Pass-Through Entity Identifying Number is not available.

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Program	Program Entitlements		
	Current Year	Prior Year Carryover	Total Entitlement
Basic Skills	\$ 90,000	\$ 38,215	\$ 128,215
Cal Grants	1,041,303	-	1,041,303
CalWORKS	379,447	-	379,447
CARE Program	206,435	-	206,435
Child Development - State Pre-School	115,044	-	115,044
Disabled Students Program And Services	410,803	-	410,803
Extended Opportunity Program and Services (EOPS)	609,457	-	609,457
Matriculation	282,801	-	282,801
Non-Credit Matriculation	16,249	-	16,249
Nursing Enrollment Growth and Retention	126,737	-	126,737
Staff Diversity	5,884	17,688	23,572
Student Financial Assistance Programs (BFAP)	416,585	-	416,585
Song Brown Nursing Grant #4	80,000	27,846	107,846
TANF/Child Development Careers Program	-	3,684	3,684
Total State Programs			

See accompanying notes to supplementary information.

Program Revenues

<u>Cash</u> <u>Received</u>	<u>Accounts</u> <u>Receivable</u> <u>(Payable)</u>	<u>Deferred</u> <u>Revenue</u>	<u>Total</u> <u>Revenue</u>	<u>Program</u> <u>Expenditures</u>
\$ 128,215	\$ -	\$ 91,507	\$ 36,708	\$ 36,708
1,041,303	-	-	1,041,303	1,007,063
379,447	(32,258)	-	347,189	347,189
206,435	-	-	206,435	206,435
115,044	-	-	115,044	115,044
410,803	-	-	410,803	410,803
609,457	-	-	609,457	609,457
281,366	-	-	281,366	281,366
16,249	-	-	16,249	16,249
106,459	20,278	-	126,737	126,737
11,768	-	11,768	-	-
416,585	(19,231)	-	397,354	397,354
76,701	-	25,900	50,801	50,801
3,684	-	3,684	-	-
<u>\$ 3,803,516</u>	<u>\$ (31,211)</u>	<u>\$ 132,859</u>	<u>\$ 3,639,446</u>	<u>\$ 3,605,206</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2013**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	654	-	654
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	204	-	204
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,656	-	5,656
(b) Daily Census Contact Hours	873	-	873
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	87	-	87
(b) Credit	543	-	543
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	900	-	900
(b) Daily Census Contact Hours	361	-	361
(c) Noncredit Independent Study/Distance Education Courses	<u>-</u>	<u>-</u>	<u>-</u>
D. Total FTES	<u>9,278</u>	<u>-</u>	<u>9,278</u>
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	23	-	23
2. Credit	425	-	425

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 843262 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2013

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 10,573,936	\$ -	\$ 10,573,936	\$ 10,604,391	\$ -	\$ 10,604,391
Other	1300	8,979,154	-	8,979,154	9,001,073	-	9,001,073
Total Instructional Salaries		19,553,090	-	19,553,090	19,605,464	-	19,605,464
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,181,866	-	3,181,866
Other	1400	-	-	-	676,034	-	676,034
Total Noninstructional Salaries		-	-	-	3,857,900	-	3,857,900
Total Academic Salaries		19,553,090	-	19,553,090	23,463,364	-	23,463,364
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	8,455,254	-	8,455,254
Other	2300	-	-	-	404,092	-	404,092
Total Noninstructional Salaries		-	-	-	8,859,346	-	8,859,346
Instructional Aides							
Regular Status	2200	1,429,609	-	1,429,609	1,599,339	-	1,599,339
Other	2400	290,023	-	290,023	294,397	-	294,397
Total Instructional Aides		1,719,632	-	1,719,632	1,893,736	-	1,893,736
Total Classified Salaries		1,719,632	-	1,719,632	10,753,082	-	10,753,082
Employee Benefits	3000	5,708,808	-	5,708,808	10,718,155	-	10,718,155
Supplies and Material	4000	-	-	-	668,186	-	668,186
Other Operating Expenses	5000	345,738	-	345,738	5,190,249	-	5,190,249
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures		5,708,808	-	5,708,808	10,718,155	-	10,718,155
Prior to Exclusions		27,327,268	-	27,327,268	50,793,036	-	50,793,036

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 843262 (50 PERCENT LAW) CALCULATION, CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2013

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 227,747	\$ -	\$ 227,747	\$ 227,747	\$ -	\$ 227,747
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	48,000	-	48,000
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	451,447	-	451,447
Objects to Exclude							
Rents and Leases	5060	-	-	-	453,451	-	453,451
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 843262 (50 PERCENT LAW) CALCULATION, CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2013

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 1,138,647	\$ -	\$ 1,138,647
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		227,747	-	227,747	2,319,292	-	2,319,292
Total for ECS 84362, 50 Percent Law		\$ 27,099,521	\$ -	\$ 27,099,521	\$ 48,473,744	\$ -	\$ 48,473,744
Percent of CEE (Instructional Salary Cost/Total CEE)		55.91%		55.91%	100.00%		100.00%
50% of Current Expense of Education					\$ 24,236,872		\$ 24,236,872

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 7,392,903
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 7,392,903			\$ 7,392,903
Total Expenditures for EPA		\$ 7,392,903	-	-	\$ 7,392,903
Revenues Less Expenditures					\$ -

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013**

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

Total Fund Balance:

General Fund, unrestricted	\$ 9,780,208
General Fund, restricted	1,184,216
Special Revenue Funds	27,207,501
Capital Project Funds	32,332,869
Debt Service Funds	7,539,665
Enterprise Funds	1,231,288
Internal Service Funds	98,052
Fiduciary Funds	320,792

Total Fund Balance - All District Funds **\$ 79,694,591**

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: 170,497,988

Accumulated depreciation is: (47,277,554) 123,220,434

Amounts held in trust on behalf of others (Trust and Agency Funds) (257,647)

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds. 6,841,784

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (2,293,333)

Long-term obligations at year end consist of:

Bonds payable	147,332,950
Capital leases payable	6,322,948
Supplemental employee retirement plan	1,393,818
Compensated absences	1,624,062

Total Net Position **\$ 50,532,051**

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

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 Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position – Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position:		\$ 23,223,118
Veterans Educational Assistance	64.028	498
Supplemental Educational Opportunity Grant	84.007	(1,400)
Pell Grants - Administrative Allowance	84.063	12,415
Total Expenditures of Federal Awards		<u>\$ 23,234,631</u>

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
U.S. DEPARTMENT OF EDUCATION		
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A	<u>\$ 66,882</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment

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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) 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 District's internal fund financial statements.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITORS' REPORTS



**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
Victor Valley Community College District
Victorville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities of Victor Valley Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2013.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 15. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vauriney, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 18, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on Compliance for Each Major Federal Program

We have audited Victor Valley Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of State, 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 consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vauriney, Tine, Day & Co., LLP.
Rancho Cucamonga, California
December 18, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on State Compliance

We have audited Victor Valley Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2013.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

- Section 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 Gann Limit Calculation
- Section 433 CalWORKS
- Section 435 Open Enrollment
- Section 437 Student Fees – Instructional and Other Materials
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged (TBA) Hours
- Section 490 Proposition 1D State Bond Funded Projects
- Section 491 Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

Vauvinez, Tine, Day & Co., LLP.
Rancho Cucamonga, California
December 18, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<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>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, and <u>84.268</u>	<u>Student Financial Assistance Cluster</u>
<u>84.334A</u>	<u>Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000
 Auditee qualified as low-risk auditee? No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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 Audit Findings and Questioned Costs.

Federal Awards Findings

2012-1 SUBRECIPIENT MONITORING

Federal Program Affected

U.S. Department of Education (ED) – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) (CFDA # 84.334A)

Criteria or Specific Requirement

OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*", Part 3, Compliance Requirements, Subrecipient Monitoring, and per 31 USD 7502(f)(2), a pass-through entity's responsibilities include, but are not limited to:

- Award Identification - At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- During-the-Award Monitoring - Monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Subrecipient Audits - (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings; and (4) require each of its subrecipients of Federal awards to permit, as a condition of receiving Federal awards, the independent auditor of the pass-through entity to have such access to the subrecipient's records and financial statements as may be necessary for the pass-through entity to comply with this chapter.

Condition

Grant agreements between the District and subrecipients did not contain certain required elements. The CFDA number, award name and number, and Federal awarding agency were not noted on either of the letters reviewed. The letters also did not indicate to the subrecipients that a Federal audit is required if they meet specific requirements and to allow the independent auditor of the pass-through entity to have access to the subrecipient's records and financial statements. Discussion with management of the program revealed there were no procedures in place to ensure that subrecipients received a Federal audit if they expended more than \$500,000 in Federal awards. No monitoring of the subrecipients was evident.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Questioned Costs

None.

Context

The letters we examined did not include the elements required by the Office of Management and Budget noted above.

Effect

Without proper documentation, the District is at risk of noncompliance with 24 CFR 84 §84.51.

Cause

The specific elements were not addressed in the letters because the District was not aware of the specific necessary elements nor was the District aware that a contract is required.

Recommendation

The District must ensure that their contracts contain all required elements and modify its procedures to identify all pertinent award information, such as CFDA title and numbers, award title and number, and Federal awarding agency, in the contracts with subrecipients. Contracts should also be modified to include requirements to allow the District's independent auditors access to any records or financial statement information as required to determine the District's compliance with Federal requirements. Management of the program should develop policies and procedures to verify the subrecipients are receiving Federal audits as required and that management is aware of any findings noted by the subrecipient's independent auditors.

Current Status

Implemented.

State Awards Findings

2012-2 GANN LIMIT - CALCULATION

Criteria or Specific Requirement

- Article XIII-B, Section 1.5, of the California Constitution.
- Proposition 111, effective July 1, 1990.
- CCR, title 5, section 58303.
- *Government Code* Section 7908(c).

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Condition

Community college districts are required to compute its annual appropriation limit for inclusion in the District's CCFS-311 Report. The appropriation limit, appropriations subject to limit, State aid apportionments, subventions included within property tax proceeds, and amounts excluded from the appropriations subject to limit are all required to be reported as a part of the CCFS-311 report. The amount reported as the 2011-2012 Appropriations Limit on the budget year 2012-2013 GANN Report is over-reported by \$2.5 million as compared to the amount calculated on the GANN Report for budget year 2011-2012.

Questioned Costs

There are no questioned costs.

Recommendation

The District should ensure that appropriation limit calculations are properly carried forward to the subsequent year's calculation. Any variance should be supported by a reconciliation of the amounts and Board approval.

Current Status

Implemented.

2012-3 TO BE ARRANGED (TBA) HOURS

Criteria or Specific Requirement

- Second To Be Arranged (TBA) Hours Follow-Up Memorandum, June 10, 2009
- TBA Hours Follow-Up Memorandum, January 26, 2009
- TBA Hours Compliance Advice (Legal Advisory 08-02), October 1, 2008
- *Education Code* Sections 84040 and 88240
- CCR, Title V, Sections referred to are 55002, 55002.5, 53415, 58000, 58003.1, 58006, 58020, 58030, 58050, 58051, 58056, 58102, 5804, 58108, 58168, 58170, 58172, 59020, and 59112
- Student Attendance Accounting Manual
<http://www.cccco.edu/ChancellorsOffice/Divisions/FinanceFacilities/FiscalServices/AllocationsSection/StudentAttendanceAccountingManual/tabid/833/Default.aspx>
 - Districts need to track TBA Hour student participation carefully and make sure that they do not claim apportionment for TBA Hours for students who have documented zero hours as of census point for a particular course.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Condition

The District offers "hybrid" courses that are structured as 50 percent classroom and 50 percent online instruction. These courses are recorded as daily/weekly census courses on the District's CCFS-320 Report. The District was unable to provide supporting documentation that students were meeting the necessary daily/weekly hour requirements for the online portion of the course.

Questioned Costs

No questioned costs noted; these courses only require reclassification within the District's CCFS-320 Report.

Recommendation

It is recommended that the District review the classification of "hybrid" course offerings to ensure that they are in compliance with the Student Attendance Accounting Manual.

Current Status

Implemented.