



Financial Statements
June 30, 2021

**Victor Valley Community College
District**

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Independent Auditor's 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 and the remaining fund information of Victor Valley Community College District (the District) as of and for the year ended June 30, 2021, 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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and other required supplementary information on pages 60 through 65 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 financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are 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 a report dated February 28, 2022 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 solely 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 effectiveness of the District's 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

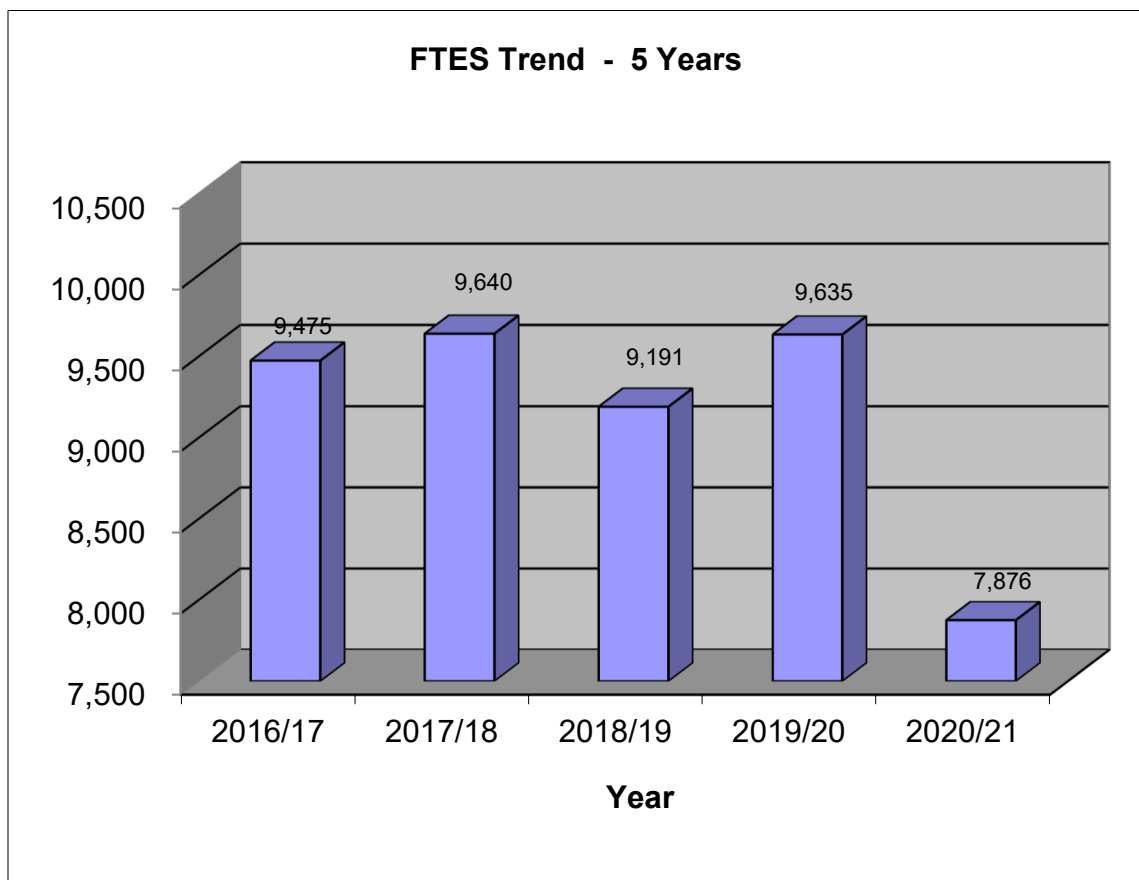
Rancho Cucamonga, California
February 28, 2022

FINANCIAL HIGHLIGHTS

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

The District's Operating Revenue decrease reflected on page 9 was primarily due to the forced closure of the college due to the COVID-19 Pandemic that resulted in a decrease in Tuition and Fees of \$331,194 and a decrease in Auxiliary Sales and Charges of \$926,709. The college maintained its basic allocation as a mid-size college. The total funded workload (as of the 2020-2021 Recalc Apportionment Report) was 7,876. The three-year average of 8,737 FTES was applied to the SCFF for the base allocation.

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:



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 increased by \$2,891,665.

	2021	2020	Change
Property tax revenue	\$ 16,422,328	\$ 11,224,076	\$ 5,198,252
Tuition and fees	3,431,726	3,762,920	(331,194)
Apportionment	46,881,890	48,857,283	(1,975,393)
Total	\$ 66,735,944	\$ 63,844,279	\$ 2,891,665

SELECTED HIGHLIGHTS

At June 30, 2021, the value of the District's Other Postemployment Benefits (OPEB) irrevocable trust was \$16.5 million, and the District's GASB Statement No. 75 OPEB liability is 90% funded according to the District's most recent actuarial valuation report.

Statement of 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.

The Statement of Net Position presents the assets, liabilities, deferred outflows/inflows of resources, 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 in time financial statement whose purpose is to present to the readers a fiscal snapshot of the District.

Victor Valley Community College District
Management's Discussion and Analysis
June 30, 2021

	2021	2020, as restated	Change
Assets			
Cash and investments	\$ 104,213,170	\$ 96,569,018	\$ 7,644,152
Receivables	12,302,502	7,078,437	5,224,065
Other current assets	1,295,680	1,250,921	44,759
Capital assets, net	140,443,451	138,929,997	1,513,454
Total assets	<u>258,254,803</u>	<u>243,828,373</u>	<u>14,426,430</u>
Deferred Outflows of Resources	<u>36,776,522</u>	<u>38,465,044</u>	<u>(1,688,522)</u>
Liabilities			
Accounts payable and accrued liabilities	26,950,206	18,533,565	8,416,641
Current portion of long-term liabilities	6,145,533	4,234,915	1,910,618
Noncurrent portion of long-term liabilities	290,814,493	285,225,207	5,589,286
Total liabilities	<u>323,910,232</u>	<u>307,993,687</u>	<u>15,916,545</u>
Deferred Inflows of Resources	<u>3,683,495</u>	<u>5,877,089</u>	<u>(2,193,594)</u>
Net Position			
Net investment in capital assets	10,789,853	7,058,313	3,731,540
Restricted	25,677,638	28,073,122	(2,395,484)
Unrestricted (deficit)	(69,029,893)	(66,708,794)	(2,321,099)
Total net position (deficit)	<u>\$ (32,562,402)</u>	<u>\$ (31,577,359)</u>	<u>\$ (985,043)</u>

The difference between total assets, deferred outflows of resources and total liabilities, deferred inflows of resources, 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 \$1 million for the fiscal year ending June 30, 2021. 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 72% of the cash and investments balance 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.
- Capital assets had a net balance of \$140.4 million. Depreciation expense of \$4.7 million was recognized during 2020-2021.
- Accounts payable in the amount of \$13.2 million are amounts due as of the fiscal year-end for goods and services received as of June 30, 2021. Interest payable accruals total \$2.4 million. Other current liabilities in the amount of \$17.5 million related mainly to unearned revenues and the current portion of bonds payable, early retirement incentive, and capital leases; noncurrent liabilities in the amount of \$290.8 million include noncurrent portions for compensated absences, general obligation bonds, lease liabilities, the net OPEB liability and the aggregate net pension liability have been recognized for the year ended June 30, 2021.
- The District currently has \$207.8 million outstanding related to the issuance of general obligation debt. Additional information regarding long-term debt is included in the Long-Term Liabilities section of this discussion and analysis.
- As of June 30, 2021, the aggregate net pension liability was \$79.7 million.

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.

	2021	2020, as restated	Change
Operating Revenues			
Tuition and fees, net	\$ 3,431,726	\$ 3,762,920	\$ (331,194)
Grants and contracts, noncapital	25,740,853	25,081,640	659,213
Auxiliary sales and charges	1,508,308	2,435,017	(926,709)
Total operating revenues	30,680,887	31,279,577	(598,690)
Operating Expenses			
Salaries and benefits	75,761,240	80,113,094	(4,351,854)
Supplies, services, equipment, and maintenance	19,418,265	21,181,589	(1,763,324)
Student financial aid	32,431,198	35,460,351	(3,029,153)
Depreciation	4,738,924	4,402,082	336,842
Total operating expenses	132,349,627	141,157,116	(8,807,489)
Operating loss	(101,668,740)	(109,877,539)	8,208,799
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	46,881,890	48,857,283	(1,975,393)
Property taxes	23,854,595	17,767,502	6,087,093
Student financial aid grants	27,644,771	33,552,174	(5,907,403)
State taxes and other revenues	2,930,502	2,313,714	616,788
Net interest expense	(6,388,082)	(6,403,832)	15,750
Other nonoperating revenues	5,006,405	2,592,231	2,414,174
Total nonoperating revenue	99,930,081	98,679,072	1,251,009
Other Revenues			
Local capital income	753,616	2,961,824	(2,208,208)
Change in net position	\$ (985,043)	\$ (8,236,643)	\$ 7,251,600

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.

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 student 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 used in the instructional and non-instruction programs of the District.
- State apportionment is generated based on the Student Centered Funding Formula (SCFF). The primary component for the SCFF for 2020-2021 was workload measures reported to the State by the District. The District has experienced a decrease in FTES in the 2020-2021 fiscal year of 18%.
- 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 \$8.8 million. The net decrease is comprised of three parts:

1. Salaries and benefits decreased by \$4.4 million;
2. Supplies, maintenance, and other operating expenses decreased by \$1.4 million;
3. Payments to students decreased by \$3.0 million.

Operating expenses are 57.2% related to personnel costs. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.

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.

	2021	2020, as restated	Change
Net Cash Flows from			
Operating activities	\$ (85,731,644)	\$ (100,558,225)	\$ 14,826,581
Noncapital financing activities	96,151,101	97,141,732	(990,631)
Capital financing activities	(6,085,799)	25,938,163	(32,023,962)
Investing activities	1,138,326	16,813,362	(15,675,036)
Net Change in Cash	5,471,984	39,335,032	(33,863,048)
Cash, Beginning of Year	73,792,343	34,457,311	39,335,032
Cash, End of Year	<u>\$ 79,264,327</u>	<u>\$ 73,792,343</u>	<u>\$ 5,471,984</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 decreased by \$14.2 million during fiscal year 2020-2021.

Property tax revenue, State apportionment, and grants and contracts account for approximately 92% of the non-capital financing activities.

The primary use included in capital and related financing activities is the proceeds from capital debt and the purchase of capital assets (building improvements, construction in progress, equipment, etc.).

Cash from investing activities is mainly interest earned on cash in bank and cash invested through the San Bernardino County Investment Pool and the Guaranteed Investment Contract (GIC) with American General Life Insurance Company.

Functional Expenses Classification

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 39,714,816	\$ 1,343,065	\$ -	\$ 371,984	\$ -	\$ 41,429,865
Academic support	4,659,000	288,788	-	563	-	4,948,351
Student services	12,446,211	3,392,740	-	55,276	-	15,894,227
Plant operations and maintenance	3,227,744	2,024,369	-	263,926	-	5,516,039
Instructional support services	13,811,063	7,799,651	-	31,185	-	21,641,899
Community services and economic development	561,324	43,106	-	-	-	604,430
Ancillary services and auxiliary operations	1,341,082	1,237,140	-	-	-	2,578,222
Student aid	-	-	32,431,198	-	-	32,431,198
Physical property and related acquisitions	-	1,236,630	-	1,329,842	-	2,566,472
Unallocated depreciation	-	-	-	-	4,738,924	4,738,924
Total	\$ 75,761,240	\$ 17,365,489	\$ 32,431,198	\$ 2,052,776	\$ 4,738,924	\$ 132,349,627

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of District retirees. 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, 2021, the District had total capital assets of \$220.9 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 \$80.5 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.

Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Land and construction in progress	\$ 19,042,084	\$ 3,829,359	\$ (7,153,326)	\$ 15,718,117
Buildings and improvements	181,032,841	9,345,977	-	190,378,818
Furniture and equipment	15,161,320	230,368	(548,234)	14,843,454
Subtotal	215,236,245	13,405,704	(7,701,560)	220,940,389
Accumulated depreciation	(76,306,248)	(4,738,924)	548,234	(80,496,938)
Total	<u>\$ 138,929,997</u>	<u>\$ 8,666,780</u>	<u>\$ (7,153,326)</u>	<u>\$ 140,443,451</u>

Long-Term Liabilities

At June 30, 2021, the District had \$297.0 million in total long-term liabilities. 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.

Notes 7-8 and Note 10 of the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities is presented below.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 207,171,701	\$ 4,086,397	\$ (3,419,767)	\$ 207,838,331
Net OPEB liability	846,517	572,049	-	1,418,566
Aggregate net pension liability	72,156,557	7,581,030	-	79,737,587
Other liabilities	9,285,347	-	(1,319,805)	7,965,542
Total long-term liabilities	<u>\$ 289,460,122</u>	<u>\$ 12,239,476</u>	<u>\$ (4,739,572)</u>	<u>\$ 296,960,026</u>
Amount due within one year				<u>\$ 6,145,533</u>

BUDGETARY HIGHLIGHTS

At the time the 2020-2021 budget was developed, the following assumptions were made:

- The 2020-2021 Budget was developed during the beginning of the COVID-19 Pandemic, at which time the State of California was projecting a very large revenue deficit due to the impact of the initial shut down of the State's economy.
- The 2020-2021 State Budget did not include funding for a Cost of Living Allowance (COLA) increase.
- The District targeted Full-Time Equivalent Students served was estimated at the previous years' level of 9,565.
- The District's budget was balanced without the need to use a portion of the 2019-2020 unrestricted ending balance funds.
- In August of 2019 the Board of Trustees approved a modification to Board Policy 6200-Budget Preparation that increased the mandated minimum reserve for the unrestricted general fund to 10% and additionally established a 1% President's Contingency Reserve to be included in the annual budget.

ECONOMIC FACTORS

- The COVID-19 Pandemic Emergency existed during the entire 2020-2021 Fiscal Year. The District received additional funding from the State of California and the Federal Government that resulted in increased aid to students and institutional support to move the majority of the District's course offerings to an online modality and fund some of the additional operating costs associated with the pandemic.
- The financial position of the District is closely tied to that of the State of California. The District receives over 90% of its combined General Fund revenues through State apportionments, local property taxes including redevelopment agency allocations, and the Education Protection Account (EPA). These sources along with student paid enrollment fees essentially make up the District's general apportionment, the main funding support for California community colleges.
- Management continues to closely monitor the State budget information and operating costs of the District and will maintain a close watch over resources to ensure financial stability and retain reserve levels required by Board Policy and the State Chancellor's Office.

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

June 30, 2021

Assets	
Cash and cash equivalents	\$ 3,894,149
Investments	100,319,021
Accounts receivable	11,119,642
Student receivables	1,182,860
Prepaid expenses	246,675
Inventories	1,049,005
Capital assets	
Nondepreciable capital assets	15,718,117
Depreciable capital assets, net of depreciation	124,725,334
Total capital assets	<u>140,443,451</u>
Total assets	<u>258,254,803</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	11,757,460
Deferred outflows of resources related to OPEB	3,690,612
Deferred outflows of resources related to pensions	21,328,450
Total deferred outflows of resources	<u>36,776,522</u>
Liabilities	
Accounts payable	13,193,809
Accrued interest payable	2,357,554
Unearned revenue	11,398,843
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	6,145,533
Long-term liabilities other than OPEB and pensions, due in more than one year	209,658,340
Net other postemployment benefits (OPEB) liability	1,418,566
Aggregate net pension liability	79,737,587
Total liabilities	<u>323,910,232</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	663,821
Deferred inflows of resources related to pensions	3,019,674
Total deferred inflows of resources	<u>3,683,495</u>
Net Position	
Net investment in capital assets	10,789,853
Restricted for	
Debt service	8,532,595
Capital projects	8,515,537
Educational programs	328,981
Other activities	8,300,525
Unrestricted deficit	(69,029,893)
Total Net Position	<u>\$ (32,562,402)</u>

Victor Valley Community College District
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

Operating Revenues	
Tuition and fees	\$ 10,487,344
Less: Scholarship discounts and allowances	(7,055,618)
Net tuition and fees	3,431,726
Grants and contracts, noncapital	
Federal	6,758,990
State	18,713,678
Local	268,185
Total grants and contracts, noncapital	25,740,853
Auxiliary enterprise sales and charges	
Bookstore	1,355,647
Cafeteria	152,661
Total operating revenues	30,680,887
Operating Expenses	
Salaries	46,818,241
Employee benefits	28,942,999
Supplies, materials, and other operating expenses and services	17,365,489
Student financial aid	32,431,198
Equipment, maintenance, and repairs	2,052,776
Depreciation	4,738,924
Total operating expenses	132,349,627
Operating Loss	(101,668,740)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	46,881,890
Local property taxes, levied for general purposes	16,422,328
Taxes levied for other specific purposes	7,432,267
Federal and State financial aid grants	27,644,771
State taxes and other revenues	2,930,502
Investment income	3,335,463
Interest expense on capital related debt	(9,908,300)
Investment income on capital asset-related debt, net	184,755
Other nonoperating revenue	5,006,405
Total nonoperating revenues (expenses)	99,930,081
Loss Before Other Revenues	(1,738,659)
Other Revenues	
Local revenues, capital	753,616
Change In Net Position	(985,043)
Net Position, Beginning of Year, as Restated	(31,577,359)
Net Position, End of Year	\$ (32,562,402)

Victor Valley Community College District

Statement of Cash Flows
Year Ended June 30, 2021

Cash Flows from Operating Activities	
Tuition and fees	\$ 2,723,963
Federal, state, and local grants and contracts, noncapital	25,826,489
Auxiliary sales	1,081,835
Payments to or on behalf of employees	(69,728,087)
Payments to vendors for supplies and services	(13,204,646)
Payments to students for scholarships and grants	(32,431,198)
Net cash flows from operating activities	<u>(85,731,644)</u>
Cash Flows from Noncapital Financing Activities	
State apportionments	44,378,861
Federal and state financial aid grants	27,644,771
Property taxes - nondebt related	16,422,328
State taxes and other apportionments	2,689,443
Other nonoperating	5,015,698
Net cash flows from noncapital financing activities	<u>96,151,101</u>
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(5,616,163)
Local revenue, capital	753,616
Property taxes - related to capital debt	7,432,267
Principal paid on capital debt	(2,990,000)
Interest paid on capital debt	(5,850,274)
Interest received on capital asset-related debt	184,755
Net cash flows from capital financing activities	<u>(6,085,799)</u>
Cash Flows from Investing Activities	
Purchase of investments	(2,172,168)
Interest received from investments	3,310,494
Net cash flows from investing activities	<u>1,138,326</u>
Change In Cash and Cash Equivalents	5,471,984
Cash and Cash Equivalents, Beginning of Year, as Restated	<u>73,792,343</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 79,264,327</u></u>

Victor Valley Community College District

Statement of Cash Flows

Year Ended June 30, 2021

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	<u>\$ (101,668,740)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	4,738,924
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(2,464,301)
Inventories	(11,752)
Prepaid expenses	(33,007)
Deferred outflows of resources related to OPEB	(1,133,086)
Deferred outflows of resources related to pensions	2,312,259
Accounts payable	5,952,121
Unearned revenue	1,415,701
Compensated absences	(74,890)
Early retirement incentive	(724,358)
Net OPEB liability	572,049
Aggregate net pension liability	7,581,030
Deferred inflows of resources related to OPEB	508,914
Deferred inflows of resources related to pensions	<u>(2,702,508)</u>
Total adjustments	<u>15,937,096</u>
Net cash flows from operating activities	<u><u>\$ (85,731,644)</u></u>

Cash and Cash Equivalents Consist of the Following:

Cash on hand and in banks	\$ 3,894,149
Cash in county treasury	<u>75,370,178</u>
Total cash and cash equivalents	<u><u>\$ 79,264,327</u></u>

Noncash Transactions

Amortization of deferred outflows of resources related to debt refunding	\$ 509,349
Amortization of debt premiums	\$ 429,767
Accretion of interest on capital appreciation bonds	\$ 4,086,397

Victor Valley Community College District
Fiduciary Fund
Statement of Net Position
June 30, 2021

	<u>Retiree OPEB Trust</u>
Assets	
Investments	<u>\$ 16,451,071</u>
Net Position	
Restricted for postemployment benefits other than pensions	<u>\$ 16,451,071</u>

Victor Valley Community College District

Fiduciary Fund

Statement of Changes in Net Position

Year Ended June 30, 2021

	Retiree OPEB Trust
	<u> </u>
Additions	
District contributions	\$ 1,552,338
Interest and investment income	539,786
Net realized and unrealized gain	<u>2,519,605</u>
Total additions	<u>4,611,729</u>
Deductions	
Benefit payments	1,552,338
Administrative expenses	<u>105,679</u>
Total deductions	<u>1,658,017</u>
Change in Net Position	2,953,712
Net Position - Beginning of Year, as Restated	<u>13,497,359</u>
Net Position - End of Year	<u><u>\$ 16,451,071</u></u>

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 operates 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 is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Note 2 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The District has identified no component units.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. 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 promulgated 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, 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.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

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 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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Inventories

Inventories consist 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 rather than when purchased.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land 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 acquisition 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.

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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items and for pension related items. The deferred outflows of resources related to debt refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (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 general obligation bonds payable, capital leases, compensated absences, early retirement incentive, the net OPEB liability, and the aggregate net pension liability with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the 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 net position is available. The government-wide financial statements report \$25,677,638 of restricted net position and the fiduciary funds financial statements report \$16,451,071 of restricted net position.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.
- **Nonoperating revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

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

- **Operating expenses** – Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** – Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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.

Scholarship Discounts and Allowances

Tuition and fee revenue is reported net of scholarship discounts and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarship discounts and allowances 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.

Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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, and those difference could be material.

Interfund Activity

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 primary government 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.

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 primary government and fiduciary funds have been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Change in Accounting Principles

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's other trust and agency funds from fiduciary to governmental. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements for this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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 – In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in the external investment pool. 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.

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 3,768,899	\$ -
Cash in revolving	125,250	-
Investments	100,319,021	16,451,071
Total deposits and investments	<u>\$ 104,213,170</u>	<u>\$ 16,451,071</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Investment Pool, American General Life Insurance (Guaranteed Investment Contract) and Mutual Funds.

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.

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

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
San Bernardino County Investment Pool	\$ 75,370,178	461	AAAf/S1
Guaranteed Investment Contract (GIC)	18,430,296	No maturity	Not rated
Mutual funds	22,969,618	No maturity	Not rated
Total	\$ 116,770,092		

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 5% or more of the total investments are the Guaranteed Investment Contract (GIC) with American General Life Insurance Company which represents 16%.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance was fully insured.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2021 the District's investment balance of \$41.4 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net value per share.

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs	Uncategorized
Guaranteed Investment Contract (GIC)	\$ 18,430,296	\$ -	\$ 18,430,296
Mutual funds	22,969,618	22,969,618	-
Total	\$ 41,399,914	\$ 22,969,618	\$ 18,430,296

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2021 consisted of the following:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 4,514,645
State Government	
Apportionment	4,175,527
Categorical aid	202,118
Lottery	659,216
Local Sources	
Interest	146,948
Property taxes	504,862
Other local sources	916,326
Total	\$ 11,119,642
Student receivables	\$ 1,182,860

Note 6 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2021, was as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Capital Assets Not Being Depreciated				
Land	\$ 11,888,758	\$ -	\$ -	\$ 11,888,758
Construction in progress	7,153,326	3,829,359	(7,153,326)	3,829,359
Total capital assets not being depreciated	19,042,084	3,829,359	(7,153,326)	15,718,117
Capital Assets Being Depreciated				
Land improvements	15,034,685	9,345,977	-	24,380,662
Buildings and improvements	165,998,156	-	-	165,998,156
Furniture and equipment	15,161,320	230,368	(548,234)	14,843,454
Total capital assets being depreciated	196,194,161	9,576,345	(548,234)	205,222,272
Total capital assets	215,236,245	13,405,704	(7,701,560)	220,940,389
Less Accumulated Depreciation				
Land improvements	(8,891,109)	(783,593)	-	(9,674,702)
Buildings and improvements	(53,962,885)	(3,568,672)	-	(57,531,557)
Furniture and equipment	(13,452,254)	(386,659)	548,234	(13,290,679)
Total accumulated depreciation	(76,306,248)	(4,738,924)	548,234	(80,496,938)
Net capital assets	\$ 138,929,997	\$ 8,666,780	\$ (7,153,326)	\$ 140,443,451

Note 7 - Long-Term Liabilities other than OPEB and Pensions**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2021 consisted of the following:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Due in One Year
General obligation bonds	\$ 197,184,626	\$ 4,086,397	\$ (2,990,000)	\$ 198,281,023	\$ 4,875,000
Bond premium	9,987,075	-	(429,767)	9,557,308	-
Capital leases	3,695,035	-	(520,557)	3,174,478	546,175
Compensated absences	1,968,522	-	(74,890)	1,893,632	-
Early retirement incentive	3,621,790	-	(724,358)	2,897,432	724,358
Total	<u>\$ 216,457,048</u>	<u>\$ 4,086,397</u>	<u>\$ (4,739,572)</u>	<u>\$ 215,803,873</u>	<u>\$ 6,145,533</u>

Description of Long-Term Liabilities

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The capital lease payments will be made by the unrestricted general fund. The compensated absences and early retirement incentive will be paid by the fund for which the employee worked.

General Obligation Bonds**Measure JJ**

In November of 2008, the voters of the District approved Measure JJ, which allowed the District to issue \$297,500,000 of general obligation bonds to upgrade, expand, and construct school facilities.

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% to 7.20%. 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, 2021, the principal balance outstanding was \$71,136,023.

2016 General Obligation Refunding Bonds, Series A

During April 2016, the District issued the 2016 General Obligation Refunding Bonds, Series A, in the amount of \$50,840,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability.

The bonds have a final maturity to occur on August 1, 2044, with interest rates from 2.00% to 5.00%. The net proceeds of \$57,241,998 (representing the principal amount of \$50,840,000 plus premium on issuance of \$6,401,998) from the issuance were used to advance refund a portion of the District's outstanding 2008 General Obligation Bonds, Series A, advance refund a portion of the District's outstanding 2008 General Obligation Bonds, Series C, and pay the costs associated with the issuance of the Series A refunding bonds. At June 30, 2021, the principal balance outstanding was \$49,245,000. Unamortized premium received on issuance of the bonds amounted to \$5,215,745 as of June 30, 2021.

2016 General Obligation Refunding Bonds, Series B

During April 2016, the District issued the 2016 General Obligation Refunding Bonds, Series B, in the amount of \$38,960,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability.

The bonds have a final maturity to occur on August 1, 2031, with interest rates from 0.778% to 3.498%. The net proceeds of \$38,960,000 from the issuance were used to advance refund a portion of the District's outstanding 2008 General Obligation Bonds, Series A, and pay the costs associated with the issuance of the Series B refunding bonds. At June 30, 2021, the principal balance outstanding was \$34,645,000.

2016 General Obligation Refunding Bonds, Series C

During April 2016, the District issued the 2016 General Obligation Refunding Bonds, Series C, in the amount of \$11,765,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability.

The bonds have a final maturity to occur on August 1, 2033, with an interest rate of 4.00%. The net proceeds of \$13,262,395 (representing the principal amount of \$11,765,000 plus premium on issuance of \$1,497,395) from the issuance were used to advance refund, on a crossover basis, the outstanding balance of the District's outstanding 2008 General Obligation Bonds, Series B, and pay the costs associated with the issuance of the Series C refunding bonds. At June 30, 2021, the principal balance outstanding was \$11,765,000. Unamortized premium received on issuance of the bonds amounted to \$1,043,857 as of June 30, 2021.

2008 General Obligation Bonds, Series D

In May 2020 the District issued \$31,490,000 of the Victor Valley Community College District, 2008 General Obligation Bonds, Series D. The bonds issued included \$31,490,000 of current interest serial bonds. The bonds have a final maturity to occur on August 1, 2050, with interest rates from 3.00% to 4.00%. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District sites and facilities, and pay the costs associated with the issuance of the Series D bonds. At June 30, 2021 the principal balance outstanding was \$31,490,000. Unamortized premium received on issuance of the bonds amounted to \$3,297,706 as of June 30, 2021.

Debt Maturity**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Accreted Interest	Redeemed	Bonds Outstanding End of Year
2009	06/01/49	3.17%-7.20%	\$ 70,017,065	\$ 67,254,626	\$ 4,086,397	\$ (205,000)	\$ 71,136,023
2016	08/01/44	2.00%-5.00%	50,840,000	49,920,000	-	(675,000)	49,245,000
2016	08/01/31	0.778%-3.498%	38,960,000	36,755,000	-	(2,110,000)	34,645,000
2016	08/01/33	4.00%	11,765,000	11,765,000	-	-	11,765,000
2020	08/01/50	3.00%-4.00%	31,490,000	31,490,000	-	-	31,490,000
				<u>\$ 197,184,626</u>	<u>\$ 4,086,397</u>	<u>\$ (2,990,000)</u>	<u>\$ 198,281,023</u>

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2022	\$ 312,046	\$ 17,954	\$ 829,813	\$ 1,159,813
2023	384,730	70,270	829,813	1,284,813
2024	442,334	142,666	829,813	1,414,813
2025	483,438	231,562	829,813	1,544,813
2026	519,936	340,064	829,813	1,689,813
2027-2031	3,555,500	3,034,500	4,149,062	10,739,062
2032-2036	14,021,489	20,393,021	4,149,062	38,563,572
2037-2041	22,562,163	24,610,411	1,244,718	48,417,292
2042-2046	19,054,432	74,941,698	-	93,996,130
2047-2049	9,799,955	56,905,171	-	66,705,126
Total	<u>\$ 71,136,023</u>	<u>\$ 180,687,317</u>	<u>\$ 13,691,907</u>	<u>\$ 265,515,247</u>

Victor Valley Community College District

Notes to the Financial Statements

June 30, 2021

The 2016 General Obligation Refunding Bonds, Series A mature through 2045 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 755,000	\$ 2,056,175	\$ 2,811,175
2023	845,000	2,016,175	2,861,175
2024	935,000	1,971,675	2,906,675
2025	1,040,000	1,922,300	2,962,300
2026	1,145,000	1,867,675	3,012,675
2027-2031	7,605,000	8,320,875	15,925,875
2032-2036	930,000	7,216,600	8,146,600
2037-2041	20,130,000	5,758,000	25,888,000
2042-2045	15,860,000	2,220,400	18,080,400
Total	\$ 49,245,000	\$ 33,349,875	\$ 82,594,875

The 2016 General Obligation Refunding Bonds, Series B mature through 2032 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 2,275,000	\$ 1,002,452	\$ 3,277,452
2023	2,450,000	955,098	3,405,098
2024	2,645,000	898,829	3,543,829
2025	2,845,000	831,958	3,676,958
2026	3,065,000	753,763	3,818,763
2027-2031	19,275,000	2,119,605	21,394,605
2032	2,090,000	36,554	2,126,554
Total	\$ 34,645,000	\$ 6,598,259	\$ 41,243,259

Victor Valley Community College District

Notes to the Financial Statements

June 30, 2021

The 2016 General Obligation Refunding Bonds, Series C mature through 2034 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ -	\$ 470,600	\$ 470,600
2023	-	470,600	470,600
2024	-	470,600	470,600
2025	-	470,600	470,600
2026	-	470,600	470,600
2027-2031	-	2,353,000	2,353,000
2032-2034	11,765,000	595,300	12,360,300
Total	\$ 11,765,000	\$ 5,301,300	\$ 17,066,300

The 2008 General Obligation Bonds, Series D mature through 2051 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 1,515,000	\$ 1,228,350	\$ 2,743,350
2023	310,000	1,191,850	1,501,850
2024	405,000	1,177,550	1,582,550
2025	-	1,169,450	1,169,450
2026	-	1,169,450	1,169,450
2027-2031	375,000	5,826,950	6,201,950
2032-2036	1,105,000	5,649,150	6,754,150
2037-2041	1,985,000	5,339,825	7,324,825
2042-2046	525,000	5,097,500	5,622,500
2047-2051	25,270,000	4,492,800	29,762,800
Total	\$ 31,490,000	\$ 32,342,875	\$ 63,832,875

Capital Leases

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

	Equipment
Balance, July 1, 2020	\$ 3,935,742
Payments	(587,625)
Balance, June 30, 2021	<u>\$ 3,348,117</u>

Victor Valley Community College District

Notes to the Financial Statements

June 30, 2021

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2022	\$ 603,092
2023	619,025
2024	635,437
2025	652,336
2026	669,708
2027	168,519
	<hr/>
Total	3,348,117
Less: Amount representing interest	<hr/> (173,639)
Present value of minimum lease payments	<hr/> <u>\$ 3,174,478</u>

The equipment purchased through capital lease arrangements has been capitalized and is being depreciated over the estimated useful lives.

Equipment	\$ 6,880,519
Less: Accumulated depreciation	<hr/> (6,880,519)
	<hr/>
Total	<u>\$ -</u>

Amortization of the leased equipment under capital lease is included in depreciation expense.

Early Retirement Incentive

In June 2020, the District entered into a Supplementary Retirement Plan (SRP) to provide certain benefits to employees participating in the early retirement incentive program. The District will pay \$2,897,432 on behalf of the retirees through 2025 in accordance with the following schedule:

Year Ending June 30,	
2022	\$ 724,358
2023	724,358
2024	724,358
2025	724,358
	<hr/>
Total	<u>\$ 2,897,432</u>

Note 8 - Net Other Postemployment Benefits (OPEB) Liability

For the year ended June 30, 2021, the District reported a net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 1,418,566	\$ 3,690,612	\$ 663,821	\$ (52,123)

The details of the plan are as follows:

District Plan**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the Benefit Trust Company.

Plan Membership

At June 30, 2020, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	72
Active employees	293
Total	365

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Victor Valley Community College District Retirement Board of Authority as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the California Teachers Association (CTA), the local California School Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, CTA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2020, the District contributed \$1,299,453 to the Plan, all of which was used for current premiums.

Investment**Investment Policy**

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	22%
Fixed income	55%
International equity	19%
Real estate	4%

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 4.53%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of \$1,418,566 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The components of the net OPEB liability of the District at June 30, 2020 were as follows:

Total OPEB liability	\$ 14,915,925
Plan fiduciary net position	<u>(13,497,359)</u>
 Net OPEB liability	 <u><u>\$ 1,418,566</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <u><u>90.49%</u></u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.63%
Salary increases	2.75%, average, including inflation
Discount rate	5.85%
Investment rate of return	5.85%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00% per year

The discount rate was based on assumed long-term return on employer assets.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Mortality for Miscellaneous and Schools Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study as of June 30, 2020.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.38%
Fixed income	4.38%
International equity	7.38%
Real estate	7.38%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	\$ 14,222,068	\$ 13,375,551	\$ 846,517
Service cost	808,988	-	808,988
Interest	817,192	620,725	196,467
Difference between expected and actual experience	1,097,366	-	1,097,366
Contributions - employer	-	899,453	(899,453)
Changes of assumptions	(730,236)	-	(730,236)
Benefit payments	(1,299,453)	(1,299,453)	-
Administrative expense	-	(98,917)	98,917
Net change in total OPEB liability	693,857	121,808	572,049
Balance, June 30, 2020	\$ 14,915,925	\$ 13,497,359	\$ 1,418,566

There were no changes to benefit terms since the previous valuation. Changes of assumptions reflect a change in the inflation rate from 2.75% to 2.63% since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (4.85%)	\$ 2,198,897
Current discount rate (5.85%)	1,418,566
1% increase (6.85%)	685,726

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or higher than the current healthcare cost trend rate:

<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3.00%)	\$ 372,274
Current healthcare cost trend rate (4.00%)	1,418,566
1% increase (5.00%)	2,608,799

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 1,552,338	\$ -
Differences between expected and actual experience	1,985,618	6,609
Changes of assumptions	96,032	657,212
Net difference between projected and actual earnings on OPEB plan investments	<u>56,624</u>	<u>-</u>
Total	<u>\$ 3,690,612</u>	<u>\$ 663,821</u>

The deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (64,380)
2023	43,530
2024	48,047
2025	29,427
Total	<u>\$ 56,624</u>

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 10 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 207,374
2023	207,374
2024	207,374
2025	207,374
2026	207,374
Thereafter	380,959
Total	<u>\$ 1,417,829</u>

Note 9 - Risk Management**Property and Liability 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.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2021, 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 2020-2021, 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 California Schools Employee Benefit Association (CSEBA) to provide employee medical benefits. CSEBA is a shared risk pool comprised of community colleges and school districts in 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.

Note 10 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Aggregate Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 45,574,993	\$ 13,869,313	\$ 3,019,674	\$ 6,842,165
CalPERS	34,162,594	7,459,137	-	7,767,101
Total	<u>\$ 79,737,587</u>	<u>\$ 21,328,450</u>	<u>\$ 3,019,674</u>	<u>\$ 14,609,266</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)**Plan Description**

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were \$4,352,802.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 45,574,993
State's proportionate share of net pension liability associated with the District	<u>23,493,914</u>
Total	<u>\$ 69,068,907</u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.0470% and 0.0457%, respectively, resulting in a net increase in the proportionate share of 0.0013%.

For the year ended June 30, 2021, the District recognized pension expense of \$6,842,165. In addition, the District recognized pension expense and revenue of \$3,291,267 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,352,802	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,909,284	1,734,381
Differences between projected and actual earnings on pension plan investments	1,082,600	-
Differences between expected and actual experience in the measurement of the total pension liability	80,419	1,285,293
Changes of assumptions	<u>4,444,208</u>	<u>-</u>
Total	<u>\$ 13,869,313</u>	<u>\$ 3,019,674</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (660,596)
2023	368,862
2024	735,920
2025	638,414
Total	\$ 1,082,600

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,887,079
2023	856,656
2024	1,804,737
2025	372,737
2026	272,505
Thereafter	220,523
Total	\$ 5,414,237

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	4.8%
Private equity	13.0%	6.3%
Real estate	15.0%	3.6%
Inflation sensitive	6.0%	3.3%
Fixed income	12.0%	1.3%
Risk mitigating strategies	10.0%	1.8%
Cash/liquidity	2.0%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 68,857,466
Current discount rate (7.10%)	45,574,993
1% increase (8.10%)	26,352,033

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced

benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the total District contributions were \$3,065,683.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$34,162,594. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.1113% and 0.1060%, respectively, resulting in a net increase in the proportionate share of 0.0053%.

Victor Valley Community College District

Notes to the Financial Statements

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$7,767,101. At June 30, 2021, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,065,683
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,862,662
Differences between projected and actual earnings on pension plan investments	711,156
Differences between expected and actual experience in the measurement of the total pension liability	1,694,360
Changes of assumptions	<u>125,276</u>
Total	<u><u>\$ 7,459,137</u></u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (266,130)
2023	237,378
2024	412,603
2025	<u>327,305</u>
Total	<u><u>\$ 711,156</u></u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 2,039,616
2023	1,297,036
2024	324,052
2025	21,594
Total	<u>\$ 3,682,298</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 49,114,959
Current discount rate (7.15%)	34,162,594
1% increase (8.15%)	21,752,882

STRS/PERS Irrevocable Trust

During the 2015-2016 fiscal year, the District established an irrevocable trust with Public Agency Retirement Services (PARS), for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. District contribution rates for these plans are expected to rise significantly in the coming years. Funds deposited into this trust are not considered "plan assets" for GASB 68 reporting, and therefore are not netted against the net pension liability shown on the Statement of Net Position. The balance and activity of the trust is recorded in the Statement of Net Position of the District. As of June 30, 2021, the balance of the trust was \$6,518,547.

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% of their salary and the District contributes the equivalent 3.75%. 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 \$18,000 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 on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2021, which amounted to \$2,658,814 (10.328%) 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 year ended June 30, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 11 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the Statewide Association of Community Colleges and California Schools Employee Benefit Association (CSEBA) 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 District participated in the Protected Insurance Program for Schools and Colleges (PIPS) Joint Powers Authority (JPA), an insurance purchasing pool. The District pays annual premiums for its workers' compensation coverage based on its individual rate. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The 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 12 - Commitments and Contingencies**Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2021.

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, 2021.

Construction Commitments

As of June 30, 2021, the District had committed under various capital expenditure purchase agreements for various projects totaling approximately \$5.5 million to be funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 13 - Restatement of Prior Year Net Position

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ (37,680,703)
Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	6,103,344
Net Position - Beginning, as Restated	\$ (31,577,359)
Fiduciary Funds	
Net Position - Beginning	\$ 19,569,608
Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	(6,072,249)
Net Position - Beginning, as Restated	\$ 13,497,359

Certain reclassifications of amounts previously reported have been made to the Management Discussion and Analysis and the Statement of Cash Flows to maintain consistency between periods presented.

Required Supplementary Information
June 30, 2021

**Victor Valley Community College
District**

Victor Valley Community College District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 808,988	\$ 770,408	\$ 791,576	\$ 635,656
Interest	817,192	791,571	703,163	679,336
Difference between expected and actual experience	1,097,366	(8,421)	1,473,222	-
Changes of assumptions	(730,236)	122,344	-	-
Benefit payments	(1,299,453)	(1,207,946)	(1,074,880)	(916,799)
Net change in total OPEB liability	693,857	467,956	1,893,081	398,193
Total OPEB Liability - Beginning	14,222,068	13,754,112	11,861,031	11,462,838
Total OPEB Liability - Ending (a)	<u>\$ 14,915,925</u>	<u>\$ 14,222,068</u>	<u>\$ 13,754,112</u>	<u>\$ 11,861,031</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 899,453	\$ 1,207,946	\$ 1,074,880	\$ 1,424,926
Net investment income	620,725	653,984	749,679	1,185,907
Benefit payments	(1,299,453)	(1,207,946)	(1,074,880)	(916,799)
Administrative expense	(98,917)	(97,685)	(97,163)	(91,701)
Net change in plan fiduciary net position	121,808	556,299	652,516	1,602,333
Plan Fiduciary Net Position - Beginning	13,375,551	12,819,252	12,166,736	10,564,403
Plan Fiduciary Net Position - Ending (b)	<u>\$ 13,497,359</u>	<u>\$ 13,375,551</u>	<u>\$ 12,819,252</u>	<u>\$ 12,166,736</u>
Net OPEB Liability (asset)- Ending (a) - (b)	<u>\$ 1,418,566</u>	<u>\$ 846,517</u>	<u>\$ 934,860</u>	<u>\$ (305,705)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.49%	94.05%	93.20%	102.58%
Covered Employee Payroll	\$ 45,193,637	\$ 43,721,353	\$ 40,991,291	\$ 38,155,231
Net OPEB Liability as a Percentage of Covered Employee Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Victor Valley Community College District
 Schedule of OPEB Investment Returns
 Year Ended June 30, 2021

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	4.53%	5.12%	10.77%	10.06%

Note: In the future, as data becomes available, ten years of information will be presented.

Victor Valley Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018
CalSTRS				
Proportion of the net pension liability	0.0470%	0.0457%	0.0451%	0.0441%
Proportionate share of the net pension liability	\$ 45,574,993	\$ 41,269,107	\$ 41,421,042	\$ 40,805,853
State's proportionate share of the net pension liability associated with the District	23,493,914	22,515,053	23,715,484	24,140,398
Total	<u>\$ 69,068,907</u>	<u>\$ 63,784,160</u>	<u>\$ 65,136,526</u>	<u>\$ 64,946,251</u>
Covered payroll	<u>\$ 29,157,538</u>	<u>\$ 28,970,534</u>	<u>\$ 27,005,315</u>	<u>\$ 24,923,736</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>156.31%</u>	<u>142.45%</u>	<u>153.38%</u>	<u>163.72%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	0.1113%	0.1060%	0.1059%	0.1038%
Proportionate share of the net pension liability	\$ 34,162,594	\$ 30,887,450	\$ 28,240,613	\$ 24,774,264
Covered payroll	<u>\$ 16,036,099</u>	<u>\$ 14,750,819</u>	<u>\$ 13,985,976</u>	<u>\$ 13,231,495</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>213.04%</u>	<u>209.39%</u>	<u>201.92%</u>	<u>187.24%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Note: In the future, as data becomes available, ten years of information will be presented.

Victor Valley Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2017	2016	2015
CalSTRS			
Proportion of the net pension liability	0.0436%	0.0518%	0.0422%
Proportionate share of the net pension liability	\$ 35,228,243	\$ 34,850,800	\$ 24,659,591
State's proportionate share of the net pension liability associated with the District	20,054,810	18,432,232	14,890,525
Total	<u>\$ 55,283,053</u>	<u>\$ 53,283,032</u>	<u>\$ 39,550,116</u>
Covered payroll	<u>\$ 23,587,493</u>	<u>\$ 26,023,288</u>	<u>\$ 21,103,504</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>149.35%</u>	<u>133.92%</u>	<u>116.85%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	0.1058%	0.1201%	0.1225%
Proportionate share of the net pension liability	<u>\$ 20,891,295</u>	<u>\$ 17,706,927</u>	<u>\$ 13,903,284</u>
Covered payroll	<u>\$ 13,273,327</u>	<u>\$ 13,838,552</u>	<u>\$ 12,939,488</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>157.39%</u>	<u>127.95%</u>	<u>107.45%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

Note: In the future, as data becomes available, ten years of information will be presented.

Victor Valley Community College District
Schedule of District Contributions for Pensions
Year Ended June 30, 2021

	2021	2020	2019	2018
CalSTRS				
Contractually required contribution	\$ 4,352,802	\$ 4,985,939	\$ 4,716,403	\$ 3,896,867
Contributions in relation to the contractually required contribution	<u>(4,352,802)</u>	<u>(4,985,939)</u>	<u>(4,716,403)</u>	<u>(3,896,867)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 26,952,334</u>	<u>\$ 29,157,538</u>	<u>\$ 28,970,534</u>	<u>\$ 27,005,315</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
CalPERS				
Contractually required contribution	\$ 3,065,683	\$ 3,162,479	\$ 2,664,293	\$ 2,172,162
Contributions in relation to the contractually required contribution	<u>(3,065,683)</u>	<u>(3,162,479)</u>	<u>(2,664,293)</u>	<u>(2,172,162)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 14,810,063</u>	<u>\$ 16,036,099</u>	<u>\$ 14,750,819</u>	<u>\$ 13,985,976</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Victor Valley Community College District
Schedule of District Contributions for Pensions
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 3,135,406	\$ 2,530,938	\$ 2,310,868
Contributions in relation to the contractually required contribution	<u>(3,135,406)</u>	<u>(2,530,938)</u>	<u>(2,310,868)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 24,923,736</u>	<u>\$ 23,587,493</u>	<u>\$ 26,023,288</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 1,837,590	\$ 1,572,491	\$ 1,628,936
Contributions in relation to the contractually required contribution	<u>(1,837,590)</u>	<u>(1,572,491)</u>	<u>(1,628,936)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 13,231,495</u>	<u>\$ 13,273,327</u>	<u>\$ 13,838,552</u>
Contributions as a percentage of covered payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* - The inflation rate changed from 2.75% to 2.63% since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information

June 30, 2021

**Victor Valley Community College
District**

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 as of June 30, 2021

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Brandon Wood	President	2022
Jennifer Tarpley	Vice President	2024
Dennis Henderson	Clerk	2022
Sharon Pinkerton	Member	2024
Joseph Brady	Member	2022

Administration as of June 30, 2021

Daniel Walden, Ph.D.	Superintendent/President
Todd Scott	Vice President, Instruction
John Nahlen	Deputy Superintendent/Executive Vice President, Administrative Services
Dr. Karen Engelsen	Vice President, Student Development
Monica Martinez	Vice President, Human Resources
Arthur Lopez	Associate Vice President, Matriculation and Athletic Director

Auxiliary Organizations in Good Standing

Victor Valley College Foundation, established July 9, 1975
 Master Agreement revised June 5, 2018
 Kirsten Acosta, Executive Director

Victor Valley Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of the Interior Plant Conservation and Restoration Management	15.245		\$ 28,379
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		18,531,364
Federal Pell Grant Program Administrative Allowance	84.063		28,170
Federal Direct Student Loans	84.268		61,612
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		846,100
FSEOG Administrative Allowance	84.007		43,646
Federal Work-Study Program	84.033		93,856
Federal Work-Study Program Administrative Allowance	84.033		4,693
Subtotal Student Financial Assistance Cluster			<u>19,609,441</u>
TRIO Cluster			
TRIO Upward Bound	84.047A		<u>275,019</u>
Subtotal TRIO Cluster			<u>275,019</u>
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		3,812,595
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		4,866,622
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		<u>18,587</u>
Subtotal			<u>8,697,804</u>
Guided Pathways to Improve Hispanic and Low Income Student Success	84.031S		152,638
Passed through California Department of Education			
Adult Education: Adult Basic Education & ELA	84.002A	14508	29,501
Adult Education: Adult Secondary Education	84.002	13978	93,312
Adult Education: Integrated English Literacy and Civics Education	84.002A	14109	<u>4,816</u>
Subtotal			<u>127,629</u>
Passed through California Community Colleges Chancellor's Office Career and Technical Education Act (CTEA), Title I, Part C	84.048A	20-C01-990	<u>469,179</u>
Total U.S. Department of Education			<u>29,331,710</u>

Victor Valley Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of the Treasury Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus Relief Fund	21.019	[1]	\$ 449,215
National Science Foundation Research and Development Cluster Advanced Technological Education	47.076		60,248
Subtotal Research and Development Cluster			60,248
Total National Science Foundation			60,248
U.S. Department of Veterans Affairs Veterans Services	64.028		6,683
U.S. Department of Health and Human Services Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	115,684
Total Federal Financial Assistance			\$ 29,991,919

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

Victor Valley Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2021

Program	Program Revenues				Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue		
AB104 Adult Education Consortium	\$ 2,635,517	\$ -	\$ -	\$ 450,680	\$ 2,184,837	\$ 2,184,837
Apprenticeship Initiative	108,735	-	-	34,658	74,077	74,077
California College Promise Program	722,619	-	-	632,252	90,367	90,367
Cal Fresh	40,047	-	-	40,047	-	-
Cal Grant - Student Aid	3,085,927	-	-	-	3,085,927	3,085,927
Cal OES	-	100,000	-	-	100,000	100,000
CalWORKs	730,835	-	-	244,615	486,220	486,220
CARE	471,773	-	-	250,102	221,671	221,671
Child Development: California State Preschool Program	170,487	-	-	-	170,487	170,487
Classified Professional Development	35,342	-	-	35,342	-	-
CTE Online (CVC-OEI)	187,509	-	-	-	187,509	187,509
CTE Online (CVC-OEI) - Close Out	-	3,750	-	-	3,750	3,750
Disabled Students Program And Services	821,360	-	-	189,542	631,818	631,818
Disaster Relief Emergency SFA	96,554	-	-	-	96,554	96,554
DSN - Advance Technology	298,255	-	-	53,062	245,193	245,193
DSN Business - Key Talent	259,243	-	-	163	259,080	259,080
Emergency FA Low Income	1,157,433	-	-	1,157,433	-	-
Extended Opportunity Program and Services	1,742,536	-	-	643,412	1,099,124	1,099,124
Financial Aid Technology	131,419	-	-	65,892	65,527	65,527
Full-Time Student Success Grant	2,212,121	-	-	63,594	2,148,527	2,148,527
Guided Pathways	737,839	-	-	355,583	382,256	382,256
Homeless Housing- Rapid Rehousing	1,390,998	-	-	296,548	1,094,450	1,094,450
Hunger Free Campus AB214	28,809	-	912	-	27,897	27,897
Mental Health Support	76,514	-	-	45,730	30,784	30,784
NEXTUP/CAFYES	972,632	-	-	201,456	771,176	771,176
Nursing Enrollment Growth & Retention	241,759	1,695	37,973	71,390	134,091	134,091
Physical Plant/Instructional Support/Library Materials	208,799	-	-	208,799	-	-
PT Faculty Compensation	246,473	-	30,521	-	215,952	215,952
Re-Entry - Incarcerated	77,331	-	-	44,876	32,455	32,455

Victor Valley Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2021

Program	Program Revenues				Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue		
Song-Brown Nursing Grant #4	\$ 12,588	\$ -	\$ -	\$ 12,588	\$ -	\$ -
SSSP - SEA	2,848,770	5,214	-	-	2,853,984	2,853,984
Staff Diversity	116,195	-	-	103,296	12,899	12,899
State COVID Block grant	551,417	-	-	-	551,417	551,417
Strong Workforce - Local Round 4	1,215,737	-	-	763,262	452,475	452,475
Strong Workforce - Local Round 3	765,852	-	-	-	765,852	765,852
Strong Workforce - CTE - Regional 4	359,531	19,147	-	-	378,678	378,678
Strong Workforce - Local Round 5	1,249,112	-	-	1,040,350	208,762	208,762
Strong Workforce - Regional Round 3	26,319	44,532	-	-	70,851	70,851
Strong Workforce - Regional Round 2	179,749	-	-	153,546	26,203	26,203
Student Financial Aid Administrative Allowance	521,166	-	-	84,347	436,819	436,819
Student Retention & Enrollment	200,402	-	-	199,560	842	842
SWP Regional Proj Coord Support	20,307	27,780	-	-	48,087	48,087
TANF/Child Development Careers Program	3,684	-	-	3,684	-	-
Undocumented Resource Liaison	49,597	-	-	49,597	-	-
Veterans Resource Center	210,046	-	-	70,319	139,727	139,727
Veterans Resource Center 2	62,790	-	-	62,790	-	-
Total state programs	\$ 27,282,128	\$ 202,118	\$ 69,406	\$ 7,628,515	\$ 19,786,325	\$ 19,786,325

Victor Valley Community College District
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
Year Ended June 30, 2021

CATEGORIES	**(Revised)/ Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2020 only)			
1. Noncredit	8.25	-	8.25
2. Credit	57.52	-	57.52
B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)			
1. Noncredit	-	-	-
2. Credit	571.18	-	571.18
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,825.55	-	2,825.55
(b) Daily Census Contact Hours	979.90	-	979.90
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	56.54	-	56.54
(b) Credit	388.26	-	388.26
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	2,001.10	-	2,001.10
(b) Daily Census Procedure Courses	987.53	-	987.53
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	7,875.83	-	7,875.83
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit	32.84	-	32.84
2. Credit	13.00	-	13.00

**Annual report revised as of November 1, 2021

Victor Valley Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

	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	\$ 10,089,166	\$ -	\$ 10,089,166	\$ 10,089,166	\$ -	\$ 10,089,166
Other	1300	11,699,327	-	11,699,327	11,723,252	-	11,723,252
Total Instructional Salaries		21,788,493	-	21,788,493	21,812,418	-	21,812,418
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,197,741	-	4,197,741
Other	1400	-	-	-	630,279	-	630,279
Total Noninstructional Salaries		-	-	-	4,828,020	-	4,828,020
Total Academic Salaries		21,788,493	-	21,788,493	26,640,438	-	26,640,438
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	9,563,758	-	9,563,758
Other	2300	-	-	-	259,138	-	259,138
Total Noninstructional Salaries		-	-	-	9,822,896	-	9,822,896
Instructional Aides							
Regular Status	2200	1,606,171	-	1,606,171	1,620,572	-	1,620,572
Other	2400	61,624	-	61,624	112,897	-	112,897
Total Instructional Aides		1,667,795	-	1,667,795	1,733,469	-	1,733,469
Total Classified Salaries		1,667,795	-	1,667,795	11,556,365	-	11,556,365
Employee Benefits	3000	7,025,066	-	7,025,066	18,388,595	-	18,388,595
Supplies and Material	4000	-	-	-	275,210	-	275,210
Other Operating Expenses	5000	-	-	-	6,250,112	-	6,250,112
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		30,481,354	-	30,481,354	63,110,720	-	63,110,720

See Notes to Supplementary Information

Victor Valley Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

	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	\$ 574,485	\$ -	\$ 574,485	\$ 574,485	\$ -	\$ 574,485
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	1,800	-	1,800
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	973,777	-	973,777
Objects to Exclude							
Rents and Leases	5060	-	-	-	257,750	-	257,750
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		-	-	-	-	-	-

Victor Valley Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

	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	\$ -	\$ -	\$ -	\$ 1,723,354	\$ -	\$ 1,723,354
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		574,485	-	574,485	3,531,166	-	3,531,166
Total for ECS 84362, 50% Law Percent of CEE (Instructional Salary Cost/Total CEE) 50% of Current Expense of Education		\$ 29,906,869	\$ -	\$ 29,906,869	\$ 59,579,554	\$ -	\$ 59,579,554
		50.20%		50.20%	100.00%		100.00%
					\$ 29,789,777		\$ 29,789,777

Victor Valley Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2021.

Victor Valley Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2021

Activity Classification	Object Code					Unrestricted
EPA Revenue:	8630					\$ 11,971,413
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total	
Instructional Activities	1000-5900	\$ 11,971,413	\$ -	\$ -	\$ 11,971,413	
Total Expenditures for EPA		\$ 11,971,413	\$ -	\$ -	\$ 11,971,413	
Revenues Less Expenditures						\$ -

Victor Valley Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance		
General Funds	\$	13,477,296
Special Revenue Funds		26,122,809
Capital Project Funds		38,838,677
Debt Service Funds		10,890,149
Proprietary Funds		3,210,415
Internal Service Funds		679,354
Fiduciary Funds		<u>16,451,071</u>
Total fund balance - all District funds	\$	109,669,771

Amounts held in trust on behalf of others (OPEB Trust) (16,451,071)

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		220,940,389
Accumulated depreciation is		(80,496,938)
Total capital assets, net		140,443,451

Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources at year-end consist of:

Deferred outflows of resources related to debt refunding		11,757,460
Deferred outflows of resources related to OPEB		3,690,612
Deferred outflows of resources related to pensions		<u>21,328,450</u>
Total deferred outflows of resources		36,776,522

In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred. (2,357,554)

Victor Valley Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 June 30, 2021

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

General obligation bonds	\$ (168,559,720)
Capital leases	(3,174,478)
Compensated absences	(1,893,632)
Early retirement incentive	(2,897,432)
Net other postemployment benefits (OPEB) liability	(1,418,566)
Aggregate net pension liability	(79,737,587)
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(39,278,611)

Total long-term liabilities		\$ (296,960,026)
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Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.

Deferred inflows of resources amount to and related to

Deferred inflows of resources related to OPEB	(663,821)
Deferred inflows of resources related to pensions	(3,019,674)

Total deferred inflows of resources		(3,683,495)
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Total net position		\$ (32,562,402)
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Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing.

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Donated Personal Protective Equipment (PPE) (unaudited)

Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was \$83,363 and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or CFDA numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

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 Annual (Actual) Attendance

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

ECS 84362 requires the District to expend a minimum of 50% 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 Audited Financial Statements

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

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 government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

Independent Auditor's Report

June 30, 2021

**Victor Valley Community College
District**

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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 financial statements of the business-type activities and the remaining fund information of Victor Valley Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinions are 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Rancho Cucamonga, California
February 28, 2022

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance Required by the Uniform Guidance**

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 the *OMB 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, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance, 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 in internal control over compliance* 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 and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003 that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
February 28, 2022

Independent Auditor's 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 described in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the State laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit 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 the standards and procedures identified in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 499	COVID-19 Response Block Grant Expenditures

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District reports no attendance for classes with To Be Arranged Hours (TBA); therefore, the compliance tests within this section were not applicable.

The District does not have any Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

The purpose of this report on State compliance is solely to describe the results of our testing based on the requirements of the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
February 28, 2022

Schedule of Findings and Questioned Costs
June 30, 2021

**Victor Valley Community College
District**

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs

Name of Federal Program or Cluster	Federal Assistance Listing / Federal CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
Dollar threshold used to distinguish between type A and type B programs	\$899,758
Auditee qualified as low-risk auditee?	Yes

State Compliance

Type of auditor's report issued on compliance for programs	Unmodified
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None reported.

The following findings represent significant deficiencies in internal control over compliance and instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2021-001 Special Tests and Provisions – Disbursements to or on Behalf of Students

Program Name: Student Financial Assistance Cluster

Federal Assistance Listing Numbers: 84.007, 84.033, 84.063, 84.268

Federal Agency: U.S. Department of Education (ED)

Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirements

34 CFR 668.165(a): (1) Before an institution disburses title IV, Higher Education Act (HEA) program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan program funds, the notice must indicate which funds are from subsidized loans, which are from unsubsidized loans, and which are from Parent Loan for Undergraduate Students (PLUS) loans. (2) Except in the case of a post-withdrawal disbursement made in accordance with § 668.22(a)(5), if an institution credits a student ledger account with Direct Loan, Federal Perkins Loan, or Teacher Education Assistance for College and Higher Education (TEACH) Grant program funds, the institution must notify the student or parent of - (i) The anticipated date and amount of the disbursement; (ii) The student's or parent's right to cancel all or a portion of that loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement and have the loan proceeds or TEACH Grant proceeds returned to the Secretary of the Department of Education; and (ii) The procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement. (3) The institution must provide the notice described in paragraph (a)(2) of this section in writing (i) No earlier than 30 days before, and no later than 30 days after, crediting the student's ledger account at the institution, if the institution obtains affirmative confirmation from the student under paragraph (a)(6)(i) of this section.

34 CFR 685.300(b)(9): In the program participation agreement, the school must promise to comply with the Act and applicable regulations and must agree to provide for the implementation of a quality assurance system, as established by the Secretary of the Department of Education and developed in consultation with the school, to ensure that the school is complying with program requirements and meeting program objectives.

Condition

Significant Deficiency – The District provided notice of the disbursement of Direct Loan funds earlier than 30 days before crediting a student's account. In addition, the District did not have a Direct Loan quality assurance system documented.

Questioned Costs

There were no questioned costs associated with this finding.

Context

The District disbursed \$61,612 in Direct Loan program funds during the 2020-2021 year.

Effect

Without a documented Direct Loan quality assurance system and proper monitoring, the District is not in compliance with the above references criteria.

Cause

The District's controls associated with the Direct Loan program failed to ensure that proper procedures were followed and documented over the disbursements to and on behalf of students.

Repeat Finding (Yes or No)

No

Recommendation

The District should develop, document, and implement procedures over the Direct Loan program to ensure that program compliance requirements are adhered to and written notifications are obtained within the appropriate timeframe.

Views of Responsible Officials and Corrective Action Plan

Victor Valley College (VVC) concurs with the audit finding. Victor Valley College recently hired a new director of financial aid in October 2021 to oversee the Office of Financial Aid, including all day to day operations and overall adherence to compliance matters related to federal regulations and requirements. We will believe this will help to improve processes, practices, and procedures and will help to address any deficiencies.

Updated Process and Procedures:

In response to this audit recommendation, VVC created a draft loan disbursement notification document/email that satisfies each of the requirements outlined in the noncompliance section of this finding. In addition, VVC has drafted a Direct Loan quality assurance system. VVC has also revised its Loan Disbursement Notification Policy/Procedure to ensure that students are receiving all required notifications for the Federal Direct Loan and Teach Grant programs.

2021-002 Special Tests and Provisions – Borrower Data and Reconciliation (Direct Loan)

Program Name: Student Financial Assistance Cluster
Federal Assistance Listing Numbers: 84.007, 84.033, 84.063, 84.268
Federal Agency: U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirements

34 CFR 685.300(b)(5): In the program participation agreement, the school must promise to comply with the Act and applicable regulations and must agree to, on a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary of the Department of Education and Direct Loan disbursement records submitted to and accepted by the Secretary of the Department of Education.

Condition

Significant Deficiency – The District did not perform monthly reconciliations between institutional records and School Account Statement (SAS) data files received by the Department of Education’s Common Origination and Disbursement (COD).

Questioned Costs

There were no questioned costs associated with this finding.

Context

The District disbursed \$61,612 in Direct Loan program funds during the 2020-2021 year.

Effect

The District is out of compliance with 34 CFR 685.300(b)(5).

Cause

The District’s controls associated with the Direct Loan program failed to ensure that proper procedures were followed over the monthly reconciliation of institutional records and SAS data files received by COD.

Repeat Finding (Yes or No)

No

Recommendation

The District should develop and implement procedures over the Direct Loan program to ensure that program compliance requirements are adhered to and monthly reconciliations are being performed between institutional records and SAS data files received by COD.

Views of Responsible Officials and Corrective Action Plan

The Victor Valley College District agrees with the finding. The District is in the process of writing up the Monthly Reconciliation procedures for the Financial Aid Office and the Fiscal Office. It will adhere to the compliance of 34 CFR 685.300(b)(5).

2021-003 Reporting

Program Names: COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion;
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion
Federal Assistance Listing Numbers: 84.425E, 84.425F
Federal Agency: U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirement

Section 18004(a)(1) of The Coronavirus Aid, Relief, and Economic Security (CARES) Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion award to publicly post certain information on their website no later than 30 days after their award and update that information every 45 days thereafter. This was amended on August 31, 2020 to decrease the frequency of reporting from every 45 days thereafter to every calendar quarter. The reports must be updated no later than 10 days after the end of each calendar quarter. In addition, Section 18004(a)(1) of the CARES Act required that institutions that received the HEERF 18004(a)(1) Institutional Portion award to publicly post expenditure reports on a quarterly basis. Each report is separate for the calendar quarter and not cumulative.

Condition

Significant deficiency -The District's student aid quarterly report did not contain all of the required reporting elements. The District's institutional quarterly report did not accurately report the quarterly program expenditures.

Cause

The District did not publicly report the estimated total number of students at the institution that are eligible to receive emergency financial aid grants to students under the Student Aid Portion program. The District's institutional quarterly report was not a separate report for the quarter ended in that cumulative expenditure amounts were reported for the Institutional Portion program.

Effect

The District is not in compliance with reporting requirements under Section 18004(a)(1) for the Student Aid and Institutional Portion programs.

Questioned Costs

There were no questioned costs associated with this finding.

Context

The District was required to report student grant metrics and other data no later than 10 days after each calendar quarter end. The report was reviewed for compliance noting it did not contain all of the required reporting elements. The District was required to report program expenditures for each calendar quarter for the Institutional Portion program. The report was reviewed for compliance noting the expenditures reported were reported cumulatively.

Repeat Finding (Yes or No)

Yes, see summary schedule of prior audit findings, finding 2020-001.

Recommendation

The District should ensure that reporting requirements are clearly communicated to all staff, and procedures in place to ensure requirements and deadlines are met. The District should also ensure all documentation to support amounts reported is maintained in accordance with document retention guidelines.

Views of Responsible Officials and Corrective Action Plan

The Victor Valley College District agrees with the finding. The District has changed the process of eligibility of disbursing funds which will be posted on the website. The District will post the estimated total number of students eligible. Then the District will post the actual number of students and amounts disbursed. The Institutional District Quarterly Report will no longer report the cumulative expenditures and only report the quarterly expenditure totals.

None reported.

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 Findings and Questioned Costs.

Federal Awards Findings

2020-001 Reporting

Program Name: COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion

Federal Assistance Listing Number: 84.425E

Federal Agency: U.S. Department of Education (ED)

Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirement

Section 18004(a)(1) of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion award to publicly post certain information on their website no later than 30 days after their award and update that information every 45 days thereafter.

Condition

Significant deficiency -During our testing over reporting for the student aid portion, we noted that the 30 day report did not contain all of the required reporting elements.

Cause

The District did not publicly report the amount of Emergency Aid Grant that a student would receive under the program.

Effect

The District's 30 day report did not contain all of the required reporting elements.

Questioned Costs

None reported

Context

The District was required to report student grant metrics and other data no later than 30 days after their award allocation date. The report was reviewed for compliance noting it did not contain all of the required reporting elements.

Repeat Finding from Prior Year: No

Recommendation

The District should ensure that reporting requirements are clearly communicated to all staff, and procedures in place to ensure requirements and deadlines are met. The District should also ensure all documentation to support amounts reported is maintained in accordance with document retention guidelines.

Current Status

Not implemented. See current year finding 2021-003.