



Financial Statements
June 30, 2019

Victor Valley Community
College District

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements - Primary Government	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Fiduciary Funds	
Statement of Net Position	20
Statement of Changes in Net Position	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios	63
Schedule of OPEB Investment Returns	64
Schedule of the District's Proportionate Share of the Net Pension Liability	65
Schedule of District Contributions for Pensions	66
Note to Required Supplementary Information	67

SUPPLEMENTARY INFORMATION

District Organization	69
Schedule of Expenditures of Federal Awards	70
Schedule of Expenditures of State Awards	71
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	72
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	73
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements	76
Proposition 30 Education Protection Account (EPA) Expenditure Report	77
Reconciliation of Governmental Funds to the Statement of Net Position	78
Note to Supplementary Information	80

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	83
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	85
Report on State Compliance	88

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	91
Financial Statement Findings and Recommendations	92
Federal Awards Findings and Questioned Costs	93
State Awards Findings and Questioned Costs	95
Summary Schedule of Prior Audit Findings	96



FINANCIAL SECTION



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 aggregate remaining fund information of Victor Valley Community College District (the District) as of and for the year ended June 30, 2019, 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, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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 aggregate remaining fund information of the District as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 15 and other required supplementary information on pages 63 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by 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 the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

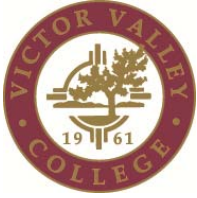
The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2019



ADMINISTRATIVE SERVICES

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USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs and financial condition of Victor Valley Community College District (the District) as of June 30, 2019. The report consists of three basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District's management.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Victor Valley Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one combined financial statement versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

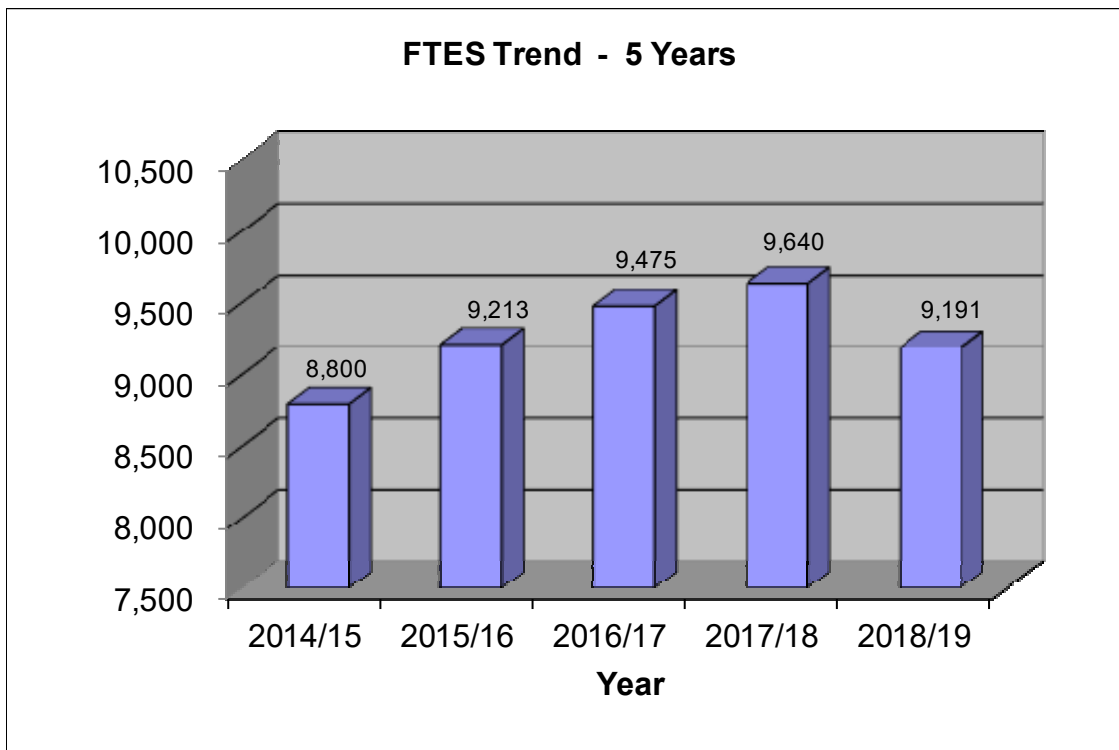
JUNE 30, 2019

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 revenue increase reflected on page 10 was primarily due to the implementation of the Student Centered Funding Formula (SCFF). General apportionment increased by \$4,086,725. The college maintained its basic allocation as a mid-size college. The total funded workload (as of the 2018-2019 Recalc Apportionment Report) was 9,191. The three-year average of 9,525 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:



VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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 \$4,217,624.

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Property tax revenue	\$ 10,841,911	\$ 10,705,081	\$ 136,830
Tuition and fees	3,348,006	3,353,937	(5,931)
Apportionment	<u>45,398,839</u>	<u>41,312,114</u>	<u>4,086,725</u>
Total	<u><u>\$ 59,588,756</u></u>	<u><u>\$ 55,371,132</u></u>	<u><u>\$ 4,217,624</u></u>

SELECTED HIGHLIGHTS

At June 30, 2019, the value of the District's Other Postemployment Benefits (OPEB) irrevocable Futuris trust was \$13.4 million, and the District's GASB Statement No. 75 OPEB liability is 93 percent 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

	2019	2018	Change
ASSETS			
Current Assets			
Cash and investments	\$ 34,039,803	\$ 40,596,051	\$ (6,556,248)
Accounts receivable	4,641,466	3,279,328	1,362,138
Other current assets	988,573	954,100	34,473
Total Current Assets	<u>39,669,842</u>	<u>44,829,479</u>	<u>(5,159,637)</u>
Noncurrent Assets			
Investments	31,631,112	29,315,168	2,315,944
Net OPEB asset	-	305,705	(305,705)
Capital assets, net	132,620,277	130,354,535	2,265,742
Total Noncurrent Assets	<u>164,251,389</u>	<u>159,975,408</u>	<u>4,275,981</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	12,776,158	13,285,507	(509,349)
Deferred outflows of resources related to pensions and OPEB	25,610,631	24,571,584	1,039,047
Total Assets and Deferred Outflows	<u>\$ 242,308,020</u>	<u>\$ 242,661,978</u>	<u>\$ (353,958)</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 16,585,513	\$ 15,483,033	\$ 1,102,480
Current portion of long-term obligations	3,930,869	3,622,080	308,789
Total Current Liabilities	<u>20,516,382</u>	<u>19,105,113</u>	<u>1,411,269</u>
Long-Term Obligations	244,267,493	238,668,265	5,599,228
Total Liabilities	<u>264,783,875</u>	<u>257,773,378</u>	<u>7,010,497</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and OPEB	6,677,122	7,823,230	(1,146,108)
NET POSITION			
Net investment in capital assets	3,018,707	5,194,577	(2,175,870)
Restricted	12,716,992	12,943,654	(226,662)
Unrestricted	(44,888,676)	(41,072,861)	(3,815,815)
Total Net Position	<u>(29,152,977)</u>	<u>(22,934,630)</u>	<u>(6,218,347)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 242,308,020</u>	<u>\$ 242,661,978</u>	<u>\$ (353,958)</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. The District's net position decreased from last year by \$6.2 million for the fiscal year ending June 30, 2019. 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 37 percent of the cash balance and investments is cash deposited in the San Bernardino County Treasury Pool. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and the return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash.
- Capital assets had a net balance of \$132.6 million. Depreciation expense of \$4.3 million was recognized during 2018-2019.
- Accounts payable in the amount of \$7.4 million are amounts due as of the fiscal year-end for goods and services received as of June 30, 2019. Interest payable accruals total \$1.7 million. Other current liabilities in the amount of \$11.5 million related mainly to unearned revenues and the current portion of bonds payable and lease obligations; noncurrent liabilities in the amount of \$244.3 million include noncurrent portions for compensated absences payable, general obligation bonds, lease obligations, and the aggregate net pension obligation have been recognized for the year ended June 30, 2019.
- The District currently has \$171.6 million outstanding related to the issuance of general obligation debt. Additional information regarding long-term debt is included in the Debt Administration section of this discussion and analysis.
- As of June 30, 2019, the aggregate net pension obligation was \$69.7 million. (See Note 13)

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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.

	2019	2018	Change
Operating Revenues			
Tuition and fees	\$ 3,348,006	\$ 3,353,937	\$ (5,931)
Grants and contracts, noncapital	25,127,535	19,804,122	5,323,413
Auxiliary sales and other revenues	3,097,205	3,290,464	(193,259)
Total Operating Revenues	<u>31,572,746</u>	<u>26,448,523</u>	<u>5,124,223</u>
Operating Expenses			
Salaries and benefits	74,657,211	64,776,516	9,880,695
Supplies and maintenance	20,677,628	20,567,529	110,099
Student financial aid	30,101,247	29,004,506	1,096,741
Depreciation	4,312,895	4,356,869	(43,974)
Total Operating Expenses	<u>129,748,981</u>	<u>118,705,420</u>	<u>11,043,561</u>
Loss on Operations	<u>(98,176,235)</u>	<u>(92,256,897)</u>	<u>(5,919,338)</u>
Nonoperating Revenues			
State apportionments	45,398,839	41,312,114	4,086,725
Property taxes	10,841,911	10,705,081	136,830
Other taxes	5,689,639	6,805,752	(1,116,113)
Student financial aid	26,981,177	26,640,029	341,148
Other nonoperating revenues (expenses)	485,552	862,814	(377,262)
Total Nonoperating Revenue	<u>89,397,118</u>	<u>86,325,790</u>	<u>3,071,328</u>
Other Revenues			
Local capital income	<u>2,560,770</u>	<u>2,036,115</u>	<u>524,655</u>
Change in Net Position	<u>\$ (6,218,347)</u>	<u>\$ (3,894,992)</u>	<u>\$ (2,323,355)</u>

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

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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- 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 2018-2019 was workload measures reported to the State by the District. The District has experienced a decrease in FTES in the 2018-2019 fiscal year of 4.7 percent.
- 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 increased by \$11.0 million. The net increase is comprised of three parts:

1. Salaries and benefits increased by \$9.9 million;
2. Supplies, maintenance, and other operating expenses increased by \$0.1 million;
3. Payments to students increased by \$1.1 million.

Operating expenses are 57.5 percent related to personnel costs. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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.

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (89,444,163)	\$ (90,255,891)	\$ 811,728
Non-capital financing activities	88,397,034	83,440,476	4,956,558
Capital financing activities	(6,025,651)	(920,334)	(5,105,317)
Investing activities	<u>2,832,476</u>	<u>2,598,509</u>	<u>233,967</u>
Net Change in Cash	(4,240,304)	(5,137,240)	896,936
Cash, Beginning of Year	<u>69,911,219</u>	<u>75,048,459</u>	<u>(5,137,240)</u>
Cash, End of Year	<u><u>\$ 65,670,915</u></u>	<u><u>\$ 69,911,219</u></u>	<u><u>\$ (4,240,304)</u></u>

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

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

Cash flow used in operating activities decreased by \$0.8 million during fiscal year 2018-2019.

Property tax revenue, State apportionment, and grants and contracts account for approximately 93 percent of the non-capital financing activities.

The primary use included in capital and related financing activities is 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Aid	Depreciation	Total
Instructional activities	\$ 29,478,709	\$ 13,562,105	\$ 2,066,436	\$ 86,640	\$ -	\$ -	\$ 45,193,890
Academic support	2,552,589	1,056,021	355,207	2,535	-	-	3,966,352
Student services	8,288,964	3,880,934	4,048,790	71,894	-	-	16,290,582
Plant operations and maintenance	2,029,822	1,174,888	3,517,757	138	-	-	6,722,605
Instructional support services	6,231,842	4,622,728	5,304,895	146,849	-	-	16,306,314
Community services and economic development	451,076	96,612	23,712	1,127	-	-	572,527
Ancillary services and auxiliary operations	786,967	443,954	3,279,961	64,244	-	-	4,575,126
Student Aid	-	-	-	-	30,101,247	-	30,101,247
Physical property and related acquisitions	-	-	-	1,707,443	-	4,312,895	6,020,338
Total	\$ 49,819,969	\$ 24,837,242	\$ 18,596,758	\$ 2,080,870	\$ 30,101,247	\$ 4,312,895	\$ 129,748,981

District's Fiduciary Responsibility

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

Capital Assets

At June 30, 2019, the District had total capital assets of \$204.5 million consisting of land, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of \$71.9 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Land and construction in progress	\$ 20,304,923	\$ 6,301,941	\$ -	\$ 26,606,864
Buildings and improvements	162,884,446	-	5,421	162,879,025
Furniture and equipment	14,761,858	276,696	-	15,038,554
Subtotal	197,951,227	6,578,637	5,421	204,524,443
Accumulated depreciation	(67,596,692)	(4,312,895)	5,421	(71,904,166)
	<u>\$ 130,354,535</u>	<u>\$ 2,265,742</u>	<u>\$ -</u>	<u>\$ 132,620,277</u>

Debt

At June 30, 2019, the District had \$248.2 million in total debt. The District was successful in passing a bond measure before the voters in November 2008. The general obligation bond was used in part to retire the outstanding certificates of participation debt.

Note 10 in the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below.

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
General obligation bonds	\$ 170,373,078	\$ 4,735,240	\$ 3,462,341	\$ 171,645,977
Compensated absences	1,674,166	90,800	-	1,764,966
Capital leases	4,662,984	-	472,080	4,190,904
Net OPEB liability/(asset)	(305,705)	3,065,124	1,824,559	934,860
Aggregate net pension obligation	65,580,117	4,081,538	-	69,661,655
Total Long-Term Debt	<u>\$ 241,984,640</u>	<u>\$ 11,972,702</u>	<u>\$ 5,758,980</u>	<u>\$ 248,198,362</u>
Amount due within one year				<u>\$ 3,930,869</u>

BUDGETARY HIGHLIGHTS

At the time the 2018-2019 budget was developed, the following assumptions were made:

- The 2018-2019 State Cost of Living Allowance (COLA) increase was budgeted at 2.71 percent.
- The District budgeted for an increase in State Apportionment due to the implementation of the Student Centered Funding Formula in the amount of \$10.9 million.
- The District budgeted \$8.4 million for estimated Education Protection Account (EPA) funding.
- The District targeted Full-Time Equivalent Students served of 9,640.
- The District's budget was balanced without the need to use a portion of the 2017-2018 unrestricted ending balance funds.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

ECONOMIC FACTORS

- The financial position of the District is closely tied to that of the State of California. The District receives over 90 percent 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 - PRIMARY GOVERNMENT JUNE 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,481,848
Investments - unrestricted	18,154,296
Investments - restricted	13,403,659
Accounts receivable	4,271,846
Student receivable	360,606
Due from fiduciary funds	9,014
Prepaid expenses	111,282
Inventories	877,291
Total Current Assets	<u>39,669,842</u>
Noncurrent Assets	
Investments - unrestricted	31,631,112
Nondepreciable capital assets	26,606,864
Depreciable capital assets, net of depreciation	106,013,413
Total Noncurrent Assets	<u>164,251,389</u>
TOTAL ASSETS	<u>203,921,231</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	12,776,158
Deferred outflows of resources related to pensions	23,087,874
Deferred outflows of resources related to OPEB	2,522,757
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>38,386,789</u>
LIABILITIES	
Current Liabilities	
Accounts payable	7,382,097
Accrued interest payable	1,659,118
Due to fiduciary funds	13,961
Unearned revenue	7,530,337
Bonds payable	3,435,000
Lease obligations	495,869
Total Current Liabilities	<u>20,516,382</u>
Noncurrent Liabilities	
Compensated absences payable	1,764,966
Bonds payable	161,326,692
Bond premium	6,884,285
Lease obligations	3,695,035
Net other postemployment benefits (OPEB)	934,860
Aggregate net pension obligation	69,661,655
Total Noncurrent Liabilities	<u>244,267,493</u>
TOTAL LIABILITIES	<u>264,783,875</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	6,335,320
Deferred inflows of resources related to OPEB	341,802
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,677,122</u>
NET POSITION	
Net investment in capital assets	3,018,707
Restricted for:	
Debt service	5,960,440
Capital projects	5,885,167
Educational programs	293,160
Other activities	578,225
Unrestricted	(44,888,676)
TOTAL NET POSITION	<u>\$ (29,152,977)</u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019**

OPERATING REVENUES	
Student Tuition and Fees	\$ 11,847,817
Less: Scholarship discount and allowance	(8,499,811)
Net tuition and fees	<u>3,348,006</u>
Grants and Contracts, Noncapital	
Federal	1,543,136
State	19,557,317
Local	4,027,082
Total grants and contracts, noncapital	<u>25,127,535</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	2,560,118
Cafeteria	340,172
Other Operating Revenues	196,915
TOTAL OPERATING REVENUES	<u><u>31,572,746</u></u>
OPERATING EXPENSES	
Salaries	49,819,969
Employee benefits	24,837,242
Supplies, materials, and other operating expenses and services	18,596,758
Student financial aid	30,101,247
Equipment, maintenance, and repairs	2,080,870
Depreciation	4,312,895
TOTAL OPERATING EXPENSES	<u><u>129,748,981</u></u>
OPERATING LOSS	<u><u>(98,176,235)</u></u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	45,398,839
Local property taxes, levied for general purposes	10,841,911
Taxes levied for other specific purposes	5,689,639
Federal financial aid grants, noncapital	22,979,649
State financial aid grants, noncapital	4,001,528
State taxes and other revenues	2,967,139
Investment income	2,881,939
Interest expense on capital related debt	(8,998,610)
Investment income on capital asset-related debt	102,143
Transfer from fiduciary funds	129,964
Other nonoperating revenue	3,402,977
TOTAL NONOPERATING REVENUES (EXPENSES)	<u><u>89,397,118</u></u>
LOSS BEFORE OTHER REVENUES	<u><u>(8,779,117)</u></u>
OTHER REVENUES	
Local revenues, capital	<u>2,560,770</u>
CHANGE IN NET POSITION	(6,218,347)
NET POSITION, BEGINNING OF YEAR	(22,934,630)
NET POSITION, END OF YEAR	<u><u>\$ (29,152,977)</u></u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 3,486,088
Federal, State, and local grants and contracts, noncapital	24,684,033
Payments to vendors for supplies and services	(21,398,289)
Payments to or on behalf of employees	(69,963,093)
Payments to students for scholarships and grants	(30,101,247)
Auxiliary enterprise sales and charges	3,848,345
Net Cash Flows From Operating Activities	<u>(89,444,163)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	44,561,289
Federal and State financial aid grants	26,981,866
Property taxes - non-debt related	10,841,911
State taxes and other apportionments	2,891,177
Other nonoperating	3,120,791
Net Cash Flows From Non-Capital Financing Activities	<u>88,397,034</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(6,689,761)
Local revenue, capital projects	2,560,770
Deferred costs on issuance of refunding debt	509,349
Property taxes - related to capital debt	5,689,639
Proceeds from capital debt	4,735,240
Principal paid on capital debt	(3,934,421)
Interest paid on capital debt	(8,998,610)
Interest received on capital asset-related debt	102,143
Net Cash Flows From Capital Financing Activities	<u>(6,025,651)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	2,832,476
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(4,240,304)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>69,911,219</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 65,670,915</u></u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED FOR THE YEAR ENDED JUNE 30, 2019

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

Operating Loss	\$ (98,176,235)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	4,312,895
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	20,699
Inventories	(49,094)
Prepaid expenses	14,621
Net OPEB liability	1,240,565
Accounts payable and accrued liabilities	780,182
Unearned revenue	425,021
Deferred outflows of resources related to pensions & OPEB	(1,039,047)
Compensated absences	90,800
Aggregate net pension obligation	4,081,538
Deferred inflows of resources related to pensions & OPEB	(1,146,108)
Total Adjustments	<u>8,732,072</u>
Net Cash Flows From Operating Activities	<u><u>\$ (89,444,163)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 2,481,848
Cash in county treasury	31,557,955
SunAmerica Annuity and Life Assurance Company	31,631,112
Total Cash and Cash Equivalents	<u><u>\$ 65,670,915</u></u>

NONCASH TRANSACTIONS

Board of governors fee waivers	\$ 8,499,811
On behalf payments for benefits	4,738,417
	<u><u>\$ 13,238,228</u></u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Retiree OPEB Trust	STRS/PERS Trust	Other Trusts
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 413,829
Investments	13,375,551	5,310,336	3,679
Accounts receivable	-	-	77,822
Due from primary government	-	-	13,961
Total Assets	13,375,551	5,310,336	509,291
LIABILITIES			
Accounts payable	-	-	1,980
Due to primary government	-	-	9,014
Due to student groups	-	-	27,467
Total Liabilities	-	-	38,461
NET POSITION			
Restricted for postemployment benefits other than pensions	13,375,551	-	-
Restricted for pension contributions	-	5,310,336	-
Unrestricted	-	-	470,830
Total Net Position	\$ 13,375,551	\$ 5,310,336	\$ 470,830

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Retiree OPEB Trust	STRS/PERS Trust	Other Trusts
ADDITIONS			
Interest and investment income	\$ 653,984	\$ 365,058	\$ -
District contributions	1,207,946	-	-
Local revenues	-	-	438,571
Total Additions	1,861,930	365,058	438,571
DEDUCTIONS			
Services and operating expenditures	-	-	312,543
Administrative expenses	97,685	12,563	-
Benefit payments	1,207,946	-	-
Total Deductions	1,305,631	12,563	312,543
OTHER FINANCING USES			
Transfers to primary government	-	-	(129,964)
Change in Net Position	556,299	352,495	(3,936)
Net Position - Beginning of Year	12,819,252	4,957,841	474,766
Net Position - End of Year	\$ 13,375,551	\$ 5,310,336	\$ 470,830

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - ORGANIZATION

Victor Valley Community College District (the District) was established in 1961 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Funds, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operated one community college located in Victorville, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provision of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstore and cafeteria.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid 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 financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2019.

Inventories

Stores inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the college. Inventories are stated at the lower of cost, or market on an average basis. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at 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.

Accrued Liabilities and Long-Term Obligations

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method.

Deferred Charges on Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the old debt or new debt, whichever is shorter.

Deferred Outflows/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 or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items and for OPEB related items.

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 pension related items and for OPEB related items.

Pensions

For purposes of measuring the net pension liability and 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 (the 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the 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.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absences 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Sick leave with pay is provided when employees are absent for health or personal 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.

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include bonds, compensated absences, net OPEB liability, aggregate net pension obligation, and capital lease obligations, with maturities greater than one year.

Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report \$12,716,992 of restricted net position.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Operating 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 Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student 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, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, FSEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with 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.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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 an 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 of the Primary Government as of June 30, 2019, consist of the following:

Primary government	\$ 65,670,915
Fiduciary funds	19,103,395
Total Deposits and Investments	<u>\$ 84,774,310</u>
Cash on hand and in banks	\$ 2,770,427
Cash in revolving	125,250
Investments	81,878,633
Total Deposits and Investments	<u>\$ 84,774,310</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
San Bernardino County Investment Pool	\$ 31,561,634	\$ 31,720,548	424
Guaranteed Investment Contract (GIC)	31,631,112	31,631,112	N/A
Mutual Funds	18,685,887	18,685,887	N/A
Total	<u>\$ 81,878,633</u>	<u>\$ 82,037,547</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Bernardino County Investment Pool was rated AAAs/S1 by Fitch Ratings. The District's other investment instruments are not required to be rated, nor have they been rated as of June 30, 2019.

Concentration of Credit Risk

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

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 California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District had \$2,881,466 in deposits exposed to custodial credit risk due to balances not insured by the Federal Deposit Insurance Corporation (FDIC) or a collateral contract.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 in the San Bernardino County Investment Pool are 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 asset value per share. Investments in the Guaranteed Investment Contract (GIC) are not measured using the input levels above because investments in nonparticipating interest-earning investment contracts are excluded from measurement at fair value.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
San Bernardino County Investment Pool	\$ 31,720,548	\$ -	\$ 31,720,548
Guaranteed Investment Contract (GIC)	31,631,112	-	31,631,112
Mutual Funds	18,685,887	18,685,887	-
Total	\$ 82,037,547	\$ 18,685,887	\$ 63,351,660

All assets have been valued using a market approach, with quoted market prices.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 763,501	\$ -
State Government		
Apportionment	837,550	-
Categorical aid	603,905	-
Lottery	481,902	-
Local Sources		
Interest	159,241	-
Property taxes	425,220	-
Other local sources	1,000,527	77,822
Total	<u>\$ 4,271,846</u>	<u>\$ 77,822</u>
Student receivables	<u>\$ 360,606</u>	<u>\$ -</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	\$ 11,888,758	\$ -	\$ -	\$ 11,888,758
Construction in progress	8,416,165	6,301,941	-	14,718,106
Total Capital Assets Not Being Depreciated	<u>20,304,923</u>	<u>6,301,941</u>	<u>-</u>	<u>26,606,864</u>
Capital Assets Being Depreciated				
Land improvements	15,040,106	-	5,421	15,034,685
Buildings and improvements	147,844,340	-	-	147,844,340
Furniture and equipment	14,761,858	276,696	-	15,038,554
Total Capital Assets Being Depreciated	<u>177,646,304</u>	<u>276,696</u>	<u>5,421</u>	<u>177,917,579</u>
Total Capital Assets	<u>197,951,227</u>	<u>6,578,637</u>	<u>5,421</u>	<u>204,524,443</u>
Less Accumulated Depreciation				
Land improvements	7,708,815	598,152	5,421	8,301,546
Buildings and improvements	47,268,627	3,297,844	-	50,566,471
Furniture and equipment	12,619,250	416,899	-	13,036,149
Less Accumulated Depreciation	<u>67,596,692</u>	<u>4,312,895</u>	<u>5,421</u>	<u>71,904,166</u>
Net Capital Assets	<u>\$ 130,354,535</u>	<u>\$ 2,265,742</u>	<u>\$ -</u>	<u>\$ 132,620,277</u>

Depreciation expense for the year was \$4,312,895.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll and benefits	\$ 3,949,499	\$ -
State categorical	119,748	-
Construction	195,995	-
Vendor payables	3,116,855	1,980
Total	<u>\$ 7,382,097</u>	<u>\$ 1,980</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	Primary Government
Federal categorical	\$ 5,234
State categorical	4,833,310
Student fees	937,510
Other local	1,754,283
Total	<u>\$ 7,530,337</u>

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2019, the amounts owed between the primary government and the fiduciary funds were \$9,014 and \$13,961, respectively.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018-2019 fiscal year, the amount transferred to the primary government from the fiduciary funds amounted to \$129,964.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2018-2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Bonds Payable					
2008 General obligation bonds, Series A	\$ 3,367,895	\$ 294,971	\$ 1,800,000	\$ 1,862,866	\$ 1,970,000
2008 General obligation bonds, Series C	60,273,557	4,440,269	805,000	63,908,826	915,000
2016 General obligation refunding bonds, Series A	49,920,000	-	-	49,920,000	-
2016 General obligation refunding bonds, Series B	37,850,000	-	545,000	37,305,000	550,000
2016 General obligation refunding bonds, Series C	11,765,000	-	-	11,765,000	-
Premium on issuance	7,196,626	-	312,341	6,884,285	-
Total Bonds Payable	<u>170,373,078</u>	<u>4,735,240</u>	<u>3,462,341</u>	<u>171,645,977</u>	<u>3,435,000</u>
Other Liabilities					
Compensated absences	1,674,166	90,800	-	1,764,966	-
Capital leases	4,662,984	-	472,080	4,190,904	495,869
Aggregate net OPEB liability/(asset)	(305,705)	3,065,124	1,824,559	934,860	-
Aggregate net pension obligation	65,580,117	4,081,538	-	69,661,655	-
Total Other Liabilities	<u>71,611,562</u>	<u>7,237,462</u>	<u>2,296,639</u>	<u>76,552,385</u>	<u>495,869</u>
Total Long-Term Obligations	<u>\$ 241,984,640</u>	<u>\$ 11,972,702</u>	<u>\$ 5,758,980</u>	<u>\$ 248,198,362</u>	<u>\$ 3,930,869</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Capital lease payments and the net OPEB liability will be made by the General Fund. The compensated absences and aggregate net pension obligation will be paid by the fund for which the employee worked.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds		Outstanding June 30, 2019
				Outstanding July 1, 2018	Issued	Accreted Interest	Redeemed	
2009	08/01/19	3.00% - 5.375%	\$ 54,004,963	\$ 3,367,895	\$ -	\$ 294,971	\$ 1,800,000	\$ 1,862,866
2009	06/01/49	3.17% - 7.20%	70,017,065	60,273,557	-	4,440,269	805,000	63,908,826
2016	08/01/44	2.00%-5.00%	50,840,000	49,920,000	-	-	-	49,920,000
2016	08/01/31	0.778% - 3.498%	38,960,000	37,850,000	-	-	545,000	37,305,000
2016	08/01/33	4.00%	11,765,000	11,765,000	-	-	-	11,765,000
				<u>\$ 163,176,452</u>	<u>\$ -</u>	<u>\$ 4,735,240</u>	<u>\$ 3,150,000</u>	<u>\$ 164,761,692</u>

2008 General Obligation Bonds, Series A

In June 2009, the District issued \$54,004,963 of the Victor Valley Community College District, 2008 General Obligation Bonds, Series A. The bonds issued included \$27,635,000 of current interest serial bonds, \$24,440,000 of current interest term bonds, and \$1,929,963 of capital appreciation bonds, with the capital appreciation bonds accreting to \$5,410,000. The bonds have a final maturity to occur on August 1, 2019, with interest rates from 3.00 percent to 5.375 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District property and facilities, as well as to refund all of the Victor Valley Community College District, 1997 variable rate certificates of participation. At June 30, 2019, the principal balance outstanding was \$1,862,866.

2008 General Obligation Bonds, Series C

In June 2009, the District issued \$70,017,065 of the Victor Valley Community College District, 2008 General Obligation Bonds, Series C. The bonds issued included \$16,135,000 of current interest serial bonds, \$20,000,000 of current interest term bonds, \$6,600,646 of capital appreciation serial bonds, with the capital appreciation bonds accreting to \$27,000,000, \$21,177,379 of capital appreciation term bonds, with capital appreciation bonds accreting to \$248,200,000, and \$6,104,040 of convertible capital appreciation term bonds, with a conversion value of \$12,070,000. The bonds have a final maturity to occur on June 1, 2049, with interest rates from 3.17 percent to 7.20 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District property and facilities. At June 30, 2019, the principal balance outstanding was \$63,908,826.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 refunding resulted in an economic savings of \$11,223,802 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.68 percent.

The bonds have a final maturity to occur on August 1, 2044, with interest rates from 2.00 to 5.00 percent. 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, 2019, the principal balance outstanding was \$49,920,000. Unamortized premium received on issuance of the bonds amounted to \$5,667,652 as of June 30, 2019.

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 refunding resulted in an economic savings of \$1,598,211 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.68 percent.

The bonds have a final maturity to occur on August 1, 2031, with interest rates from 0.778 to 3.498 percent. 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, 2019, the principal balance outstanding was \$37,305,000.

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 refunding resulted in an economic savings of \$843,376 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.68 percent.

The bonds have a final maturity to occur on August 1, 2033, with an interest rate of 4.00 percent. 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, 2019, the principal balance outstanding was \$11,765,000. Unamortized premium received on issuance of the bonds amounted to \$1,216,633 as of June 30, 2019.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The 2008 General Obligation Bonds, Series A mature through 2020 as follows:

<u>Fiscal Year</u>	<u>Principal (Including Accreted Interest to Date)</u>	<u>Accreted Interest</u>	<u>Total</u>
2020	\$ 1,862,866	\$ 107,134	\$ 1,970,000

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

<u>Fiscal Year</u>	<u>Principal (Including Accreted Interest to Date)</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 865,240	\$ 49,760	\$ 414,906	\$ 1,329,906
2021	173,344	31,656	829,813	1,034,813
2022	249,515	80,485	829,813	1,159,813
2023	307,634	147,366	829,813	1,284,813
2024	353,695	231,305	829,813	1,414,813
2025-2029	2,321,824	2,728,176	4,149,062	9,199,062
2030-2034	6,450,673	9,489,327	4,149,062	20,089,062
2035-2039	24,548,942	28,417,579	2,904,343	55,870,864
2040-2044	13,962,867	55,150,150	-	69,113,017
2045-2049	14,675,092	92,708,710	-	107,383,802
Total	<u>\$ 63,908,826</u>	<u>\$ 189,034,514</u>	<u>\$ 14,936,625</u>	<u>\$ 267,879,965</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ 2,108,800	\$ 2,108,800
2021	675,000	2,091,925	2,766,925
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
2025-2029	6,340,000	9,008,000	15,348,000
2030-2034	4,380,000	7,440,250	11,820,250
2035-2039	5,805,000	7,081,900	12,886,900
2040-2044	14,325,000	3,458,500	17,783,500
2045	15,860,000	317,200	16,177,200
Total	<u>\$ 49,920,000</u>	<u>\$ 37,550,600</u>	<u>\$ 87,470,600</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 550,000	\$ 1,063,023	\$ 1,613,023
2021	2,110,000	1,041,701	3,151,701
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
2025-2029	16,595,000	3,253,035	19,848,035
2030-2032	10,680,000	488,845	11,168,845
Total	<u>\$ 37,305,000</u>	<u>\$ 8,702,983</u>	<u>\$ 46,007,983</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ 235,300	\$ 235,300
2021	-	470,600	470,600
2022	-	470,600	470,600
2023	-	470,600	470,600
2024	-	470,600	470,600
2025-2029	-	2,353,000	2,353,000
2030-2034	11,765,000	1,536,500	13,301,500
Total	<u>\$ 11,765,000</u>	<u>\$ 6,007,200</u>	<u>\$ 17,772,200</u>

Compensated Absences

At June 30, 2019, the liability for compensated absences was \$1,764,966.

Capital Leases

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

Balance, July 1, 2018	<u>\$ 5,066,379</u>
Payments	(558,029)
Balance, June 30, 2019	<u>\$ 4,508,350</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The capital leases have minimum lease payments as follows:

Year Ending <u>June 30,</u>	Lease Payment
2020	\$ 572,608
2021	587,625
2022	603,092
2023	619,025
2024	635,437
2025-2027	<u>1,490,563</u>
Total	4,508,350
Less: Amount Representing Interest	(317,446)
Present Value of Minimum Lease Payments	<u><u>\$ 4,190,904</u></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	<u>(6,880,519)</u>
Total	<u><u>\$ -</u></u>

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

Aggregate Net Pension Obligation

At June 30, 2019, the liability for the aggregate net pension obligation amounted to \$69,661,655. See Note 13 for additional information.

NOTE 11 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

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 Benefits Trust Company.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	52
Active employees	311
	<hr/>
	363
	<hr/>

Victor Valley Community College District Futuris Trust

The Victor Valley Community College District Futuris 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 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. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, CTA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District contributed \$1,207,946 to the Plan, all of which was used for current premiums.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.12 percent. 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 \$934,860 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the same date. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	\$ 13,754,112
Plan fiduciary net position	12,819,252
District's net OPEB liability	<u>\$ 934,860</u>

Plan fiduciary net position as a percentage of the total OPEB liability	<u>93.20%</u>
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Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.00 percent
Healthcare cost trend rates	4.00 percent

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous 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, 2018 valuation were based on the results of an actual experience study as of June 30, 2018.

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, 2018, (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	9.3%
Fixed income	4.8%
International equity	8.8%
Real estate	8.0%
Cash	1.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent. 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Changes in the Net OPEB Liability/(Asset)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2017	\$ 11,861,031	\$ 12,166,736	\$ (305,705)
Service cost	791,576	-	791,576
Interest	703,163	-	703,163
Differences between expected and actual experience	1,473,222	-	1,473,222
Contributions - employer	-	1,074,880	(1,074,880)
Net investment income	-	749,679	(749,679)
Benefit payments	(1,074,880)	(1,074,880)	-
Administrative expense	-	(97,163)	97,163
Net change in total OPEB liability/(asset)	<u>1,893,081</u>	<u>652,516</u>	<u>1,240,565</u>
Balance at June 30, 2018	<u>\$ 13,754,112</u>	<u>\$ 12,819,252</u>	<u>\$ 934,860</u>

There were no changes of assumptions since the previous valuation. There were no changes to benefit terms 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:

Discount Rate	Net OPEB Liability
1% decrease (5.00%)	\$ 1,654,582
Current discount rate (6.00%)	934,860
1% increase (7.00%)	271,122

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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 healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.00%)	\$ 337,582
Current healthcare cost trend rate (4.00%)	934,860
1% increase (5.00%)	1,518,469

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$134,490. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 1,207,946	\$ -
Differences between expected and actual experience	1,314,811	-
Net difference between projected and actual earnings on OPEB plan investments	-	341,802
Total	<u>\$ 2,522,757</u>	<u>\$ 341,802</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	\$ 45,983
2021	45,983
2022	45,983
2023	153,893
2024	158,411
Thereafter	522,756
	<u>\$ 973,009</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 12 - 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, 2019, 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 2018-2019, 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 13 - 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).

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the fiscal year ended June 30, 2019, the District reported the 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>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 41,421,042	\$ 15,216,250	\$ 5,665,397	\$ 5,607,585
CalPERS	28,240,613	7,871,624	669,923	4,775,569
Total	<u>\$ 69,661,655</u>	<u>\$ 23,087,874</u>	<u>\$ 6,335,320</u>	<u>\$ 10,383,154</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, 2017, 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 percent 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and 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 AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the District's total contributions were \$4,716,403.

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

At June 30, 2019, 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	\$ 41,421,042
State's proportionate share of net pension liability associated with the District	23,715,484
Total	<u><u>\$ 65,136,526</u></u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.0451 percent and 0.0441 percent, respectively, resulting in a net increase in the proportionate share of 0.0010 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$5,607,585. In addition, the District recognized pension expense and revenue of \$2,786,035 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,716,403	\$ -
Net change in proportionate share of net pension liability	3,936,532	3,468,762
Differences between projected and actual earnings on the pension plan investments	-	1,594,972
Differences between expected and actual experience in the measurement of the total pension liability	128,445	601,663
Changes of assumptions	6,434,870	-
Total	<u>\$ 15,216,250</u>	<u>\$ 5,665,397</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
2020	\$ 346,313
2021	(251,294)
2022	(1,338,120)
2023	(351,871)
Total	<u>\$ (1,594,972)</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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
2020	\$ 1,441,028
2021	1,441,028
2022	1,441,027
2023	530,397
2024	1,475,331
Thereafter	100,611
Total	\$ 6,429,422

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 February 2017 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, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 percent) 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 60,676,979
Current discount rate (7.10%)	41,421,042
1% increase (8.10%)	25,456,001

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017, 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 provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
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	18.062%	18.062%

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, are presented above, and the total District contributions were \$2,664,293.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$28,240,613. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.1059 percent and 0.1038 percent, respectively, resulting in a net increase in the proportionate share of 0.0021 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$4,775,569. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,664,293	\$ -
Net change in proportionate share of net pension liability	304,644	669,923
Differences between projected and actual earnings on the pension plan investments	231,636	-
Differences between expected and actual experience in the measurement of the total pension liability	1,851,351	-
Changes of assumptions	2,819,700	-
Total	<u>\$ 7,871,624</u>	<u>\$ 669,923</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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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
2020	\$ 842,513
2021	201,480
2022	(645,668)
2023	(166,689)
Total	<u>\$ 231,636</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,592,655
2021	2,001,766
2022	711,351
Total	<u>\$ 4,305,772</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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 services

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent 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 percent. 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%)	\$ 41,116,983
Current discount rate (7.15%)	28,240,613
1% increase (8.15%)	17,557,822

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 through the 2020-2021 fiscal year. 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. Instead, the activity within this trust is recorded as a fiduciary fund of the District. As of June 30, 2019, the trust balance total assets was \$5,310,336.

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

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

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

Tax Deferred Annuity

The District provides a Tax Shelter Annuity Plan for all eligible employees, as defined in the Plan documents. Participants may contribute a portion of their earnings under a 403(b) plan, which has a maximum deferral limit of \$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 and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, which amounted to \$1,982,064 (9.828 percent). 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, 2019. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 14 - 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 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 15 - 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, 2019.

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, 2019.

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
One Stop Student Services	<u>\$ 15,927,556</u>	January 31, 2020

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



REQUIRED SUPPLEMENTARY INFORMATION

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY/(ASSET)
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Total OPEB Liability		
Service cost	\$ 791,576	\$ 635,656
Interest	703,163	679,336
Differences between expected and actual experience	1,473,222	-
Benefit payments	(1,074,880)	(916,799)
Net changes in total OPEB liability	1,893,081	398,193
Total OPEB Liability - beginning	11,861,031	11,462,838
Total OPEB Liability - ending (a)	\$ 13,754,112	\$ 11,861,031
Plan fiduciary net position		
Contributions - employer	\$ 1,074,880	\$ 1,424,926
Net investment income	749,679	1,185,907
Benefit payments	(1,074,880)	(916,799)
Administrative expense	(97,163)	(91,701)
Net change in plan fiduciary net position	652,516	1,602,333
Plan fiduciary net position - beginning	12,166,736	10,564,403
Plan fiduciary net position - ending (b)	\$ 12,819,252	\$ 12,166,736
District's net OPEB liability/(asset) - ending (a) - (b)	\$ 934,860	\$ (305,705)
Plan fiduciary net position as a percentage of the total OPEB liability	93.20%	102.58%
Covered-employee payroll	\$ 40,991,292	\$ 38,155,231
District's net OPEB liability/(asset) as a percentage of covered-employee payroll	2.28%	0.80%

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

See accompanying note to required supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Annual money-weighted rate of return, net of investment expense	<u>5.12%</u>	<u>10.77%</u>

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

See accompanying note to required supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0451%</u>	<u>0.0441%</u>
District's proportionate share of the net pension liability	<u>\$ 41,421,042</u>	<u>\$ 40,805,853</u>
State's proportionate share of the net pension liability associated with the District	<u>23,715,484</u>	<u>24,140,398</u>
Total	<u><u>\$ 65,136,526</u></u>	<u><u>\$ 64,946,251</u></u>
District's covered-employee payroll	<u>\$ 27,005,315</u>	<u>\$ 24,923,736</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>153.38%</u>	<u>163.72%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.1059%</u>	<u>0.1038%</u>
District's proportionate share of the net pension liability	<u>\$ 28,240,613</u>	<u>\$ 24,774,264</u>
District's covered-employee payroll	<u>\$ 13,985,976</u>	<u>\$ 13,231,495</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>201.92%</u>	<u>187.24%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0436%</u>	<u>0.0518%</u>	<u>0.0422%</u>
<u>\$ 35,228,243</u>	<u>\$ 34,850,800</u>	<u>\$ 24,659,591</u>
<u>20,054,810</u>	<u>18,432,232</u>	<u>14,890,525</u>
<u>\$ 55,283,053</u>	<u>\$ 53,283,032</u>	<u>\$ 39,550,116</u>
<u>\$ 23,587,493</u>	<u>\$ 26,023,288</u>	<u>\$ 21,103,504</u>
<u>149.35%</u>	<u>133.92%</u>	<u>116.85%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.1058%</u>	<u>0.1201%</u>	<u>0.1225%</u>
<u>\$ 20,891,295</u>	<u>\$ 17,706,927</u>	<u>\$ 13,903,284</u>
<u>\$ 13,273,327</u>	<u>\$ 13,838,552</u>	<u>\$ 12,939,488</u>
<u>157.39%</u>	<u>127.95%</u>	<u>107.45%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
CalSTRS		
Contractually required contribution	\$ 4,716,403	\$ 3,896,867
Contributions in relation to the contractually required contribution	4,716,403	3,896,867
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 28,970,534</u>	<u>\$ 27,005,315</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>
CalPERS		
Contractually required contribution	\$ 2,664,293	\$ 2,172,162
Contributions in relation to the contractually required contribution	2,664,293	2,172,162
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 14,750,819</u>	<u>\$ 13,985,976</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>

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

See accompanying note to required supplementary information.

2017	2016	2015
\$ 3,135,406	\$ 2,530,938	\$ 2,310,868
3,135,406	2,530,938	2,310,868
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,923,736	\$ 23,587,493	\$ 26,023,288
12.58%	10.73%	8.88%
\$ 1,837,590	\$ 1,572,491	\$ 1,628,936
1,837,590	1,572,491	1,628,936
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,231,495	\$ 13,273,327	\$ 13,838,552
13.888%	11.847%	11.771%

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability/(asset), including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability/(asset). 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 - There were no changes of assumptions 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 both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2019

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dennis Henderson	President	December 2022
Joseph W. Brady	Vice President	December 2020
John Pinkerton	Clerk	December 2020
Jennifer Tarpley	Member	December 2022
Brandon Wood	Member	December 2020

ADMINISTRATION

Daniel Walden, Ph.D.	Superintendent/President
Peter Maphumulo	Executive Vice President, Instruction and Student Services
John Nahlen	Interim Deputy Superintendent/Executive Vice President, Administrative Services
Dr. Karen Engelsen	Vice President, Student Services
Monica Martinez	Vice President, Human Resources
Kevin Leahy	Chief Information Officer, Information Technology Services

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR			
Plant Conservation and Restoration Management	15.245		\$ 29,237
U.S. DEPARTMENT OF LABOR			
Passed through Chaffey Community College District Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	15C215	33,508
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program (PELL)	84.063		22,572,419
PELL Administrative Allowance	84.063		32,645
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		460,400
FSEOG Administrative Allowance	84.007		18,543
Federal Work-Study Program (FWS)	84.033		449,928
FWS Administrative Allowance	84.033		22,905
Total Student Financial Assistance Cluster			<u>23,556,840</u>
TRIO Cluster			
TRIO-Upward Bound	84.047A		320,292
Total TRIO Cluster			<u>320,292</u>
Passed through California Department of Education			
Adult Education: Adult Basic Education & ELA	84.002A	14508	42,684
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education, Title I-C	84.048A	18-C01-066	428,676
CTE Transitions	84.048A	18-C01-066	41,377
Total U.S. Department of Education			<u>24,389,869</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Educational Assistance	64.028		3,212
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TANF Cluster			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	120,129
Total TANF Cluster			<u>120,129</u>
Total Expenditures of Federal Programs			<u>\$ 24,575,955</u>

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

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Entitlements		
	Current Year	Prior Year Carryover	Total Entitlement
AB104 Adult Education Consortium	\$ 2,158,548	\$ 296,587	\$ 2,455,135
AEBG Data and Accountability	-	224,690	224,690
Apprenticeship Initiative	691,873	-	691,873
Basic Skills	45,227	353,525	398,752
Cal Grant - Student Aid	2,059,323	-	2,059,323
CalWORKs	717,026	-	717,026
Campus Safety and Sexual Assault	-	21,335	21,335
CARE	292,565	-	292,565
Child Development: California State Preschool Program	165,103	-	165,103
Classified Professional Development	35,342	-	35,342
DACA Non Res Dreamer Emergency Aid	-	662	662
Deputy Sector Navigator - ED Workforce Development	-	41,692	41,692
Deputy Sector Navigator - Chabot	35,000	-	35,000
Disabled Students Program And Services	732,720	-	732,720
DSN Business - Key Talent	200,000	-	200,000
Extended Opportunity Program and Services	1,233,081	-	1,233,081
Financial Aid Technology	185,381	-	185,381
Full-Time Student Success Grant	1,749,621	69,750	1,819,371
Guided Pathways	446,214	371,833	818,047
Hunger Free Campus AB214	84,643	17,006	101,649
Innovation and Effectiveness	-	10,945	10,945
Mental Health Support	84,267	-	84,267
NEXTUP/CAFYES	1,540,090	-	1,540,090
Nursing Enrollment Growth and Retention	205,481	-	205,481
Physical Plant/Instructional Support/Library Materials	243,396	327,601	570,997
Pre-Apprenticeship Grant	443,490	-	443,490
PT Faculty Compensation	203,503	-	203,503
Song-Brown Nursing Grant #4	-	12,814	12,814
Staff Diversity	50,000	18,676	68,676
Strong Workforce - CTE - Local	1,477,559	1,418,576	2,896,135
Strong Workforce - CTE - Regional	78,488	10,928	89,416
Strong Workforce - ISPIC Maker Space	60,000	-	60,000
Strong Workforce - Regional Round 3	337,491	-	337,491
Strong Workforce - Regional Round II	-	497,552	497,552
Student Equity	1,887,386	239,844	2,127,230
Student Financial Aid Administrative Allowance	510,462	-	510,462
Student Success, Credit	1,933,697	1,358,690	3,292,387
Student Success, Noncredit	14,628	-	14,628
Successful Advance in Math (Basic Skills Transitions)	674,209	-	674,209
TANF/Child Development Careers Program	-	3,684	3,684
Veterans Resource Center	61,333	58,898	120,231
Veterans Resource Center 2	98,779	-	98,779
Total State Programs	\$ 20,735,926	\$ 5,355,288	\$ 26,091,214

See accompanying notes to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 2,455,135	\$ -	\$ -	\$ 365,089	\$ 2,090,046	\$ 2,090,046
224,690	-	-	-	224,690	224,690
276,749	-	-	255,734	21,015	21,015
398,752	-	-	-	398,752	398,752
2,059,323	-	-	-	2,059,323	1,900,756
717,026	-	16,094	-	700,932	700,932
21,335	-	-	20,635	700	700
292,565	-	-	-	292,565	292,565
165,103	-	-	-	165,103	165,103
35,342	-	-	35,342	-	-
662	-	-	-	662	662
41,692	-	-	-	41,692	41,692
35,000	-	-	-	35,000	35,000
732,720	-	-	-	732,720	732,720
80,000	57,974	-	-	137,974	137,974
1,233,081	-	65,681	-	1,167,400	1,167,400
185,381	-	-	138,139	47,242	47,242
1,819,371	-	-	-	1,819,371	1,819,371
818,047	-	-	706,327	111,720	111,720
101,649	-	-	83,764	17,885	17,885
10,945	-	-	-	10,945	10,945
84,267	-	-	77,267	7,000	7,000
1,540,090	-	-	-	1,540,090	1,540,090
205,481	-	37,973	-	167,508	167,508
570,997	-	-	228,782	342,215	342,215
177,129	74,188	-	-	251,317	251,317
203,503	-	-	-	203,503	203,503
12,814	-	-	12,757	57	57
68,676	-	-	32,671	36,005	36,005
2,896,135	-	-	2,089,712	806,423	806,423
89,416	-	-	-	89,416	89,416
60,000	-	-	-	60,000	60,000
23,926	10,542	-	-	34,468	34,468
140,920	175,822	-	-	316,742	316,742
2,127,230	-	-	436,508	1,690,722	1,690,722
510,462	-	-	-	510,462	510,462
3,292,387	-	-	262,940	3,029,447	3,029,447
14,628	-	-	-	14,628	14,628
388,830	285,379	-	-	674,209	674,209
3,684	-	-	3,684	-	-
120,231	-	-	54,039	66,192	66,192
39,512	-	-	29,920	9,592	9,592
<u>\$ 24,274,886</u>	<u>\$ 603,905</u>	<u>\$ 119,748</u>	<u>\$ 4,833,310</u>	<u>\$ 19,925,733</u>	<u>\$ 19,767,166</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2019**

CATEGORIES	*Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession			
1. Noncredit	3.16	-	3.16
2. Credit	63.38	-	63.38
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	754.77	-	754.77
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,596.47	-	4,596.47
(b) Daily Census Contact Hours	1,111.57	-	1,111.57
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	80.67	-	80.67
(b) Credit	488.59	-	488.59
3. Alternative Attendance Accounting Procedures Courses			
(a) Weekly Census Procedure Courses	1,370.36	-	1,370.36
(b) Daily Census Procedure Courses	721.94	-	721.94
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>9,190.91</u>	<u>-</u>	<u>9,190.91</u>
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	60.85	-	60.85
2. Credit	868.90	-	868.90

*Annual report revised as of November 1, 2019.

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019

	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
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	\$ 11,077,066	\$ -	\$ 11,077,066	\$ 11,077,066	\$ -	\$ 11,077,066
Other	1300	13,596,150	-	13,596,150	13,625,083	-	13,625,083
Total Instructional Salaries		24,673,216	-	24,673,216	24,702,149	-	24,702,149
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,449,681	-	3,449,681
Other	1400	-	-	-	627,163	-	627,163
Total Noninstructional Salaries		-	-	-	4,076,844	-	4,076,844
Total Academic Salaries		24,673,216	-	24,673,216	28,778,993	-	28,778,993
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	10,257,961	-	10,257,961
Other	2300	-	-	-	428,323	-	428,323
Total Noninstructional Salaries		-	-	-	10,686,284	-	10,686,284
Instructional Aides							
Regular Status	2200	1,423,022	-	1,423,022	1,485,202	-	1,485,202
Other	2400	289,714	-	289,714	291,495	-	291,495
Total Instructional Aides		1,712,736	-	1,712,736	1,776,697	-	1,776,697
Total Classified Salaries		1,712,736	-	1,712,736	12,462,981	-	12,462,981
Employee Benefits	3000	7,363,584	-	7,363,584	19,261,526	-	19,261,526
Supplies and Material	4000	-	-	-	367,970	-	367,970
Other Operating Expenses	5000	-	-	-	6,710,246	-	6,710,246
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures							
Prior to Exclusions		33,749,536	-	33,749,536	67,581,716	-	67,581,716

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 340,750	\$ -	\$ 340,750	\$ 340,750	\$ -	\$ 340,750
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	53,070	-	53,070
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	853,270	-	853,270
Objects to Exclude							
Rents and Leases	5060	-	-	-	494,677	-	494,677
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ -	\$ -	\$ -	\$ 1,699,868	\$ -	\$ 1,699,868
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		340,750	-	340,750	3,441,635	-	3,441,635
Total for ECS 84362, 50 Percent Law		\$ 33,408,786	\$ -	\$ 33,408,786	\$ 64,140,081	\$ -	\$ 64,140,081
Percent of CEE (Instructional Salary Cost/Total CEE)		52.09%		52.09%	100.00%		100.00%
50% of Current Expense of Education					\$ 32,070,040		\$ 32,070,040

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 9,057,545
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 9,057,545	\$ -	\$ -	\$ 9,057,545
Total Expenditures for EPA		\$ 9,057,545	\$ -	\$ -	\$ 9,057,545
Revenues Less Expenditures					\$ -

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019**

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

Total Fund Balance:

General Fund, unrestricted	\$ 6,391,347	
General Fund, restricted	293,160	
Special Revenue Funds	31,949,636	
Capital Project Funds	6,415,723	
Debt Service Funds	7,619,558	
Enterprise Funds	2,761,629	
Internal Service Funds	750,073	
Student Financial Aid Fund	<u>193,433</u>	
Total Fund Balance - All District Funds		\$ 56,374,559

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:	204,524,443	
Accumulated depreciation is:	<u>(71,904,166)</u>	132,620,277

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (1,659,118)

Recognizing the net OPEB liability resulting from the difference between the total OPEB liability and the fiduciary net position as of the measurement date. (934,860)

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities. 12,776,158

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

Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	7,380,696	
Net change in proportionate share of the net pension liability	4,241,176	
Differences between projected and actual earnings on pension plan investments	231,636	
Differences between expected and actual experience in the measurement of the total pension liability	1,979,796	
Changes of assumptions	<u>9,254,570</u>	
Total Deferred Outflows of Resources Related to Pensions		23,087,874

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2019**

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of the net pension liability	\$ (4,138,685)	
Differences between projected and actual earnings on pension plan investments	(1,594,972)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(601,663)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (6,335,320)

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

Deferred outflows of resources related to OPEB at year-end consist of:

OPEB contributions subsequent to measurement date	1,207,946	
Differences between expected and actual experience in the measurement of the OPEB liability	<u>1,314,811</u>	
Total Deferred Outflows of Resources Related to OPEB		2,522,757

Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of differences between projected and actual earnings on OPEB plan investments.

(341,802)

Aggregate net pension obligation is not due and payable in the current period, and is not reported as a obligation in the funds.

(69,661,655)

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

Long-term obligations at year-end consist of:

Bonds payable, net of premium	138,717,380
Capital leases payable	4,190,904
Compensated absences (vacation)	1,764,966

In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmaturred on the general obligation bonds to date is:

32,928,597 (177,601,847)

Total Net Position

\$ (29,152,977)

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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

Description	CFDA Number	Amount
Total Federal Revenues from Statement of Revenues, Expenses, and Changes in Net Position:		\$ 24,522,785
Federal Pell Grant Program (PELL)	84.063	12,270
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	40,900
Total Expenditures of Federal Awards		<u>\$ 24,575,955</u>

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 pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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



INDEPENDENT AUDITOR'S REPORTS



**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 the 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 aggregate remaining fund information of Victor Valley Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Rancho Cucamonga, California
December 5, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND 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, 2019. 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, 2019.

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 item 2019-001. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 or 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 did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 that we consider to be significant deficiencies.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2019



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 as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

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 to above. 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 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2019.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
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 439	Proposition 39 Clean Energy Fund
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

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

The District did not receive any Proposition 39 Clean Energy Funding; therefore, the compliance test within this section were not applicable.

The District did not receive Apprenticeship Related and Supplemental Instruction (RSI) Funds during the year; therefore, the compliance tests within this section were not applicable.

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

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



Rancho Cucamonga, California
December 5, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

The following finding represents a significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2019-001 Finding

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.063
Federal Agency: U.S. Department of Education

Criteria or Specific Requirement

OMB Compliance Supplement, 34 CFR section 668.22(j): Timing of Return of Title IV Funds

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew. The institution must also notify the recipient of Title IV loans returned (34 CFR 685.306(a)(2)).

Condition

Significant Deficiency - The institution did not determine the withdrawal dates for each of the students noted below in a timely manner.

Questioned Costs

No questioned costs.

Context

Out of the 25 calculations tested, the District had five untimely withdrawal determination dates.

Effect

Without proper monitoring of student withdrawals, the District risks noncompliance with the above referenced criteria.

Cause

The institution did not determine withdrawal dates for the students within 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

Repeat Finding: No

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

It is recommended the District should design and implement procedures that will allow for the timely identification of dropped students when performing the Return to Title IV calculation.

Management's Response

We concur.

View of Responsible Officials and Corrective Action Plan

The Victor Valley College Financial Aid Office is updating its procedures for entering student withdrawal dates into its system. When the Financial Aid Specialist enters a student's withdrawal date into the computer system that tracks and makes calculations related to student withdrawals and Title IV funds, the Director of Financial Aid will review and approve the information entered.

The Office will check all Title IV calculations for accuracy to insure withdrawal dates are determined no later than 30 days after the end of the earlier of (1) the payment period or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

2018-001 STATE GENERAL APPORTIONMENT FUNDING SYSTEM

Criteria or Specific Requirement

California Code of Regulations, Title 5, Sections 58020-24, continues to require the district to maintain detailed documentation to substantiate the data reported on the CCFS-320. Each districts governing board is required to adopt procedures to document all course enrollment, attendance and disenrollment as required by *California Code* of Regulations, Title 5, Sections 58020-58024. Pursuant to Title 5, Section 58030, these procedures shall include rules for retention of support documentation that would enable independent determination of the accuracy of data submitted by the district as a basis for State support.

Condition

Of the 91 courses selected for audit recalculation for the fiscal year from the P2-CCFS 320 Apportionment Attendance Report, 15 courses were not calculated correctly based on prescribed guidance from the Student Attendance Accounting Manual. These courses were weekly and daily census type courses. The miscalculation resulted in a net understatement of contact hours and, consequently, the amount of FTES claimed for funding.

Questioned Costs

The Auditor extrapolated the error rate over the population related to the type of courses identified in the Condition. The extrapolation resulted in an understatement of 26,335.05 contact hours (50.162 FTES) for weekly courses and an overstatement of 2,386.65 contact hours (4.546 FTES) for daily census type courses.

Context

The District claimed a total of 9,561.20 credit FTES on the CCFS-320 Annual Report. The net understatement of 45.616 credit FTES constitutes a 0.48 percent understatement.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Effect

The FTES reported on the CCFS-320 Annual Report was understated by 45.616 credit FTES. Based on the District's funding of \$5,071.81 per credit FTES, the understatement is equivalent to \$231,355.68.

Cause

The District's system for calculating contact hours was not set-up properly to calculate the type of classes noted in the Condition.

Recommendation

The District should amend the CCFS-320 Annual Report to reflect the variances noted in Questioned Costs and properly state the amount of FTES claimed. The District filed an amended CCFS-320 Annual Report with the Chancellor's Office on November 1, 2018. The District should reconfigure their system of calculating contact hours to reflect guidance provided by the Chancellor's Office and monitor the calculation to prevent future miscalculations in FTES.

Current Status

Implemented.