

**VICTOR VALLEY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Victor Valley Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2014, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 16, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vannine, Time, Day & Co., LLP.
Rancho Cucamonga, California
December 16, 2014



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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, 2014. 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, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

FINANCIAL HIGHLIGHTS

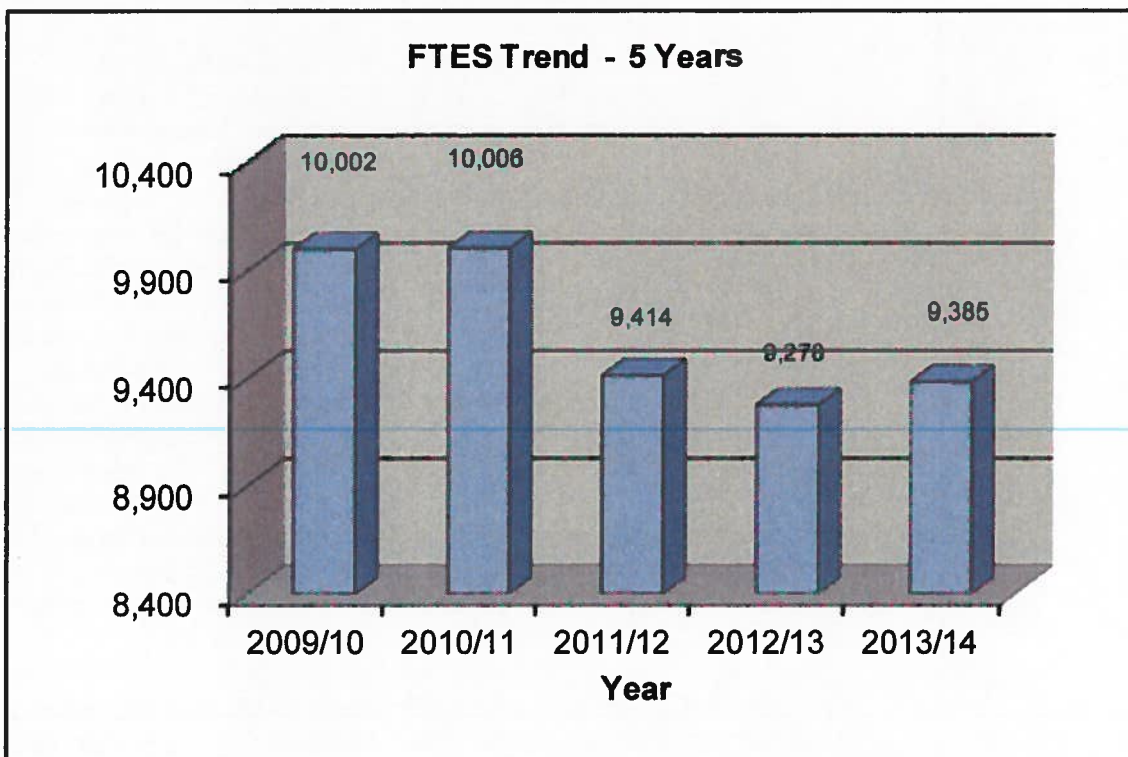
This section provides condensed information for each of the three basic financial statements, as well as illustrative charts and tables.

The District received additional funding in the form of workload restoration, increased property tax revenue, and one-time revenues, which contributed to production of increased number of courses to students. There was approximately an additional \$1 million in Educational Protection Act revenue.

There was an additional \$2.4 million increase of property tax revenue, due to increase assessed roll. With the dissolution of prior years Redevelopment within the District boundaries, the District received \$2.7 million from the sale of various Redevelopment Agency assets. While the workload and property tax revenues are considered ongoing, the resources realized from the RDA assets may not materialize in the future years.

The college maintained its mid-size college status that contributes approximately \$1.1 million to the General Fund. The District exceeded its target for funded workload of 9,243 by 132 FTES in meeting the mid-size college workload threshold of 9,375. This was achieved by rolling 554 FTES from fiscal year 2012-2013 into 2013-2014, which resulted in rolling approximately 40 FTES to fiscal year 2014-2015. The District generated 219 unfunded FTES during the cycle.

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, 2014

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 \$3,394,989.

| | <u>2014</u> | <u>2013</u> | <u>Change</u> |
|----------------------|----------------------|----------------------|---------------------|
| Property tax revenue | \$ 6,983,566 | \$ 6,243,457 | \$ 740,109 |
| Tuition and fees | 2,892,353 | 3,017,306 | (124,953) |
| Apportionment | <u>36,621,779</u> | <u>33,841,946</u> | <u>2,779,833</u> |
| Total | <u>\$ 46,497,698</u> | <u>\$ 43,102,709</u> | <u>\$ 3,394,989</u> |

SELECTED HIGHLIGHTS

During fiscal year 2013-2014, total FTES increased by 1.2 percent. The actuarial value of the District's Other Postemployment Benefits (OPEB) irrevocable Futuris trust assets increased from \$8.4 million to \$10.6 million during the fiscal year, and the District's GASB Statement No. 45 liabilities are fully funded.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Statement of Net Position

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

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

(Amounts in thousands)

| | <u>2014</u> | <u>2013</u> | <u>Change</u> |
|--|-------------------|-------------------|-----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and investments | \$ 43,452 | \$ 43,281 | \$ 171 |
| Accounts receivable | 8,724 | 14,679 | (5,955) |
| Other current assets | 1,393 | 1,339 | 54 |
| Total Current Assets | <u>53,569</u> | <u>59,299</u> | <u>(5,730)</u> |
| Noncurrent Assets | | | |
| Investments | 29,053 | 26,926 | 2,127 |
| OPEB asset | 6,977 | 6,842 | 135 |
| Capital assets (net) | 126,405 | 123,220 | 3,185 |
| Total Noncurrent Assets | <u>162,435</u> | <u>156,988</u> | <u>5,447</u> |
| Total Assets | <u>\$ 216,004</u> | <u>\$ 216,287</u> | <u>\$ (283)</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 9,162 | \$ 9,081 | \$ 81 |
| Current portion of long-term obligations | 2,276 | 1,932 | 344 |
| Total Current Liabilities | <u>11,438</u> | <u>11,013</u> | <u>425</u> |
| Long-Term Obligations | <u>156,028</u> | <u>154,742</u> | <u>1,286</u> |
| Total Liabilities | <u>167,466</u> | <u>165,755</u> | <u>1,711</u> |
| NET POSITION | | | |
| Net investment in capital assets | 8,611 | 9,860 | (1,249) |
| Restricted | 10,124 | 9,720 | 404 |
| Unrestricted | 29,803 | 30,952 | (1,149) |
| Total Net Position | <u>48,538</u> | <u>50,532</u> | <u>(1,994)</u> |
| Total Liabilities and Net Position | <u>\$ 216,004</u> | <u>\$ 216,287</u> | <u>\$ (283)</u> |

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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 \$2.0 million for the fiscal year ending June 30, 2014. 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 58 percent of the cash balance and investments is cash deposited in the San Bernardino County Treasury Pool. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and the return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash.
- The majority of the accounts receivable balance in the amount of \$7.1 million is from Federal and State sources for grant and entitlement programs and apportionment funding.
- Capital assets had a net balance of \$126.4 million. Depreciation expense of \$3.4 million was recognized during 2013-2014.
- Accounts payable in the amount of \$4.7 million are amounts due as of the fiscal year-end for goods and services received as of June 30, 2014. Interest payable accruals total \$2.3 million. Other current liabilities in the amount of \$4.4 million related mainly to unearned revenues and the current portion of compensated absences payable, bonds payable, supplementary employee retirement plan, and lease obligations; noncurrent liabilities in the amount of \$156.0 million include noncurrent portions for compensated absences payable, general obligation bonds, supplementary employee retirement plan, and lease obligations have been recognized for the year ended June 30, 2014.
- The District currently has \$149.8 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, 2014, the postemployment benefits (OPEB) irrevocable trust had a balance of \$10.5 million.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Statement of Revenues, Expenses, and Changes in Net Position

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

(Amounts in thousands)

| | 2014 | 2013 | Change |
|--|-------------------|-------------------|-----------------|
| Operating Revenues | | | |
| Tuition and fees | \$ 2,892 | \$ 3,017 | \$ (125) |
| Auxiliary sales and charges | 2,670 | 2,791 | (121) |
| Total Operating Revenues | <u>5,562</u> | <u>5,808</u> | <u>(246)</u> |
| Operating Expenses | | | |
| Salaries and benefits | 50,375 | 50,270 | 105 |
| Supplies and maintenance | 12,576 | 11,782 | 794 |
| Student financial aid | 23,452 | 22,391 | 1,061 |
| Depreciation | 3,439 | 4,063 | (624) |
| Total Operating Expenses | <u>89,842</u> | <u>88,506</u> | <u>1,336</u> |
| Loss on Operations | <u>(84,280)</u> | <u>(82,698)</u> | <u>(1,582)</u> |
| Nonoperating Revenues | | | |
| State apportionments | 36,622 | 33,842 | 2,780 |
| Property taxes | 6,984 | 6,244 | 740 |
| Other taxes | 6,505 | 6,379 | 126 |
| Grants and contracts | 30,727 | 27,136 | 3,591 |
| Other nonoperating revenues (expenses) | 118 | (991) | 1,109 |
| Total Nonoperating Revenue | <u>80,956</u> | <u>72,610</u> | <u>8,346</u> |
| Other Revenues and Losses | | | |
| Local capital income | 1,330 | 1,364 | (34) |
| Loss on disposal of capital assets | - | (2) | 2 |
| Total Other Revenues and Losses | <u>1,330</u> | <u>1,362</u> | <u>(32)</u> |
| Change in Net Position | <u>\$ (1,994)</u> | <u>\$ (8,726)</u> | <u>\$ 6,732</u> |

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The District's Unrestricted General Fund expenses increased slightly (approximately \$238,000) in comparison to the prior fiscal year. However, increases in apportionment, property tax revenue, and one-time revenues correlate closely with the use of reserves in the amount of \$253,000 to balance the fiscal year budget.

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

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

Total operating expenses increased by \$1.3 million. The increase is comprised of three parts:

1. Salaries and benefits increased by \$0.1 million;
2. Supplies, maintenance, and other operating expenses increased by \$0.8 million;
3. Payments to students increased by \$1.1 million.

Operating expenses are 56.1 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, 2014

Statement of Cash Flows

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

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

(Amounts in thousands)

| | <u>2014</u> | <u>2013</u> | <u>Change</u> |
|---------------------------------|------------------|------------------|-----------------|
| Cash Provided by (Used in) | | | |
| Operating activities | \$ (80,780) | \$ (80,855) | \$ 75 |
| Noncapital financing activities | 87,020 | 74,621 | 12,399 |
| Capital financing activities | (6,201) | 453 | (6,654) |
| Investing activities | <u>2,259</u> | <u>2,179</u> | <u>80</u> |
| Net Change in Cash | 2,298 | (3,602) | 5,900 |
| Cash, Beginning of Year | <u>70,207</u> | <u>73,809</u> | <u>(3,602)</u> |
| Cash, End of Year | <u>\$ 72,505</u> | <u>\$ 70,207</u> | <u>\$ 2,298</u> |

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

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

Cash flow used in operating activities increased by \$75 thousand during fiscal year 2013-2014.

Cash flow provided by non-capital financing activities increased by \$12.4 million from 2012-2013. This was caused by a \$2.9 million increase in grants and contracts, and a \$9.5 million increase in apportionment, property taxes, and other receipts.

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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, 2014, the District had total capital assets of \$177.1 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 \$50.7 million.

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

(Amounts in thousands)

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|-----------------------------------|---------------------------------|-----------------|-------------|------------------------|
| Land and construction in progress | \$ 13,617 | \$ 5,034 | \$ - | \$ 18,651 |
| Buildings and improvements | 144,049 | 1,341 | - | 145,390 |
| Furniture and equipment | 12,832 | 249 | - | 13,081 |
| Subtotal | 170,498 | 6,624 | - | 177,122 |
| Accumulated depreciation | (47,278) | (3,439) | - | (50,717) |
| | <u>\$ 123,220</u> | <u>\$ 3,185</u> | <u>\$ -</u> | <u>\$ 126,405</u> |

We present more detailed information about our capital assets in Note 5 to the financial statements.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Debt

At June 30, 2014, the District had \$158.3 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.

(Amounts in thousands)

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|---------------------------------------|---------------------------------|-----------------|-----------------|------------------------|
| General obligation bonds | \$ 147,333 | \$ 3,658 | \$ 1,226 | \$ 149,765 |
| Compensated absences | 1,624 | - | 69 | 1,555 |
| Supplemental employee retirement plan | 1,394 | - | 465 | 929 |
| Capital leases | 6,323 | - | 269 | 6,054 |
| Total Long-Term Debt | <u>\$ 156,674</u> | <u>\$ 3,658</u> | <u>\$ 2,029</u> | <u>\$ 158,303</u> |
| Amount due within one year | | | | <u>\$ 2,276</u> |

We present more detailed information about our debt in Note 9 to the financial statements.

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, 2014

ASSETS

Current Assets

| | |
|--|------------|
| Cash and cash equivalents - unrestricted | \$ 980,957 |
| Cash and cash equivalents - restricted | 12,729 |
| Investments - unrestricted | 10,111,100 |
| Investments - restricted | 32,346,891 |
| Accounts receivable | 8,340,051 |
| Student loans receivable | 355,849 |
| Due from fiduciary funds | 28,186 |
| Prepaid expenses | 510,318 |
| Inventories | 882,921 |

Total Current Assets

53,569,002

Noncurrent Assets

| | |
|--|-------------|
| Investments - unrestricted | 29,053,012 |
| Other postemployment benefits other than pensions (OPEB) asset | 6,977,359 |
| Nondepreciable capital assets | 18,650,809 |
| Depreciable capital assets, net of depreciation | 107,754,351 |

Total Noncurrent Assets

162,435,531

TOTAL ASSETS

216,004,533

LIABILITIES

Current Liabilities

| | |
|--|-----------|
| Accounts payable | 4,752,731 |
| Accrued interest payable | 2,278,833 |
| Due to fiduciary funds | 2,320 |
| Unearned revenue | 2,129,037 |
| Compensated absences payable - current portion | 70,000 |
| Bonds payable - current portion | 1,445,000 |
| Lease obligations - current portion | 296,037 |
| Other long-term liabilities - current portion | 464,606 |

Total Current Liabilities

11,438,564

Noncurrent Liabilities

| | |
|---|-------------|
| Compensated absences payable - noncurrent portion | 1,485,536 |
| Bonds payable - noncurrent portion | 148,319,844 |
| Lease obligations - noncurrent portion | 5,757,652 |
| Other long-term liabilities - noncurrent portion | 464,606 |

Total Noncurrent Liabilities

156,027,638

TOTAL LIABILITIES

167,466,202

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 8,610,878 |
| Restricted for: | |
| Debt service | 5,461,102 |
| Capital projects | 3,537,653 |
| Educational programs | 1,125,522 |
| Unrestricted | 29,803,176 |
| TOTAL NET POSITION | \$ 48,538,331 |

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, 2014

| | |
|--|----------------------|
| OPERATING REVENUES | |
| Student Tuition and Fees | \$ 11,496,561 |
| Less: Scholarship discount and allowance | (8,604,208) |
| Net tuition and fees | <u>2,892,353</u> |
| Auxiliary Enterprise Sales and Charges | |
| Bookstore | 2,307,320 |
| Cafeteria | 227,061 |
| Other Operating Revenues | 135,158 |
| TOTAL OPERATING REVENUES | <u>5,561,892</u> |
| OPERATING EXPENSES | |
| Salaries | 38,330,816 |
| Employee benefits | 12,043,883 |
| Supplies, materials, and other operating expenses and services | 11,888,070 |
| Student financial aid | 23,451,931 |
| Equipment, maintenance, and repairs | 688,568 |
| Depreciation | 3,438,876 |
| TOTAL OPERATING EXPENSES | <u>89,842,144</u> |
| OPERATING LOSS | <u>(84,280,252)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| State apportionments, noncapital | 36,621,779 |
| Local property taxes, levied for general purposes | 6,983,566 |
| Taxes levied for other specific purposes | 6,505,083 |
| Federal grants | 24,261,368 |
| State grants | 6,465,819 |
| State taxes and other revenues | 1,604,635 |
| Investment income | 2,258,881 |
| Interest expense on capital related debt | (9,241,758) |
| Investment income on capital asset-related debt, net | 277,069 |
| Transfer from fiduciary funds | 115,139 |
| Other nonoperating revenue | 5,104,401 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>80,955,982</u> |
| LOSS BEFORE OTHER REVENUES | <u>(3,324,270)</u> |
| OTHER REVENUES | |
| Local revenues, capital | <u>1,330,550</u> |
| CHANGE IN NET POSITION | <u>(1,993,720)</u> |
| NET POSITION, BEGINNING OF YEAR | <u>50,532,051</u> |
| NET POSITION, END OF YEAR | <u>\$ 48,538,331</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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|----------------------------|
| Tuition and fees | \$ 3,752,669 |
| Payments to vendors for supplies and services | (12,817,715) |
| Payments to or on behalf of employees | (50,932,224) |
| Payments to students for scholarships and grants | (23,451,931) |
| Auxiliary enterprise sales and charges | 2,669,539 |
| Net Cash Flows From Operating Activities | <u>(80,779,662)</u> |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| | |
|---|--------------------------|
| State apportionments | 42,113,383 |
| Grant and contracts | 30,446,852 |
| Property taxes - non-debt related | 6,983,566 |
| State taxes and other apportionments | 1,604,635 |
| Other nonoperating | 5,871,021 |
| Net Cash Flows From Non-Capital Financing Activities | <u>87,019,457</u> |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | |
|---|---------------------------|
| Purchase of capital assets | (7,100,489) |
| Local revenue, capital projects | 1,330,550 |
| Property taxes - related to capital debt | 6,505,083 |
| Proceeds from capital debt | 3,658,069 |
| Principal paid on capital debt | (1,495,434) |
| Interest paid on capital debt | (9,375,552) |
| Interest received on capital asset-related debt | 277,069 |
| Net Cash Flows From Capital Financing Activities | <u>(6,200,704)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-----------------------------|
| Interest received from investments | 2,258,881 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | <u>2,297,972</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>70,206,717</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 72,504,689</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, 2014

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

| | |
|--|------------------------|
| Operating Loss | <u>\$ (84,280,252)</u> |
| Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities | |
| Depreciation expense | 3,438,876 |
| Changes in Assets and Liabilities | |
| Receivables | 112,053 |
| Inventories | (11,405) |
| Prepaid expenses and other assets | (178,773) |
| Accounts payable and accrued liabilities | (75,292) |
| Unearned revenue | 748,263 |
| Compensated absences and supplemental employee retirement plan | <u>(533,132)</u> |
| Total Adjustments | <u>3,500,590</u> |
| Net Cash Flows From Operating Activities | <u>\$ (80,779,662)</u> |

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

| | |
|---|----------------------|
| Cash in banks | \$ 993,686 |
| Cash in county treasury | 42,457,991 |
| SunAmerica Annuity and Life Assurance Company | <u>29,053,012</u> |
| Total Cash and Cash Equivalents | <u>\$ 72,504,689</u> |

NONCASH TRANSACTIONS

| | |
|---------------------------------|---------------------|
| Board of governmers fee waivers | \$ 8,604,208 |
| On behalf payments for benefits | <u>1,134,737</u> |
| | <u>\$ 9,738,945</u> |

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

| | <u>Trust</u> |
|-----------------------------|-------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 399,591 |
| Investments | 76,218 |
| Accounts receivable | 24,765 |
| Due from primary government | 2,320 |
| Total Assets | <u>502,894</u> |
| LIABILITIES | |
| Accounts payable | 45,322 |
| Due to primary government | 28,186 |
| Total Liabilities | <u>73,508</u> |
| NET POSITION | |
| Unreserved | 429,386 |
| Total Net Position | <u>\$ 429,386</u> |

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

| | Trust |
|-------------------------------------|--------------------------|
| ADDITIONS | |
| Local revenues | <u>\$ 384,900</u> |
| DEDUCTIONS | |
| Services and operating expenditures | <u>98,022</u> |
| OTHER FINANCING USES | |
| Transfers out to primary government | <u>(115,139)</u> |
| Change in Net Position | 171,739 |
| Net Position - Beginning | <u>257,647</u> |
| Net Position - Ending | <u><u>\$ 429,386</u></u> |

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

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

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

Cash and Cash Equivalents

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2014, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

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

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2014.

Inventories

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

Capital Assets and Depreciation

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Compensated Absences

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

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

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, and capital lease obligations, with maturities greater than one year.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 entity-wide financial statements report \$10,124,277 of restricted net position.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

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

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Board of Governors Grants (BOGG) and Fee Waivers

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

On Behalf Payments

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

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

Change in Accounting Principles

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

New Accounting Pronouncements

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

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

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

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2014, consist of the following:

| | |
|--------------------------------|----------------------|
| Primary government | \$ 72,504,689 |
| Fiduciary funds | 475,809 |
| Total Deposits and Investments | <u>\$ 72,980,498</u> |

| | |
|--------------------------------|----------------------|
| Cash on hand and in banks | \$ 1,297,527 |
| Cash in revolving | 95,750 |
| Investments | 71,587,221 |
| Total Deposits and Investments | <u>\$ 72,980,498</u> |

Interest Rate Risk

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

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

| Investment Type | Fair Value | Weighted Average Days to Maturity |
|---|----------------------|-----------------------------------|
| San Bernardino County Investment Pool | \$ 42,716,962 | 428 |
| SunAmerica Annuity and Life Assurance Company | 29,053,012 | N/A |
| Total | <u>\$ 71,769,974</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 AAA/V1 by Fitch Ratings. The District's investment with SunAmerica Annuity and Life Assurance Company is not required to be rated, nor has it been rated as of June 30, 2014.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are the Guaranteed Investment Contract (GIC) with SunAmerica Annuity and Life Assurance Company which represents 41 percent.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District did not have any deposits exposed to custodial credit risk because all balances were insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

| | <u>Primary Government</u> | <u>Fiduciary Funds</u> |
|----------------------------------|-------------------------------|----------------------------|
| Federal Government | | |
| Categorical aid | \$ 348,727 | \$ - |
| State Government | | |
| Apportionment | 6,018,043 | - |
| Lottery | 637,413 | - |
| Other State | 80,898 | - |
| Local Sources | | |
| Interest | 32,696 | 91 |
| Property taxes | 381,547 | - |
| Victor Valley College Foundation | 149,174 | - |
| Other local sources | 691,553 | 24,674 |
| Total | <u>\$ 8,340,051</u> | <u>\$ 24,765</u> |
| Student receivables, net | <u>\$ 355,849</u> | <u>\$ -</u> |

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2014, was as follows:

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---------------------------------|---------------------|-------------|---------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 11,883,784 | \$ - | \$ - | \$ 11,883,784 |
| Construction in progress | 1,732,730 | 5,034,295 | - | 6,767,025 |
| Total Capital Assets Not Being Depreciated | 13,616,514 | 5,034,295 | - | 18,650,809 |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 13,699,377 | 1,340,729 | - | 15,040,106 |
| Buildings and improvements | 130,349,636 | - | - | 130,349,636 |
| Furniture and equipment | 12,832,461 | 248,578 | - | 13,081,039 |
| Total Capital Assets Being Depreciated | 156,881,474 | 1,589,307 | - | 158,470,781 |
| Total Capital Assets | 170,497,988 | 6,623,602 | - | 177,121,590 |
| | | | | |
| Less Accumulated Depreciation | 47,277,554 | 3,438,876 | - | 50,716,430 |
| | | | | |
| Net Capital Assets | \$ 123,220,434 | \$ 3,184,726 | \$ - | \$ 126,405,160 |

Depreciation expense for the year was \$3,438,876.

Interest expense on capital related debt for the year ended June 30, 2014, was \$9,361,052. Of this amount, \$119,294 was capitalized in the current year.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

| | Primary Government | Fiduciary Funds |
|-----------------|-----------------------|--------------------|
| Accrued payroll | \$ 1,940,226 | \$ - |
| Construction | 2,351,976 | - |
| Other | 460,529 | 45,322 |
| Total | <u>\$ 4,752,731</u> | <u>\$ 45,322</u> |

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following:

| | Primary Government |
|---------------------|-----------------------|
| Federal categorical | \$ 99,405 |
| State categorical | 460,895 |
| Student fees | 887,780 |
| Other local | 680,957 |
| Total | <u>\$ 2,129,037</u> |

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2014, the amounts owed between the primary government and the fiduciary funds were \$28,186 and \$2,320, respectively.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 2014 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to \$115,139.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2014 fiscal year consisted of the following:

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year | Due in One Year |
|--|---------------------------------|------------------------|------------------------|---------------------------|------------------------|
| Bonds and Notes Payable | | | | | |
| 2008 General obligation bonds, Series A | \$ 53,592,106 | \$ 345,112 | \$ 870,000 | \$ 53,067,218 | \$1,045,000 |
| 2008 General obligation bonds, Series B | 12,000,000 | - | - | 12,000,000 | - |
| 2008 General obligation bonds, Series C | 80,129,364 | 3,312,957 | 305,000 | 83,137,321 | 400,000 |
| Premium on issuance | 1,611,480 | - | 51,175 | 1,560,305 | - |
| Total Bonds and Notes Payable | 147,332,950 | 3,658,069 | 1,226,175 | 149,764,844 | 1,445,000 |
| Other Liabilities | | | | | |
| Compensated absences | 1,624,062 | - | 68,526 | 1,555,536 | 70,000 |
| Supplemental Employee Retirement Plan | 1,393,818 | - | 464,606 | 929,212 | 464,606 |
| Capital leases | 6,322,948 | - | 269,259 | 6,053,689 | 296,037 |
| Total Other Liabilities | 9,340,828 | - | 802,391 | 8,538,437 | 830,643 |
| Total Long-Term Debt | \$ 156,673,778 | \$3,658,069 | \$2,028,566 | \$ 158,303,281 | \$2,275,643 |

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds | | | Bonds | |
|------------|---------------|----------------|----------------|--------------------------|-------------|---------------------|---------------------|---------------------------|
| | | | | Outstanding July 1, 2013 | Issued | Accreted Interest | Redeemed | Outstanding June 30, 2014 |
| 2009 | 08/01/31 | 3.00% - 5.375% | \$ 54,004,963 | \$ 53,592,106 | \$ - | \$ 345,112 | \$ 870,000 | \$ 53,067,218 |
| 2009 | 08/01/33 | 6.67% | 12,000,000 | 12,000,000 | - | - | - | 12,000,000 |
| 2009 | 06/01/49 | 3.17% - 7.20% | 70,017,065 | 80,129,364 | - | 3,312,957 | 305,000 | 83,137,321 |
| | | | | \$ 145,721,470 | \$ - | \$ 3,658,069 | \$ 1,175,000 | \$ 148,204,539 |

2008 General Obligation Bonds, Series A

In June 2009, the District issued \$54,004,963 of the Victor Valley Community College District, 2008 General Obligation Bonds, Series A. The bonds issued included \$27,635,000 of current interest serial bonds, \$24,440,000 of current interest term bonds, and \$1,929,963 of capital appreciation bonds, with the capital appreciation bonds accreting to \$5,410,000. The bonds have a final maturity to occur on August 1, 2031, with interest rates from 3.00 percent to 5.375 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District property and facilities, as well as to refund all of the Victor Valley Community College District, 1997 variable rate certificates of participation. At June 30, 2014, the principal balance outstanding was \$53,067,218.

2008 General Obligation Bonds – Build America Bonds, Series B

In June 2009, the District issued \$12,000,000 of the Victor Valley Community College District, 2008 General Obligation Bonds - Build America Bonds, Series B. The bonds have a final maturity to occur on August 1, 2033, with an interest rate of 6.67 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District property and facilities, as well as to refund all of the Victor Valley Community College District, 1997 variable rate certificates of participation. At June 30, 2014, the principal balance outstanding was \$12,000,000.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, the principal balance outstanding was \$83,137,321. Unamortized premium on issuance at June 30, 2014, was \$1,560,305.

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Accreted Interest</u> | <u>Current Interest</u> | <u>Total</u> |
|--------------------|----------------------|------------------------------|-----------------------------|----------------------|
| 2015 | \$ 1,045,000 | \$ - | \$ 2,520,138 | \$ 3,565,138 |
| 2016 | 1,230,000 | - | 2,474,638 | 3,704,638 |
| 2017 | 1,425,000 | - | 2,420,538 | 3,845,538 |
| 2018 | 1,108,862 | 531,138 | 2,391,038 | 4,031,038 |
| 2019 | 1,088,285 | 711,715 | 2,391,038 | 4,191,038 |
| 2020-2024 | 11,380,071 | 904,930 | 10,999,563 | 23,284,564 |
| 2025-2029 | 21,060,000 | - | 6,822,806 | 27,882,806 |
| 2030-2032 | 14,730,000 | - | 984,750 | 15,714,750 |
| Total | \$ 53,067,218 | \$ 2,147,783 | \$ 31,004,509 | \$ 86,219,510 |

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Current Interest</u> | <u>Total</u> |
|--------------------|----------------------|-----------------------------|----------------------|
| 2015 | \$ - | \$ 800,400 | \$ 800,400 |
| 2016 | - | 800,400 | 800,400 |
| 2017 | - | 800,400 | 800,400 |
| 2018 | - | 800,400 | 800,400 |
| 2019 | - | 800,400 | 800,400 |
| 2020-2024 | - | 4,002,000 | 4,002,000 |
| 2025-2029 | - | 4,002,000 | 4,002,000 |
| 2030-2034 | 12,000,000 | 2,620,977 | 14,620,977 |
| Total | \$ 12,000,000 | \$ 14,626,977 | \$ 26,626,977 |

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

| Fiscal Year | Principal Including Accreted Interest to Date | Accreted Interest | Current Interest | Total |
|-------------|---|-----------------------|----------------------|-----------------------|
| 2015 | \$ 378,246 | \$ 21,754 | \$ 2,127,763 | \$ 2,527,763 |
| 2016 | 418,564 | 76,436 | 2,127,763 | 2,622,763 |
| 2017 | 453,673 | 146,327 | 2,127,763 | 2,727,763 |
| 2018 | 473,295 | 226,705 | 2,127,763 | 2,827,763 |
| 2019 | 486,705 | 318,295 | 2,127,763 | 2,932,763 |
| 2020-2024 | 1,114,559 | 1,375,441 | 14,372,969 | 16,862,969 |
| 2025-2029 | 1,398,993 | 3,651,007 | 14,787,875 | 19,837,875 |
| 2030-2034 | 4,604,515 | 11,335,485 | 14,787,875 | 30,727,875 |
| 2035-2039 | 23,182,555 | 35,468,967 | 13,372,606 | 72,024,128 |
| 2040-2044 | 23,925,372 | 57,286,104 | 5,068,263 | 86,279,739 |
| 2045-2049 | 26,700,844 | 99,034,499 | 463,881 | 126,199,224 |
| Total | <u>\$ 83,137,321</u> | <u>\$ 208,941,020</u> | <u>\$ 73,492,284</u> | <u>\$ 365,570,625</u> |

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:

| | Equipment |
|------------------------|---------------------|
| Balance, July 1, 2013 | \$ 8,589,284 |
| Payments | (551,310) |
| Balance, June 30, 2014 | <u>\$ 8,037,974</u> |

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

The capital leases have minimum lease payments as follows:

| Year Ending <u>June 30,</u> | Lease Payment |
|---|----------------------------|
| 2015 | \$ 565,441 |
| 2016 | 579,996 |
| 2017 | 594,989 |
| 2018 | 610,431 |
| 2019 | 626,336 |
| 2020-2024 | 3,387,471 |
| 2025-2027 | <u>1,673,310</u> |
| Total | 8,037,974 |
| Less: Amount Representing Interest | (1,984,285) |
| Present Value of Minimum Lease Payments | <u><u>\$ 6,053,689</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 | (4,816,364) |
| Total | <u><u>\$ 2,064,155</u></u> |

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

Supplemental Employee Retirement Plan (SERP)

The District has entered into an agreement to provide certain benefits to employees participating in the early retirement incentive program. The District will pay a total of \$929,212 on behalf of the retirees over the next two years in accordance with the following schedule:

| Year Ending <u>June 30,</u> | SERP Payment |
|--------------------------------|--------------------------|
| 2015 | \$ 464,606 |
| 2016 | 464,606 |
| Total | <u><u>\$ 929,212</u></u> |

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2014, amounted to \$1,555,536.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

Plan Description

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

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2013-2014, the District contributed \$636,953 to the Plan. The entire amount was used for current premiums.

Annual OPEB Cost and Net OPEB Asset

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

| | |
|-------------------------------|------------------------------|
| Annual required contribution | \$ 501,378 |
| Contribution made | <u>(636,953)</u> |
| Increase in net OPEB asset | (135,575) |
| Net OPEB asset, July 1, 2013 | <u>(6,841,784)</u> |
| Net OPEB asset, June 30, 2014 | <u><u>\$ (6,977,359)</u></u> |

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Trend Information

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

| Year Ended June 30, | Annual OPEB Cost | Actual Contribution | Percentage Contributed | Net OPEB Asset |
|------------------------|---------------------|------------------------|---------------------------|-------------------|
| 2012 | \$ 501,378 | \$ 698,022 | 139% | \$ (5,870,947) |
| 2013 | 501,378 | 1,472,215 | 294% | (6,841,784) |
| 2014 | 501,378 | 636,953 | 127% | (6,977,359) |

Funding Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

In the May 1, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a seven percent investment rate of return, based on the Plan being funded through Futuris. The cost trend rate used was four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at June 30, 2014, was 27 years. At June 30, 2014, the irrevocable trust with Futuris held assets in the amount of \$10,540,188.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 11 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property with coverages of \$250,000,000 per occurrence, subject to various policy limits. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence, all subject to various deductibles. Employee health coverage benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2014, 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 2013-2014, the District participated in the Protected Insurance Program for Schools and Colleges (PIPS) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Employee Medical Benefits

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,738,422, \$1,746,278, and \$1,689,515, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

As a result of the implementation of the PEPPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,480,537, \$1,442,645, and \$1,344,836, respectively, and equal 100 percent of the required contributions for each year.

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

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

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

Tax Deferred Annuity

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

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, which amounted to \$1,134,737, \$1,143,766, and \$1,085,384, respectively, (5.541 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2014, 2013, and 2012. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

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, 2014.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Construction Commitments

As of June 30, 2014, 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> |
|---|--|--|
| Dr. Prem Reddy Science and Health Building | \$ 9,615,836 | July 2015 |
| Vocational Education Complex | 411,330 | December 2016 |
| Music Building Code Compliance and Renovation | 355,619 | August 2014 |
| | <u>\$ 10,382,785</u> | |

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

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VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

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

*Entry age normal cost method.

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SUPPLEMENTARY INFORMATION

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VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2014

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 2014 |
| Joseph W. Brady | Vice President | December 2015 |
| John Pinkerton | Clerk | December 2015 |
| Lorrie Denson | Member | December 2014 |
| Brandon Wood | Member | December 2014 |

ADMINISTRATION

| | |
|-------------------|--|
| Peter Allan | Interim Superintendent/President |
| G.H. Javaheripour | Vice President, Administrative Services |
| Peter Maphumulo | Executive Vice President, Instruction and Student Services |
| Fusako Yokotobi | Vice President, Human Resources |

See accompanying notes to supplementary information.

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VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

| Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|----------------|---|-------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Student Financial Assistance Cluster | | | |
| Pell Grant | 84.063 | | \$ 21,791,632 |
| Pell Grant - Administration | 84.063 | | 20,635 |
| Supplemental Education Opportunity Program | 84.007 | | 403,400 |
| Supplemental Education Opportunity Program - Administration | 84.007 | | 9,325 |
| College Work Study | 84.033 | | 327,348 |
| College Work Study - Administration | 84.033 | | 21,440 |
| Total Student Financial Assistance Cluster | | | <u>22,573,780</u> |
| Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) | 84.334A | | 911,000 |
| TRIO - Upward Bound | 84.047A | | 208,086 |
| Passed through from California Community Colleges | | | |
| Chancellor's Office | | | |
| Career and Technical Education Grants | 84.048 | 13-C01-066 | 428,986 |
| CTE Transitions | 84.048A | 13-112-990 | 41,804 |
| Total U.S. Department of Education | | | <u>24,163,656</u> |
| U.S. DEPARTMENT OF VETERANS AFFAIRS | | | |
| Veterans Educational Assistance | 64.028 | | 3,791 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through from California Community Colleges | | | |
| Chancellor's Office | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | [1] | 109,937 |
| Total Federal Programs | | | <u>\$ 24,277,384</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, 2014**

| Program | Program Entitlements | | |
|--|----------------------|----------------------|-------------------|
| | Current Year | Prior Year Carryover | Total Entitlement |
| Basic Skills | \$ 95,071 | \$ 91,507 | \$ 186,578 |
| Cal Grants | 1,145,188 | 51,246 | 1,196,434 |
| CalWORKS | 360,475 | - | 360,475 |
| CalWORKS Region IX Travel | 10,000 | - | 10,000 |
| CARE Program | 206,435 | - | 206,435 |
| Child Development - State Pre-School | 116,116 | - | 116,116 |
| Child Development - Facilities Renovation and Repair | 18,903 | - | 18,903 |
| Deputy Sector Navigator | 253,113 | - | 253,113 |
| Disabled Students Program And Services | 463,725 | - | 463,725 |
| Extended Opportunity Program and Services (EOPS) | 751,893 | - | 751,893 |
| Matriculation | 549,193 | - | 549,193 |
| Non-Credit Matriculation | 9,949 | - | 9,949 |
| Nursing Enrollment Growth and Retention | 249,500 | - | 249,500 |
| Physical Plant/Instructional Support/Library Materials | 213,854 | - | 213,854 |
| Proposition 39 Clean Energy Project | 324,806 | - | 324,806 |
| Staff Diversity | 5,628 | 12,607 | 18,235 |
| Student Financial Assistance Programs (BFAP) | 502,122 | - | 502,122 |
| Song Brown Nursing Grant #4 | - | 57,045 | 57,045 |
| TANF/Child Development Careers Program | - | 14,893 | 14,893 |
| Total State Programs | | | |

See accompanying notes to supplementary information.

Program Revenues

| <u>Cash Received</u> | <u>Accounts Payable</u> | <u>Unearned Revenue</u> | <u>Total Revenue</u> | <u>Program Expenditures</u> |
|--------------------------|-----------------------------|-----------------------------|--------------------------|---------------------------------|
| \$ 186,578 | \$ - | \$ 105,747 | \$ 80,831 | \$ 80,831 |
| 1,196,434 | - | - | 1,196,434 | 1,137,080 |
| 360,475 | (3,503) | - | 356,972 | 356,972 |
| 7,874 | - | - | 7,874 | 7,874 |
| 206,435 | - | - | 206,435 | 206,435 |
| 116,116 | - | - | 116,116 | 116,116 |
| 17,741 | - | - | 17,741 | 17,741 |
| 142,223 | - | 36,400 | 105,823 | 105,823 |
| 463,725 | - | - | 463,725 | 463,725 |
| 751,893 | - | - | 751,893 | 751,893 |
| 549,193 | - | 179,648 | 369,545 | 369,545 |
| 9,949 | - | - | 9,949 | 9,949 |
| 249,500 | - | - | 249,500 | 249,500 |
| 196,746 | - | 74,281 | 122,465 | 122,465 |
| 324,806 | - | - | 324,806 | 324,806 |
| 17,396 | - | 11,695 | 5,701 | 5,701 |
| 502,122 | (4,919) | - | 497,203 | 497,203 |
| 57,045 | - | 49,440 | 7,605 | 7,605 |
| 3,684 | - | 3,684 | - | - |
| <u>\$ 5,359,935</u> | <u>\$ (8,422)</u> | <u>\$ 460,895</u> | <u>\$ 4,890,618</u> | <u>\$ 4,831,264</u> |

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2014**

| CATEGORIES | Reported Data | Audit Adjustments | Audited Data |
|---|------------------|----------------------|-----------------|
| A. Summer Intersession | | | |
| 1. Noncredit | 6.05 | - | 6.05 |
| 2. Credit | 605.44 | - | 605.44 |
| B. Summer Intersession | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 749.86 | - | 749.86 |
| C. Primary Terms | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | 5,108.00 | - | 5,108.00 |
| (b) Daily Census Contact Hours | 782.12 | - | 782.12 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit | 85.78 | - | 85.78 |
| (b) Credit | 562.05 | - | 562.05 |
| 3. Independent Study/Work Experience | | | |
| (a) Weekly Census Contact Hours | 1,026.72 | - | 1,026.72 |
| (b) Daily Census Contact Hours | 459.23 | - | 459.23 |
| (c) Noncredit Independent Study/Distance Education Courses | - | - | - |
| D. Total FTES | <u>9,385.25</u> | <u>-</u> | <u>9,385.25</u> |
| E. In-Service Training Courses (FTES) | - | - | - |
| H. Basic Skills courses and Immigrant Education (FTES) | | | |
| 1. Noncredit | 42.45 | - | 42.45 |
| 2. Credit | 798.44 | - | 798.44 |

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 843262 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2014

| Object/TOP Codes | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|--|--|-------------------|-------------------|--|-------------------|-------------------|
| | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| <u>Academic Salaries</u> | | | | | | |
| <u>Instructional Salaries</u> | | | | | | |
| Contract or Regular | \$ 10,751,948 | - | \$ 10,751,948 | \$ 10,779,485 | - | \$ 10,779,485 |
| Other | 8,943,221 | - | 8,943,221 | 8,962,526 | - | 8,962,526 |
| Total Instructional Salaries | 19,695,169 | - | 19,695,169 | 19,742,011 | - | 19,742,011 |
| <u>Noninstructional Salaries</u> | | | | | | |
| Contract or Regular | - | - | - | 2,072,276 | - | 2,072,276 |
| Other | - | - | - | 737,440 | - | 737,440 |
| Total Noninstructional Salaries | - | - | - | 2,809,716 | - | 2,809,716 |
| Total Academic Salaries | 19,695,169 | - | 19,695,169 | 22,551,727 | - | 22,551,727 |
| <u>Classified Salaries</u> | | | | | | |
| <u>Noninstructional Salaries</u> | | | | | | |
| Regular Status | - | - | - | 8,590,552 | - | 8,590,552 |
| Other | - | - | - | 435,141 | - | 435,141 |
| Total Noninstructional Salaries | - | - | - | 9,025,693 | - | 9,025,693 |
| <u>Instructional Aides</u> | | | | | | |
| Regular Status | 1,415,761 | - | 1,415,761 | 1,603,493 | - | 1,603,493 |
| Other | 245,364 | - | 245,364 | 249,500 | - | 249,500 |
| Total Instructional Aides | 1,661,125 | - | 1,661,125 | 1,852,993 | - | 1,852,993 |
| Total Classified Salaries | 1,661,125 | - | 1,661,125 | 10,878,686 | - | 10,878,686 |
| <u>Employee Benefits</u> | | | | | | |
| Supplies and Material | 4,852,395 | - | 4,852,395 | 9,441,424 | - | 9,441,424 |
| Other Operating Expenses | - | - | - | 674,837 | - | 674,837 |
| Equipment Replacement | 345,127 | - | 345,127 | 5,896,483 | - | 5,896,483 |
| Total Expenditures | - | - | - | - | - | - |
| Prior to Exclusions | 26,553,816 | - | 26,553,816 | 49,443,157 | - | 49,443,157 |

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 843262 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

| 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 |
| Exclusions | | | | | | |
| Activities to Exclude | | | | | | |
| Instructional Staff - Retirees' Benefits and Retirement Incentives | \$ 178,836 | - | \$ 178,836 | \$ 178,836 | \$ - | \$ 178,836 |
| Student Health Services Above Amount Collected | - | - | - | - | - | - |
| Student Transportation | - | - | - | 53,507 | - | 53,507 |
| Noninstructional Staff - Retirees' Benefits and Retirement Incentives | - | - | - | 458,503 | - | 458,503 |
| Objects to Exclude | | | | | | |
| Rents and Leases | - | - | - | 484,367 | - | 484,367 |
| Lottery Expenditures | - | - | - | - | - | - |
| Academic Salaries | - | - | - | - | - | - |
| Classified Salaries | - | - | - | - | - | - |
| Employee Benefits | - | - | - | - | - | - |
| Supplies and Materials | - | - | - | - | - | - |
| Software | - | - | - | - | - | - |
| Books, Magazines, and Periodicals | - | - | - | - | - | - |
| Instructional Supplies and Materials | - | - | - | - | - | - |
| Noninstructional Supplies and Materials | - | - | - | - | - | - |
| Total Supplies and Materials | - | - | - | - | - | - |

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 843262 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

| 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 | \$ - | \$ - | \$ - | \$ 738,181 | \$ - | \$ 738,181 |
| Capital Outlay | - | - | - | - | - | - |
| Library Books | - | - | - | - | - | - |
| Equipment | - | - | - | - | - | - |
| Equipment - Additional | - | - | - | - | - | - |
| Equipment - Replacement | - | - | - | - | - | - |
| Total Equipment | - | - | - | - | - | - |
| Total Capital Outlay | - | - | - | - | - | - |
| Other Outgo | - | - | - | - | - | - |
| Total Exclusions | 178,836 | - | 178,836 | 1,913,394 | - | 1,913,394 |
| Total for ECS 84362, 50 Percent Law | \$ 26,374,980 | \$ - | \$ 26,374,980 | \$ 47,529,763 | \$ - | \$ 47,529,763 |
| Percent of CEE (Instructional Salary Cost/Total CEE) | 55.49% | | 55.49% | 100.00% | | 100.00% |
| 50% of Current Expense of Education | | | | \$ 23,764,882 | | \$ 23,764,882 |

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

| Activity Classification | Object Code | | | | Unrestricted |
|-----------------------------------|----------------------|--|---|--------------------------------------|---------------------|
| EPA Proceeds: | 8630 | | | | \$ 7,302,357 |
| Activity Classification | Activity Code | Salaries and Benefits (Obj 1000-3000) | Operating Expenses (Obj 4000-5000) | Capital Outlay (Obj 6000) | Total |
| Instructional Activities | 1000-5900 | \$ 7,302,357 | | | \$ 7,302,357 |
| Total Expenditures for EPA | | \$ 7,302,357 | - | - | \$ 7,302,357 |
| 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, 2014**

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

Total Fund Balance:

| | | |
|--|----------------------|--|
| General Fund, unrestricted | \$ 9,527,886 | |
| General Fund, restricted | 1,125,522 | |
| Special Revenue Funds | 29,321,738 | |
| Capital Project Funds | 26,763,997 | |
| Debt Service Funds | 7,739,935 | |
| Enterprise Funds | 1,056,818 | |
| Internal Service Funds | 135,517 | |
| Fiduciary Funds | 495,899 | |
| Total Fund Balance - All District Funds | \$ 76,167,312 | |

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: | 177,121,590 | |
| Accumulated depreciation is: | (50,716,430) | 126,405,160 |
| Amounts held in trust on behalf of others (Trust and Agency Funds) | | (429,386) |

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

6,977,359

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

(2,278,833)

Long-term obligations at year end consist of:

| | |
|---------------------------------------|-------------|
| General obligation bonds | 133,406,632 |
| Premium on bonds | 1,560,305 |
| Capital leases payable | 6,053,689 |
| Supplemental employee retirement plan | 929,212 |
| Compensated absences | 1,555,536 |

| | | |
|--|----------------------|---------------|
| In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following: | 14,797,907 | (158,303,281) |
| Total Net Position | \$ 48,538,331 | |

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

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

| Description | CFDA Number | Amount |
|--|----------------|----------------------|
| Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position: | | 24,261,368 |
| Pell Grants | 84.007 | 5,858 |
| Pell Grants - Administration | 84.063 | 10,158 |
| Total Expenditures of Federal Awards | | <u>\$ 24,277,384</u> |

Subrecipients

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

| Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Amount Provided to Subrecipients |
|--|----------------|--|
| U.S. DEPARTMENT OF EDUCATION Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) | 84.334A | <u>\$ 75,055</u> |

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment

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

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

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

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Victor Valley Community College District
Victorville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities of Victor Valley Community College District (the District) as of and for the year ended June 30, 2014, 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 16, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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.

Vauriney, Tine, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2014



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

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on Compliance for Each Major Federal Program

We have audited Victor Valley Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Vauriney, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2014



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 California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2014.

Management's Responsibility

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

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 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 opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2014.

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

- Section 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 430 Schedule Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 Proposition 39 Clean Energy
- Section 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged (TBA) Hours
- Section 490 Proposition 1D State Bond Funded Projects
- Section 491 Proposition 30 Education Protection Account Funds

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

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

Vauriney, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 16, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

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>None reported</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 .510(a) of OMB Circular A-133? | <u>No</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>\$ 728,322</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> |
|---|-------------------|

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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

None reported.

