Financial Statements
June 30, 2020

Victor Valley Community College District

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Schedule of Findings and Questioned Costs

Independent Auditor's Report

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Victor Valley Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 14 and other required supplementary information on pages 67 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 26, 2021

Deputy Superintendent/ Executive Vice President | Administrative Services

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USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs and financial condition of Victor Valley Community College District (the District) as of June 30, 2020. 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, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Victor Valley Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities.* These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one combined financial statement versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long- term liabilities. 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.

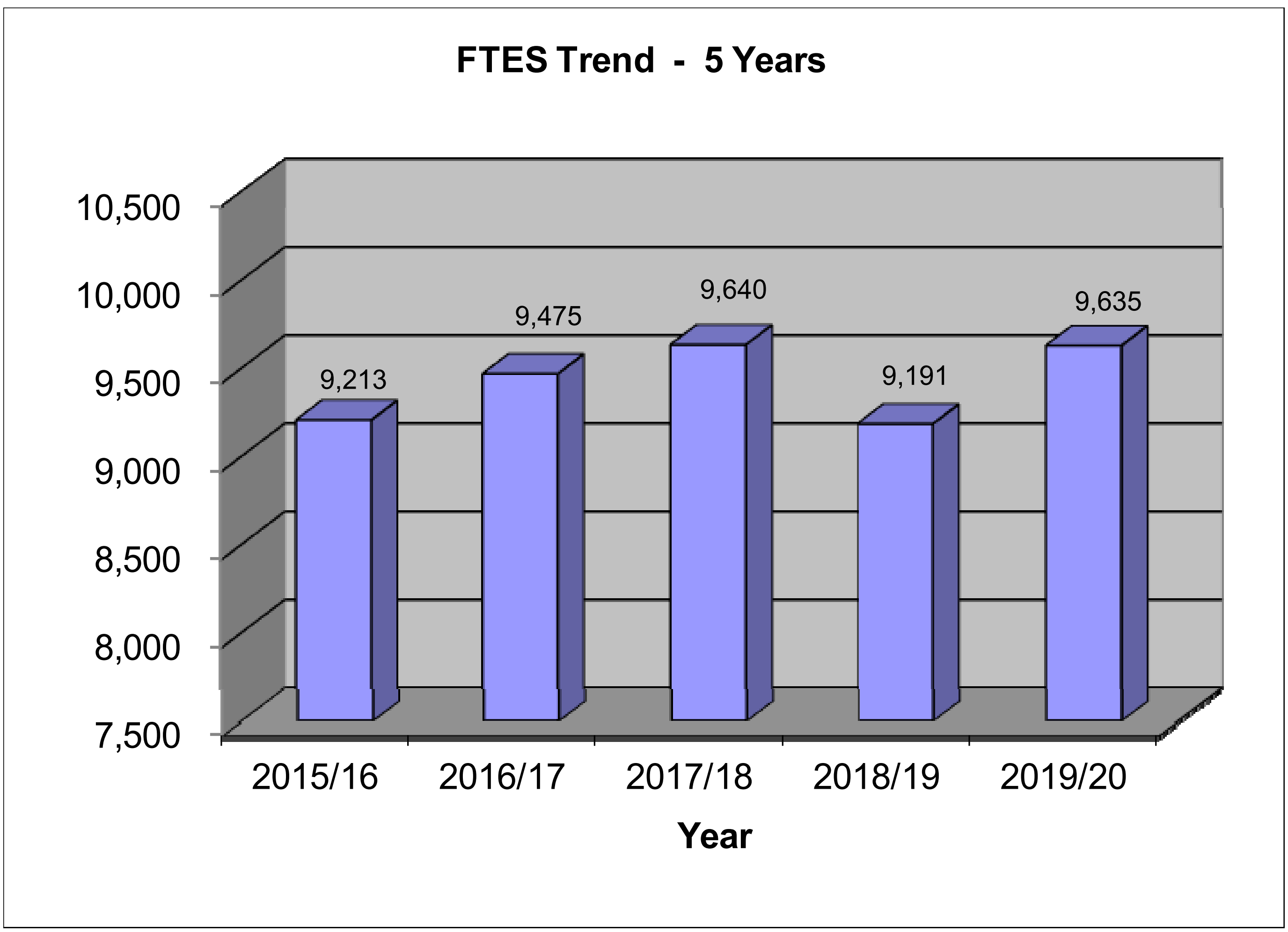
The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

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

The District's revenue increase reflected on page 9 was primarily due to the COLA of 3.26% being applied to the Student Centered Funding Formula (SCFF). General apportionment increased by $3,458,444. The college maintained its basic allocation as a mid-size college. The total funded workload (as of the 2019-2020 Recalc Apportionment Report) was 9,635. The three-year average of 9,529 FTES was applied to the SCFF for the base allocation.

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



Once the Chancellor's Office calculates the District's base apportionment, it reduces the net amount to be distributed by the amount of property taxes and enrollment fees expected to be paid directly to the District. The matrix below lists the three components and illustrates the net effect of the changes. Overall, total apportionment increased by $4,255,523.

	2020	2019	Change
Property tax revenue	$ 11,224,076	$ 10,841,911	$ 382,165
Tuition and fees	3,762,920	3,348,006	414,914
Apportionment	48,857,283	45,398,839	3,458,444
Total	$ 63,844,279	$ 59,588,756	$ 4,255,523

SELECTED HIGHLIGHTS

At June 30, 2020, the value of the District's Other Postemployment Benefits (OPEB) irrevocable Futuris trust was $13.5 million, and the District's GASB Statement No. 75 OPEB liability is 94 percent funded according to the District's most recent actuarial valuation report.

Statement of Net Position

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

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

	2020	2019	Change
Assets			
Current Assets			
Cash and investments	$ 73,376,443	$ 34,039,803	$ 39,336,640
Accounts receivable	7,018,915	4,641,466	2,377,449
Other current assets	1,267,250	988,573	278,677
Total Current Assets	81,662,608	39,669,842	41,992,766
Noncurrent Assets			
Investments	17,139,141	31,631,112	(14,491,971)
Capital assets, net	138,929,997	132,620,277	6,309,720
Total Noncurrent Assets	156,069,138	164,251,389	(8,182,251)
Total Assets	237,731,746	203,921,231	33,810,515
Deferred Outflows of Resources			
Deferred charges on refunding	12,266,809	12,776,158	(509,349)
Deferred outflows of resources related to pensions and OPEB	26,198,235	25,610,631	587,604
Total Assets and Deferred Outflows of Resources	$ 276,196,790	$ 242,308,020	$ 33,888,770
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	$ 18,540,282	$ 16,585,513	$ 1,954,769
Current portion of long-term liabilities	4,234,915	3,930,869	304,046
Total Current Liabilities	22,775,197	20,516,382	2,258,815
Long-Term Liabilities	285,225,207	244,267,493	40,957,714
Total Liabilities	308,000,404	264,783,875	43,216,529
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions and OPEB	5,877,089	6,677,122	(800,033)
Net Position			
Net investment in capital assets	7,058,313	3,018,707	4,039,606
Restricted	21,298,740	12,716,992	8,581,748
Unrestricted (deficit)	(66,037,756)	(44,888,676)	(21,149,080)
Total Net Position (deficit)	(37,680,703)	(29,152,977)	(8,527,726)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 276,196,790	$ 242,308,020	$ 33,888,770

The difference between total assets, deferred outflows of resources and total liabilities, deferred inflows of resources, is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. The District's net position decreased from last year by $8.5 million for the fiscal year ending June 30, 2020. 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 77 percent of the cash and investments balance is cash deposited in the San Bernardino County Treasury Pool. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and the return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash.

- Capital assets had a net balance of $138.9 million. Depreciation expense of $4.4 million was recognized during 2019-2020.

- Accounts payable in the amount of $6.6 million are amounts due as of the fiscal year-end for goods and services received as of June 30, 2020. Interest payable accruals total $1.9 million. Other current liabilities in the amount of $14.2 million related mainly to unearned revenues and the current portion of bonds payable, early retirement incentive, and capital leases; noncurrent liabilities in the amount of $285.2 million include noncurrent portions for compensated absences, general obligation bonds, lease liabilities, the aggregate net OPEB liability and the aggregate net pension liability have been recognized for the year ended June 30, 2020.

- The District currently has $207.2 million outstanding related to the issuance of general obligation debt. Additional information regarding long-term debt is included in the Long-Term Liabilities section of this discussion and analysis.

- As of June 30, 2020, the aggregate net pension liability was $72.2 million.

Statement of Revenues, Expenses, and Changes in Net Position

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

	2020	2019	Change
Operating Revenues			
Tuition and fees	$ 3,762,920	$ 3,348,006	$ 414,914
Grants and contracts, noncapital	25,081,640	25,127,535	(45,895)
Auxiliary sales and other revenues	2,435,017	3,097,205	(662,188)
Total Operating Revenues	31,279,577	31,572,746	(293,169)
Operating Expenses			
Salaries and benefits	80,113,094	74,657,211	5,455,883
Supplies and maintenance	20,909,184	20,677,628	231,556
Student financial aid	35,460,351	30,101,247	5,359,104
Depreciation	4,402,082	4,312,895	89,187
Total Operating Expenses	140,884,711	129,748,981	11,135,730
Loss on Operations	(109,605,134)	(98,176,235)	(11,428,899)
Nonoperating Revenues (Expenses)			
State apportionments	48,857,283	45,398,839	3,458,444
Property taxes	11,224,076	10,841,911	382,165
Other taxes	6,543,426	5,689,639	853,787
Student financial aid	33,552,174	26,981,177	6,570,997
Other nonoperating revenues (expenses)	(2,061,375)	485,552	(2,546,927)
Total Nonoperating Revenue (Expenses)	98,115,584	89,397,118	8,718,466
Other Revenues			
Local capital income	2,961,824	2,560,770	401,054
Change in Net Position	$ (8,527,726)	$ (6,218,347)	$ (2,309,379)

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

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

- Tuition and fees are generated by the resident, non-resident, and foreign student fees paid by the students attending Victor Valley Community College, including fees such as parking fees, community services classes, and other related fees.

- Non-capital grants and contracts are primarily those received from Federal and State sources used in the instructional and non-instruction programs of the District.

- State apportionment is generated based on the Student Centered Funding Formula (SCFF). The primary component for the SCFF for 2019-2020 was workload measures reported to the State by the District. The District has experienced an increase in FTES in the 2019-2020 fiscal year of 4.8 percent.

- Local property taxes are received through the Auditor-Controller's Office for San Bernardino and Los Angeles Counties. The amount received for property taxes is deducted from the total State general apportionment amount calculated by the State for the District.

Total operating expenses increased by $11.1 million. The net increase is comprised of three parts:

1. Salaries and benefits increased by $5.5 million;
2. Supplies, maintenance, and other operating expenses increased by $0.2 million;
3. Payments to students increased by $5.4 million.

Operating expenses are 56.9 percent related to personnel costs. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.

Statement of Cash Flows

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for nonoperating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received.

The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	2020	2019	Change
Cash Provided by (Used in)			
Operating activities	$ (100,305,913)	$ (89,444,163)	$ (10,861,750)
Non-capital financing activities	96,904,584	88,397,034	8,507,550
Capital financing activities	25,938,163	(6,025,651)	31,963,814
Investing activities	2,307,835	2,832,476	(524,641)
Net Change in Cash	24,844,669	(4,240,304)	29,084,973
Cash, Beginning of Year	65,670,915	69,911,219	(4,240,304)
Cash, End of Year	$ 90,515,584	$ 65,670,915	$ 24,844,669

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 $10.9 million during fiscal year 2019-2020.

Property tax revenue, State apportionment, and grants and contracts account for approximately 95 percent of the non-capital financing activities.

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

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

Functional Expenses Classification

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

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Aid	Depreciation	Total
Instructional activities	$ 28,250,073	$ 14,089,642	$ 2,353,949	$ 83,555	$ -	$ -	$ 44,777,219
Academic support	3,060,217	1,508,542	203,168	2,577	-	-	4,774,504
Student services	9,327,772	4,203,771	3,443,705	52,812	-	-	17,028,060
Plant operations and maintenance	2,096,842	1,560,691	2,798,876	8,171	-	-	6,464,580
Instructional support services	8,152,894	5,759,528	6,767,339	358,812	-	-	21,038,573
Community services and economic development	633,633	231,831	767,200	27,219	-	-	1,659,883
Ancillary services and auxiliary operations	785,005	452,653	1,841,042	-	-	-	3,078,700
Student Aid	-	-	-	-	35,460,351	-	35,460,351
Physical property and related acquisitions	-	-	277,475	1,923,284	-	4,402,082	6,602,841
Total	$ 52,306,436	$ 27,806,658	$ 18,452,754	$ 2,456,430	$ 35,460,351	$ 4,402,082	$ 140,884,711

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, 2020, the District had total capital assets of $215.2 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 $76.3 million.

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

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Land and construction in progress	$ 26,606,864	$ 10,577,841	$ (18,142,621)	$ 19,042,084
Buildings and improvements	162,879,025	18,153,816	-	181,032,841
Furniture and equipment	15,038,554	122,766	-	15,161,320
Subtotal	204,524,443	28,854,423	(18,142,621)	215,236,245
Accumulated depreciation	(71,904,166)	(4,402,082)	-	(76,306,248)
	$ 132,620,277	$ 24,452,341	$ (18,142,621)	$ 138,929,997

Long-Term Liabilities

At June 30, 2020, the District had $289.5 million in total long-term liabilities. The District was successful in passing a bond measure before the voters in November 2008. The general obligation bond was used in part to retire the outstanding certificates of participation debt.

Notes 10-11 and Note 13 of the financial statements provides additional information on long- term liabilities. A summary of long- term liabilities is presented below.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
General obligation bonds, including premium	$ 171,645,977	$ 39,282,851	$ 3,757,127	$ 207,171,701
Compensated absences	1,764,966	203,556	-	1,968,522
Capital leases	4,190,904	-	495,869	3,695,035
Early retirement incentive	-	3,621,790	-	3,621,790
Aggregate net OPEB liability	934,860	-	88,343	846,517
Aggregate net pension liability	69,661,655	2,494,902	-	72,156,557
Total Long-Term Liabilities	$ 248,198,362	$ 45,603,099	$ 4,341,339	$ 289,460,122
Amount due within one year				$ 4,234,915

BUDGETARY HIGHLIGHTS

At the time the 2019-2020 budget was developed, the following assumptions were made:

- The 2019-2020 State Cost of Living Allowance (COLA) increase was budgeted at 3.26 percent.
- Due to projected State Revenue shortfalls during the development of the 2019-2020 adopted budget, the District budgeted a decrease in State Apportionment of $700,000 compared to the 2018-2019 budget. State revenue projections at the 2019-2020 First Principal Apportionment improved significantly and actual apportionment exceeded budget for the year by $1,400,000.
- The District budgeted $9 million for estimated Education Protection Account (EPA) funding however due to a recalculation $4.8 million was received.

- The District targeted Full-Time Equivalent Students served of 9,640.
- The District's budget was balanced without the need to use a portion of the 2018-2019 unrestricted ending balance funds.

ECONOMIC FACTORS

- The financial position of the District is closely tied to that of the State of California. The District receives over 90 percent of its combined General Fund revenues through State apportionments, local property taxes including redevelopment agency allocations, and the Education Protection Account (EPA). These sources along with student paid enrollment fees essentially make up the District's general apportionment, the main funding support for California community colleges.

- Management continues to closely monitor the State budget information and operating costs of the District and will maintain a close watch over resources to ensure financial stability and retain reserve levels required by Board Policy and the State Chancellor's Office.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Assets	
Current Assets	
Cash and cash equivalents	$ 3,708,698
Investments	69,667,745
Accounts receivable	6,370,034
Student receivable	648,881
Due from fiduciary funds	16,329
Prepaid expenses	213,668
Inventories	1,037,253
Total current assets	81,662,608
Noncurrent Assets	
Investments	17,139,141
Nondepreciable capital assets	19,042,084
Depreciable capital assets, net of depreciation	119,887,913
Total noncurrent assets	156,069,138
Total assets	237,731,746
Deferred Outflows of Resources	
Deferred charges on refunding	12,266,809
Deferred outflows of resources related to pensions	23,640,709
Deferred outflows of resources related to other postemployment benefits (OPEB)	2,557,526
Total deferred outflows of resources	38,465,044
Liabilities	
Current Liabilities	
Accounts payable	6,601,700
Accrued interest payable	1,944,950
Due to fiduciary funds	10,490
Unearned revenue	9,983,142
Long-term liabilities other than OPEB and pensions due within one year	4,234,915
Total current liabilities	22,775,197
Noncurrent Liabilities	
Long-term liabilities other than OPEB and pensions due in more than one year	212,222,133
Aggregate net other postemployment benefits (OPEB) liability	846,517
Aggregate net pension liability	72,156,557
Total noncurrent liabilities	285,225,207
Total liabilities	308,000,404
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	5,722,182
Deferred inflows of resources related to other postemployment benefits (OPEB)	154,907
Total deferred inflows of resources	5,877,089
Net Position	
Net investment in capital assets	7,058,313
Restricted for:	
Debt service	8,753,623
Capital projects	10,903,476
Other activities	1,641,641
Unrestricted (deficit)	(66,037,756)
Total net position (deficit)	$ (37,680,703)

Operating Revenues	
Student tuition and fees	$ 12,320,461
Less scholarship discount and allowance	(8,557,541)
Net tuition and fees	3,762,920
Grants and contracts, noncapital	
Federal	3,192,664
State	18,438,078
Local	3,450,898
Total grants and contracts, noncapital	25,081,640
Auxiliary enterprise sales and charges	
Bookstore	2,030,330
Cafeteria	234,755
Other operating revenues	169,932
Total operating revenues	31,279,577
Operating Expenses	
Salaries	52,306,436
Employee benefits	27,806,658
Supplies, materials, and other operating expenses and services	18,452,754
Student financial aid	35,460,351
Equipment, maintenance, and repairs	2,456,430
Depreciation	4,402,082
Total operating expenses	140,884,711
Operating Loss	(109,605,134)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	48,857,283
Local property taxes, levied for general purposes	11,224,076
Taxes levied for other specific purposes	6,543,426
Federal financial aid grants, noncapital	27,305,420
State financial aid grants, noncapital	6,246,754
State taxes and other revenues	2,313,714
Investment income	2,270,573
Interest expense on capital related debt	(9,139,957)
Investment income on capital asset-related debt	124,798
Transfer from fiduciary funds	96,233
Other nonoperating revenue	2,273,264
Total nonoperating revenues (expenses)	98,115,584
Loss Before Other Revenues	(11,489,550)
Other Revenues	
Local revenues, capital	2,961,824
Change in Net Position	(8,527,726)
Net Position (deficit), Beginning of Year	(29,152,977)
Net Position (deficit), End of Year	$ (37,680,703)

Operating Activities	
Tuition and fees	$ 2,886,340
Federal, State, and local grants and contracts, noncapital	26,818,478
Payments to vendors for supplies and services	(21,810,978)
Payments to or on behalf of employees	(75,744,615)
Payments to students for scholarships and grants	(35,460,351)
Auxiliary enterprise sales and charges	3,005,213
Net Cash Flows from Operating Activities	(100,305,913)
Noncapital Financing Activities	
State apportionments	47,481,099
Federal and State financial aid grants	33,552,174
Property taxes - non-debt related	11,224,076
State taxes and other apportionments	2,377,459
Other nonoperating	2,269,776
Net Cash Flows from Noncapital Financing Activities	96,904,584
Capital Financing Activities	
Purchase of capital assets	(10,376,964)
Local revenue, capital projects	2,961,824
Deferred costs on issuance of refunding debt	509,349
Property taxes - related to capital debt	6,543,426
Proceeds from capital debt	31,490,000
Principal paid on capital debt	(3,435,000)
Interest paid on capital debt	(1,879,270)
Interest received on capital asset-related debt	124,798
Net Cash Flows from Capital Financing Activities	25,938,163
Investing Activities	
Interest received from investments	2,307,835
Net Change in Cash and Cash Equivalents	24,844,669
Cash and Cash Equivalents, Beginning of Year	65,670,915
Cash and Cash Equivalents, End of Year	$ 90,515,584

Reconciliation of net operating loss to net cash from operating activities	
Operating loss	$ (109,605,134)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	4,402,082
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Accounts Receivable	(1,022,351)
Inventories	(159,962)
Prepaid expenses	(102,386)
Deferred outflows of resources related to pensions	(552,835)
Deferred outflow of resources related to OPEB	(34,769)
Accounts payable and accrued liabilities	(1,115,235)
Unearned revenue	2,452,805
Compensated absences	203,556
Early retirement incentive	3,621,790
Deferred inflows of resources related to pensions	(613,138)
Deferred inflows of resources related to OPEB	(186,895)
Aggregate net pension liability	2,494,902
Aggregate net OPEB liability	(88,343)
Net Cash from Operating Activities	$ (100,305,913)
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	$ 3,708,698
Cash in county treasury	69,667,745
American General Life Insurance Company	17,139,141
Total cash and cash equivalents	$ 90,515,584
Noncash Transactions	
Amortization of premium	$ 322,127
Amortization of deferred charges on refunding	$ 509,349
Recognition of accreted interest	$ 4,367,934

	Retiree OPEB Trust	STRS/PERS Trust	Other Trusts
Assets			
Cash and cash equivalents	$ -	$ -	$ 402,206
Investments	13,497,359	5,637,534	13,694
Accounts receivable	-	-	59,522
Due from primary government	-	-	10,490
Total assets	13,497,359	5,637,534	485,912
Liabilities			
Accounts payable	-	-	3,773
Due to primary government	-	-	16,329
Due to student groups	-	-	31,095
Total liabilities	-	-	51,197
Net Position			
Restricted for postemployment benefits other than pensions	13,497,359	-	-
Restricted for pension contributions	-	5,637,534	-
Unrestricted	-	-	434,715
Total net position	$ 13,497,359	$ 5,637,534	$ 434,715

	Retiree OPEB Trust	STRS/PERS Trust	Other Trusts
Additions			
Interest and investment income	$ 620,725	$ 340,754	$ -
District contributions	1,299,453	-	-
Local revenues	-	-	318,967
Total additions	1,920,178	340,754	318,967
Deductions			
Benefit payments	1,699,453	-	-
Services and operating expenditures	-	-	258,849
Administrative expenses	98,917	13,556	-
Transfers to primary government	-	-	96,233
Total deductions	1,798,370	13,556	355,082
Change in Net Position	121,808	327,198	(36,115)
Net Position, Beginning of Year	13,375,551	5,310,336	470,830
Net Position, End of Year	$ 13,497,359	$ 5,637,534	$ 434,715

Note 1 - Organization

Victor Valley Community College District (the District) was established in 1961 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Funds, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operated one community college located in Victorville, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provision of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the District has considered all potential component units and no component units were identified.

Basis of Accounting - Measurement Focus and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstore and cafeteria.

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

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

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

Inventories

Inventories consist 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 rather than when purchased.

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long- Term Liabilities

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

Compensated Absences

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Unearned Revenue

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The entity-wide financial statements report $21,298,740 of restricted net position and the fiduciary funds financial statements report $19,134,893 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

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

- *Nonoperating revenues* include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

Interfund Activity

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

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:
- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The District has already implemented these standards as of June 30, 2020.

New Accounting Pronouncements

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

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

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

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

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment Benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District’s financial statements have not yet been determined.

Note 3 - Deposits and Investments

Policies and Practices

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

Investment in County Treasury – In accordance with the *Budget and Accounting Manual,* the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, consist of the following:

Primary government	$ 90,515,584
Fiduciary funds	19,550,793
Total deposits and investments	$ 110,066,377

Cash on hand and in banks	$ 3,985,654
Cash in revolving	125,250
Investments	105,955,473
Total deposits and investments	$ 110,066,377

Interest Rate Risk

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

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

Investment Type	Reported Amount	Weighted Average Days to Maturity
San Bernardino County Investment Pool	$ 69,681,439	553
Guaranteed Investment Contract (GIC)	17,139,141	N/A
Mutual Funds	19,134,893	N/A
	$ 105,955,473	

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 AAAf/S1 by Fitch Ratings. The District's other investment instruments are not required to be rated, nor have they been rated as of June 30, 2020.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are the Guaranteed Investment Contract (GIC) with American General Life Insurance Company which represents 16 percent.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public 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, 2020, the District's bank balance was fully insured.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2020, the District's investment balance of $36,274,034 was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

Uncategorized - Investments in the Guaranteed Investment Contract (GIC) are not measured using the input levels above because investments in nonparticipating interest-earning investment contracts are excluded from measurement at fair value.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Fair Value	Level 1	Uncategorized
Guaranteed Investment Contract (GIC)	$ 17,139,141	$ -	$ 17,139,141
Mutual Funds	19,134,893	19,134,893	-
	$ 36,274,034	$ 19,134,893	$ 17,139,141

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

Note 5 - Accounts Receivable

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

The accounts receivable at June 30, 2020 are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 2,392,331	$ -
State Government		
Apportionment	2,213,734	-
Categorical aid	279,347	-
Lottery	418,157	-
Local Sources		
Interest	121,979	-
Property taxes	514,155	-
Other local sources	430,331	59,522
Total	$ 6,370,034	$ 59,522
Student receivables	$ 648,881	$ -

Note 6 - Capital Assets

Capital asset activity for the District for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital assets not being depreciated				
Land	$ 11,888,758	$ -	$ -	$ 11,888,758
Construction in progress	14,718,106	10,577,841	(18,142,621)	7,153,326
Total capital assets not being depreciated	26,606,864	10,577,841	(18,142,621)	19,042,084
Capital assets being depreciated				
Land improvements	15,034,685	-	-	15,034,685
Buildings and improvements	147,844,340	18,153,816	-	165,998,156
Furniture and equipment	15,038,554	122,766	-	15,161,320
Total capital assets being depreciated	177,917,579	18,276,582	-	196,194,161
Total capital assets	204,524,443	28,854,423	(18,142,621)	215,236,245
Less Accumulated Depreciation				
Land improvements	(8,301,546)	(589,563)	-	(8,891,109)
Buildings and improvements	(50,566,471)	(3,396,414)	-	(53,962,885)
Furniture and equipment	(13,036,149)	(416,105)	-	(13,452,254)
Total accumulated depreciation	(71,904,166)	(4,402,082)	-	(76,306,248)
Capital assets being depreciated, net	106,013,413	13,874,500	-	119,887,913
Net Capital Assets	$ 132,620,277	$ 24,452,341	$ (18,142,621)	$ 138,929,997

Depreciation expense for the year was $4,402,082.

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll and benefits	$ 3,473,710	$ -
State categorical	40,468	-
Construction	530,833	-
Vendor payables	2,556,689	3,773
Total	$ 6,601,700	$ 3,773

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government
Federal categorical	$ 8,748
State categorical	6,455,177
Student fees	349,205
Other local	3,170,012
Total	$ 9,983,142

Note 9 - Interfund Transactions

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, the amounts owed between the primary government and the fiduciary funds were $16,329 and $10,490, respectively.

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 2019-2020 fiscal year, the amount transferred to the primary government from the fiduciary funds amounted to $96,233.

Note 10 - Long-Term Liabilities Other Than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the 2019-2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
General obligation bonds	$ 164,761,692	$ 35,857,934	$ 3,435,000	$ 197,184,626	$ 2,990,000
Unamortized premium	6,884,285	3,424,917	322,127	9,987,075	-
Capital leases	4,190,904	-	495,869	3,695,035	520,557
Compensated absences	1,764,966	203,556	-	1,968,522	-
Early retirement incentive	-	3,621,790	-	3,621,790	724,358
Total	$ 177,601,847	$ 43,108,197	$ 4,252,996	$ 216,457,048	$ 4,234,915

Description of Debt

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

Measure JJ

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

2008 General Obligation Bonds, Series A

In June 2009, the District issued $54,004,963 of the Victor Valley Community College District, 2008 General Obligation Bonds, Series A. The bonds issued included $27,635,000 of current interest serial bonds, $24,440,000 of current interest term bonds, and $1,929,963 of capital appreciation bonds, with the capital appreciation bonds accreting to $5,410,000. The bonds have a final maturity to occur on August 1, 2019, with interest rates from 3.00 percent to 5.375 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District property and facilities, as well as to refund all of the Victor Valley Community College District, 1997 variable rate certificates of participation. At June 30, 2020, the principal balance outstanding was paid in full.

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, 2020, the principal balance outstanding was $67,254,626.

2016 General Obligation Refunding Bonds, Series A

During April 2016, the District issued the 2016 General Obligation Refunding Bonds, Series A, in the amount of $50,840,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic savings of $11,223,802 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.68 percent.

The bonds have a final maturity to occur on August 1, 2044, with interest rates from 2.00 to 5.00 percent. The net proceeds of $57,241,998 (representing the principal amount of $50,840,000 plus premium on issuance of $6,401,998) from the issuance were used to advance refund a portion of the District's outstanding 2008 General Obligation Bonds, Series A, advance refund a portion of the District's outstanding 2008 General Obligation Bonds, Series C, and pay the costs associated with the issuance of the Series A refunding bonds. At June 30, 2020, the principal balance outstanding was $49,920,000. Unamortized premium received on issuance of the bonds amounted to $5,441,698 as of June 30, 2020.

2016 General Obligation Refunding Bonds, Series B

During April 2016, the District issued the 2016 General Obligation Refunding Bonds, Series B, in the amount of $38,960,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic savings of $1,598,211 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.68 percent.

The bonds have a final maturity to occur on August 1, 2031, with interest rates from 0.778 to 3.498 percent. The net proceeds of $38,960,000 from the issuance were used to advance refund a portion of the District's outstanding 2008 General Obligation Bonds, Series A, and pay the costs associated with the issuance of the Series B refunding bonds. At June 30, 2020, the principal balance outstanding was $36,755,000.

2016 General Obligation Refunding Bonds, Series C

During April 2016, the District issued the 2016 General Obligation Refunding Bonds, Series C, in the amount of $11,765,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic savings of $843,376 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.68 percent.

The bonds have a final maturity to occur on August 1, 2033, with an interest rate of 4.00 percent. The net proceeds of $13,262,395 (representing the principal amount of $11,765,000 plus premium on issuance of $1,497,395) from the issuance were used to advance refund, on a crossover basis, the outstanding balance of the District's outstanding 2008 General Obligation Bonds, Series B, and pay the costs associated with the issuance of the Series C refunding bonds. At June 30, 2020, the principal balance outstanding was $11,765,000. Unamortized premium received on issuance of the bonds amounted to $1,130,245 as of June 30, 2020.

2008 General Obligation Bonds, Series D

In May 2020 the District issued $31,490,000 of the Victor Valley Community College District, 2008 General Obligation Bonds, Series D. The bonds issued included $31,490,000 of current interest serial bonds. The bonds have a final maturity to occur on August 1, 2050, with interest rates from 3.00 percent to 4.00 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District sites and facilities, and pay the costs associated with the issuance of the Series D bonds. At June 30, 2020 the principal balance outstanding was $31,490,000. Unamortized premium received on issuance of the bonds amounted to $3,415,132 as of June 30, 2020.

Debt Maturity

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Accreted Interest	Redeemed	Bonds Outstanding June 30, 2020
2009	08/01/19	3.00% - 5.375%	$ 54,004,963	$ 1,862,866	$ -	$ 107,134	$1,970,000	$ -
2009	06/01/49	3.17% - 7.20%	70,017,065	63,908,826	-	4,260,800	915,000	67,254,626
2016	08/01/44	2.00%-5.00%	50,840,000	49,920,000	-	-	-	49,920,000
2016	08/01/31	0.778% - 3.498%	38,960,000	37,305,000	-	-	550,000	36,755,000
2016	08/01/33	4.00%	11,765,000	11,765,000	-	-	-	11,765,000
2020	08/01/50	3.00% - 4.00%	31,490,000	-	31,490,000	-	-	31,490,000
				$ 164,761,692	$ 31,490,000	$ 4,367,934	$3,435,000	$ 197,184,626

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

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2021	$ 193,852	$ 11,148	$ 829,813	$ 1,034,813
2022	279,034	50,966	829,813	1,159,813
2023	344,029	110,971	829,813	1,284,813
2024	395,540	189,460	829,813	1,414,813
2025	432,295	282,705	829,813	1,544,813
2026-2030	2,924,384	2,880,616	4,149,062	9,954,062
2031-2035	10,060,649	14,960,275	4,149,062	29,169,986
2036-2040	21,908,947	20,506,650	2,074,531	44,490,128
2041-2045	14,965,179	54,147,839	-	69,113,018
2046-2049	15,750,717	91,633,084	-	107,383,801
	$ 67,254,626	$ 184,773,714	$ 14,521,720	$ 266,550,060

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 675,000	$ 2,091,925	$ 2,766,925
2022	755,000	2,056,175	2,811,175
2023	845,000	2,016,175	2,861,175
2024	935,000	1,971,675	2,906,675
2025	1,040,000	1,922,300	2,962,300
2026-2030	6,950,000	8,675,750	15,625,750
2031-2035	2,730,000	7,289,800	10,019,800
2036-2040	20,130,000	6,563,200	26,693,200
2041-2045	15,860,000	2,854,800	18,714,800
	$ 49,920,000	$ 35,441,800	$ 85,361,800

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ 2,110,000	$ 1,041,701	$ 3,151,701
2022	2,275,000	1,002,452	3,277,452
2023	2,450,000	955,098	3,405,098
2024	2,645,000	898,829	3,543,829
2025	2,845,000	831,958	3,676,958
2026-2030	17,885,000	2,722,342	20,607,342
2031-2032	6,545,000	187,580	6,732,580
	$ 36,755,000	$ 7,639,960	$ 44,394,960

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ -	$ 470,600	$ 470,600
2022	-	470,600	470,600
2023	-	470,600	470,600
2024	-	470,600	470,600
2025	-	470,600	470,600
2026-2030	-	2,353,000	2,353,000
2031-2034	11,765,000	1,065,900	12,830,900
	$ 11,765,000	$ 5,771,900	$ 17,536,900

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	$ -	$ 199,286	$ 199,286
2022	1,515,000	1,258,650	2,773,650
2023	310,000	1,198,050	1,508,050
2024	405,000	1,185,650	1,590,650
2025	-	1,169,450	1,169,450
2026-2030	225,000	5,843,450	6,068,450
2031-2035	1,075,000	5,714,250	6,789,250
2036-2040	2,070,000	5,461,850	7,531,850
2041-2045	620,000	5,131,850	5,751,850
2046-2050	715,000	5,026,800	5,741,800
2051	24,555,000	982,200	25,537,200
	$ 31,490,000	$ 33,171,486	$ 64,661,486

Capital Leases

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

	Equipment
Balance, July 1, 2019	$ 4,508,350
Payments	(572,608)
Balance, June 30, 2020	$ 3,935,742

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	$ 587,625
2022	603,092
2023	619,025
2024	635,437
2025	652,336
2026-2027	838,227
	3,935,742
Less amount representing interest	(240,707)
Present value of minimum lease payments	$ 3,695,035

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	(6,880,519)
	$ -

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

Compensated Absences

At June 30, 2020, the liability for compensated absences was $1,968,522.

Early Retirement Incentive

In June 2020, the District entered into a Supplementary Retirement Plan (SRP) to provide certain benefits to employees participating in the early retirement incentive program. The District will pay $3,621,790 on behalf of the retirees through 2025 in accordance with the following schedule:

Year Ending June 30,	
2021	$ 724,358
2022	724,358
2023	724,358
2024	724,358
2025	724,358
Total	$ 3,621,790

Note 11 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

District Plan

Plan Administration

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

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefit payments	52
Active employees	311
	363

Victor Valley Community College District Futuris Trust

The Victor Valley Community College District Futuris Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Victor Valley Community College District Retirement Board of Authority as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented.

Benefits Provided

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

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the California Teachers Association (CTA), the local California School Employees Association (CSEA), and unrepresented groups. Voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, CTA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2019, the District contributed $1,207,946 to the Plan, all of which was used for current premiums.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%
	100%

Rate of Return

For the year ended June 30, 2019, the annual money-weighed rate of return on investments, net of investment expense, was 5.12 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $846,517 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The components of the net OPEB liability of the District at June 30, 2019 were as follows:

Total OPEB liability	$ 14,222,068
Plan fiduciary net position	13,375,551
District's net OPEB liability	$ 846,517
Plan fiduciary net position as a percentage of the total OPEB liability	94.05%

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	5.85 percent
Healthcare cost trend rates	4.00 percent

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study as of June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.1%
Fixed income	5.5%
International equity	5.6%
Real estate	7.6%
Cash	1.5%

Discount Rate

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	$ 13,754,112	$ 12,819,252	$ 934,860
Service cost	770,408	-	770,408
Interest	791,571	-	791,571
Differences between expected and actual experience	(8,421)	-	(8,421)
Contributions - employer	-	1,207,946	(1,207,946)
Net investment income	-	653,984	(653,984)
Changes of assumptions	122,344		122,344
Benefit payments	(1,207,946)	(1,207,946)	-
Administrative expense	-	(97,685)	97,685
Net change in total OPEB liability	467,956	556,299	(88,343)
Balance at June 30, 2019	$ 14,222,068	$ 13,375,551	$ 846,517

There were no changes to benefit terms since the previous valuation. Changes of assumptions reflect a change in the discount rate from 6.00 percent to 5.85 percent since the previous valuation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (4.85%)	$ 1,614,262
Current discount rate (5.85%)	846,517
1% increase (6.85%)	167,132

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	$ 51,453
Current healthcare cost trend rate (4.00%)	846,517
1% increase (5.00%)	1,681,684

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

For the year ended June 30, 2019, the District recognized OPEB expense of $(310,007). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,299,453	$ -
Differences between expected and actual experience	1,148,885	-
Changes of assumptions	109,188	-
Net difference between projected and actual	-	
earnings on OPEB plan investments	-	154,907
	$ 2,557,526	$ 154,907

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 76,850
2022	76,850
2023	184,760
2024	189,277
2025	170,661
Thereafter	404,768
	$ 1,103,166

Note 12 - Risk Management

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property with coverages of $250,000,000 per occurrence, subject to various policy limits. The District also purchases commercial insurance for general liability claims with coverage up to $1 million per occurrence, all subject to various deductibles.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2020, 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 2019-2020, the District participated in the Protected Insurance Program for Schools and Colleges (PIPS) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Employee Medical Benefits

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

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of of Resources	Pension Expense
CalSTRS	$ 41,269,107	$ 14,387,302	$ 5,354,186	$ 5,819,486
CalPERS	30,887,450	9,253,407	367,996	5,505,974
Total	$ 72,156,557	$ 23,640,709	$ 5,722,182	$ 11,325,460

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were $4,985,939.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 41,269,107
State's proportionate share of net pension liability associated with the District	22,515,053
Total	$ 63,784,160

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0457 percent and 0.0451 percent, respectively, resulting in a net increase in the proportionate share of 0.0006 percent.

For the year ended June 30, 2020, the District recognized pension expense of $5,819,486. In addition, the District recognized pension expense and revenue of $3,352,977 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$4,985,939	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,077,540	2,601,571
Differences between projected and actual earnings on the pension plan investments	-	1,589,699
Differences between expected and actual experience in the measurement of the total pension liability	104,183	1,162,916
Changes of assumptions	5,219,640	-
Total	$ 14,387,302	$ 5,354,186

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (160,349)
2022	(1,262,034)
2023	(262,017)
2024	94,701
Total	$ (1,589,699)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,263,432
2022	2,009,951
2023	603,049
2024	1,548,983
2025	155,970
Thereafter	55,491
Total	$ 5,636,876

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk mitigating strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 61,453,116
Current discount rate (7.10%)	41,269,107
1% increase (8.10%)	24,532,719

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed.

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were $3,162,479.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $30,887,450. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.1060 percent and 0.1059 percent, respectively, resulting in a net increase in the proportionate share of 0.0001 percent.

For the year ended June 30, 2020, the District recognized pension expense of $5,505,974. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,162,479	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,376,921	81,509
Differences between projected and actual earnings on the pension plan investments	-	286,487
Differences between expected and actual experience in the measurement of the total pension liability	2,243,668	-
Changes of assumptions	1,470,339	-
Total	$ 9,253,407	$ 367,996

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 282,794
2022	(564,873)
2023	(85,599)
2024	81,191
Total	$ (286,487)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 3,065,792
2022	1,774,536
2023	1,062,810
2024	106,281
Total	$ 6,009,419

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 44,522,229
Current discount rate (7.15%)	30,887,450
1% increase (8.15%)	19,576,460

STRS/PERS Irrevocable Trust

During the 2015-2016 fiscal year, the District established an irrevocable trust with Public Agency Retirement Services (PARS), for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. District contribution rates for these plans are expected to rise significantly through the 2020-2021 fiscal year. Funds deposited into this trust are not considered "plan assets" for GASB 68 reporting, and therefore are not netted against the net pension liability shown on the Statement of Net Position. Instead, the activity within this trust is recorded as a fiduciary fund of the District. As of June 30, 2020, the trust balance total assets was $5,637,534.

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

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

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

Tax Deferred Annuity

The District provides a Tax Shelter Annuity Plan for all eligible employees, as defined in the Plan documents. Participants may contribute a portion of their earnings under a 403(b) plan, which has a maximum deferral limit of $18,000 if under age 50, and $20,000 if over age 50. The District will not make matching contributions to the Plan on behalf of participants. However, the District absorbs some costs associated with the administration of the Plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to $2,351,769 (10.328 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 year ended June 30, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

Note 14 - Participation in Public Entity Risk Pools and Joint Powers Authorities

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

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

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

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

Note 15 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

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, 2020.

Note 16 - Subsequent Events

Subsequent to year end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information
June 30, 2020

Victor Valley Community College District

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 770,408	$ 791,576	$ 635,656
Interest	791,571	703,163	679,336
Differences between expected and actual experience	(8,421)	1,473,222	-
Changes of assumptions	122,344	-	-
Benefit payments	(1,207,946)	(1,074,880)	(916,799)
Net changes in total OPEB liability	467,956	1,893,081	398,193
Total OPEB Liability - beginning	13,754,112	11,861,031	11,462,838
Total OPEB Liability - ending (a)	$ 14,222,068	$ 13,754,112	$ 11,861,031
Plan fiduciary net position			
Contributions - employer	$ 1,207,946	$ 1,074,880	$ 1,424,926
Net investment income	653,984	749,679	1,185,907
Benefit payments	(1,207,946)	(1,074,880)	(916,799)
Administrative expense	(97,685)	(97,163)	(91,701)
Net change in plan fiduciary net position	556,299	652,516	1,602,333
Plan fiduciary net position - beginning	12,819,252	12,166,736	10,564,403
Plan fiduciary net position - ending (b)	$ 13,375,551	$ 12,819,252	$ 12,166,736
District's net OPEB liability/(asset) - ending (a) - (b)	$ 846,517	$ 934,860	$ (305,705)
Plan fiduciary net position as a percentage of the total OPEB liability	94.05%	93.20%	102.58%
Covered payroll	$ 43,721,353	$ 40,991,291	$ 38,155,231
District's net OPEB liability/(asset) as a percentage of covered payroll	1.94%	2.28%	0.80%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

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

CalSTRS	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0457%	0.0451%	0.0441%	0.0436%	0.0518%	0.0422%
District's proportionate share of the net pension liability	$ 41,269,107	$ 41,421,042	$ 40,805,853	$ 35,228,243	$ 34,850,800	$ 24,659,591
State's proportionate share of the net pension liability associated with the District	22,515,053	23,715,484	24,140,398	20,054,810	18,432,232	14,890,525
Total	$ 63,784,160	$ 65,136,526	$ 64,946,251	$ 55,283,053	$ 53,283,032	$ 39,550,116
District's covered payroll	$ 28,970,534	$ 27,005,315	$ 24,923,736	$ 23,587,493	$ 26,023,288	$ 21,103,504
District's proportionate share of the net pension liability as a percentage of its covered payroll	142.45%	153.38%	163.72%	149.35%	133.92%	116.85%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measure Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

CalPERS	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.1060%	0.1059%	0.1038%	0.1058%	0.1201%	0.1225%
District's proportionate share of the net pension liability	$ 30,887,450	$ 28,240,613	$ 24,774,264	$ 20,891,295	$ 17,706,927	$ 13,903,284
District's covered payroll	$ 14,750,819	$ 13,985,976	$ 13,231,495	$ 13,273,327	$ 13,838,552	$ 12,939,488
District's proportionate share of the net pension liability as a percentage of its covered payroll	209.39%	201.92%	187.24%	157.39%	127.95%	107.45%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measure Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

CalSTRS	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 4,985,939	$ 4,716,403	$ 3,896,867	$ 3,135,406	$ 2,530,938	$ 2,310,868
Contributions in relation to the contractually required contribution	4,985,939	4,716,403	3,896,867	3,135,406	2,530,938	2,310,868
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 29,157,538	$ 28,970,534	$ 27,005,315	$ 24,923,736	$ 23,587,493	$ 26,023,288
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 3,162,479	$ 2,664,293	$ 2,172,162	$ 1,837,590	$ 1,572,491	$ 1,628,936
Contributions in relation to the contractually required contribution	3,162,479	2,664,293	2,172,162	1,837,590	1,572,491	1,628,936
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 16,036,099	$ 14,750,819	$ 13,985,976	$ 13,231,495	$ 13,273,327	$ 13,838,552
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

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

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

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuation.

Changes of Assumptions - The discount rate changed from 6.00 percent to 5.85 percent since the previous valuation.

Schedule of OPEB Investment Returns

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

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

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

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions since the previous valuations for both CalSTRS and CalPERS.

Schedule of District Contributions for Pensions

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

Supplementary Information
June 30, 2020

Victor Valley Community College District

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

Board of Trustees

Member	Office	Term Expires
Joseph W. Brady	President	December 2020
John Pinkerton	Vice President	December 2020
Brandon Wood	Clerk	December 2020
Jennifer Tarpley	Member	December 2022
Dennis Henderson	Member	December 2022

Administration

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

Auxiliary Organizations in Good Standing

Victor Valley Community College District Foundation, established July 9, 1975
Master Agreement revised June 5, 2018
Kristen Acosta, Interim Executive Director

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Agency or Pass-Through Number	Total Federal Expenditures
U.S. Department of the Interior			
Plant Conservation and Restoration Management	15.245		$ 25,769
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program (PELL)	84.063		24,964,855
PELL Administrative Allowance	84.063		37,475
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		223,900
FSEOG Administrative Allowance	84.007		18,276
Federal Work-Study Program (FWS)	84.033		514,130
FWS Administrative Allowance	84.033		25,133
Subtotal Student Financial Assistance Cluster			25,783,769
TRIO Cluster			
TRIO-Upward Bound	84.047A		260,994
Subtotal TRIO Cluster			260,994
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		2,112,300
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F		1,690,939
Subtotal			3,803,239
Passed through California Department of Education			
Adult Education: Adult Basic Education & ELA	84.002A	14508	45,720
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education, Title I-C	84.048A	19-C01-066	425,185
CTE Transitions	84.048A	19-C01-066	26,191
Subtotal			451,376
Total U.S. Department of Education			30,345,098
U.S. Department of Veterans Affairs			
Veterans Educational Assistance	64.028		2,875
U.S. Department of Health and Human Services			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	119,977
Total Expenditures of Federal Programs			$ 30,493,719

[1] -Pass-through Number is unavailable

Program	Program Entitlements Current Year	Prior Year Carryover	Total Entitlement
AB104 Adult Education Consortium	$ 2,228,917	$ 365,089	$ 2,594,006
Apprenticeship Initiative	670,858	-	670,858
CA College Promise Program	400,582	-	400,582
Cal Grant - Student Aid	4,368,711	(162,953)	4,205,758
CalWORKs	756,561	-	756,561
Campus Safety & Sexual Assault	-	20,635	20,635
CARE	328,112	-	328,112
Child Development: California State Preschool Program	170,487	-	170,487
Classified Professional Development	-	35,342	35,342
Disabled Students Program And Services	805,114	2,102	807,216
DSN - Advance Technology	200,000	-	200,000
DSN Business - Key Talent	200,000	62,026	262,026
Extended Opportunity Program and Services	1,357,423	-	1,357,423
Financial Aid Technology	50,396	138,140	188,536
Full-Time Student Success Grant	2,047,102	-	2,047,102
Guided Pathways	371,845	706,328	1,078,173
Homeless Housing- Rapid Rehousing	700,000	-	700,000
Hunger Free Campus AB214	31,397	83,765	115,162
Mental Health Support	-	77,267	77,267
NEXTUP/CAFYES	1,722,676	-	1,722,676
Nursing Enrollment Growth & Retention	205,481	-	205,481
Physical Plant/Instructional Support/Library Materials	117,463	246,674	364,137
Pre-Apprenticeship Grant	191,906	-	191,906
PT Faculty Compensation	248,970	-	248,970
Re-Entry - Incarcerated	113,636	-	113,636
Song-Brown Nursing Grant #4	-	12,757	12,757
SSSP - SEA	2,312,221	262,941	2,575,162
Staff Diversity	50,000	32,670	82,670
Strong Workforce - Local Round 4	1,250,237	-	1,250,237
Strong Workforce - CTE - Local	-	2,089,712	2,089,712
Strong Workforce - CTE - Regional 4	781,655	-	781,655
Strong Workforce - Regional Round 3	-	303,023	303,023
Strong Workforce - Regional Round II	-	180,810	180,810
Student Equity - SEA	1,568,717	436,508	2,005,225
Student Financial Aid Administrative Allowance	502,804	-	502,804
SWP Regional Proj Coord Support	25,000	-	25,000
TANF/Child Development Careers Program	7,844	-	7,844
Veterans Resource Center	117,376	54,039	171,415
Veterans Resource Center 2	-	89,187	89,187
Total State Programs	$ 24,131,491	$ 5,036,062	$ 29,167,553

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
$ 2,594,006	$ -	$ -	$ 406,599	$ 2,187,407	$ 2,187,407
255,734	-	-	108,735	146,999	146,999
400,582	-	-	354,904	45,678	45,678
4,205,758	-	-	-	4,205,758	3,224,228
756,561	-	-	12,818	743,743	743,743
20,635	-	-	-	20,635	20,635
328,112	-	-	176,472	151,640	151,640
170,487	-	-	-	170,487	170,487
35,342	-	-	35,342	-	-
807,216	-	-	-	807,216	807,216
160,000	-	-	60,738	99,262	99,262
222,026	-	-	19,242	202,784	202,784
1,357,423	-	-	305,326	1,052,097	1,052,097
188,536	-	-	81,273	107,263	107,263
1,943,496	-	-	-	1,943,496	1,943,496
1,078,173	-	-	589,101	489,072	489,072
700,000	-	-	690,998	9,002	9,002
115,162	-	-	28,808	86,354	86,354
77,267	-	-	76,513	754	754
1,722,676	-	-	99,577	1,623,099	1,623,099
205,481	-	40,468	-	165,013	165,013
346,245	-	-	208,799	137,446	137,446
72,483	119,423	-	-	191,906	191,906
248,970	-	-	-	248,970	248,970
45,455	-	-	20,514	24,941	24,941
12,757	-	-	12,588	169	169
2,575,162	-	-	623,957	1,951,205	1,951,205
82,670	-	-	66,195	16,475	16,475
1,250,237	-	-	1,215,736	34,501	34,501
2,089,712	-	-	765,852	1,323,860	1,323,860
266,175	58,905	-	49,545	275,535	275,535
37,316	31,080	-	-	68,396	68,396
123,148	-	-	-	123,148	123,148
2,005,225	-	-	321,576	1,683,649	1,683,649
502,804	-	-	27,616	475,188	475,188
-	10,672	-	-	10,672	10,672
3,684	-	-	3,684	-	-
171,415	-	-	92,669	78,746	78,746
29,920	59,267	-	-	89,187	89,187
$ 27,208,051	$ 279,347	$ 40,468	$ 6,455,177	$ 20,991,753	$ 20,010,223

CATEGORIES	*Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit	3.89	-	3.89
2. Credit	66.82	-	66.82
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit	-	-	-
2. Credit	771.72	-	771.72
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,559.90	-	4,559.90
(b) Daily Census Contact Hours	1,417.19	-	1,417.19
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	97.29	-	97.29
(b) Credit	495.86	-	495.86
3. Alternative Attendance Accounting Procedures Courses			
(a) Weekly Census Procedure Courses	1,445.41	-	1,445.41
(b) Daily Census Procedure Courses	777.27	-	777.27
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	9,635.35	-	9,635.35
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	48.45	-	48.45
2. Credit	61.35	-	61.35

*Annual report revised as of October 30, 2020.

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 11,733,473	$ -	$ 11,733,473	$ 11,733,473	$ -	$ 11,733,473
Other	1300	12,027,714	-	12,027,714	12,065,283	-	12,065,283
Total Instructional Salaries		23,761,187	-	23,761,187	23,798,756	-	23,798,756
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,439,012	-	4,439,012
Other	1400	-	-	-	904,808	-	904,808
Total Noninstructional Salaries		-	-	-	5,343,820	-	5,343,820
Total Academic Salaries		23,761,187	-	23,761,187	29,142,576	-	29,142,576
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	10,982,276	-	10,982,276
Other	2300	-	-	-	398,387	-	398,387
Total Noninstructional Salaries		-	-	-	11,380,663	-	11,380,663
Instructional Aides							
Regular Status	2200	1,532,000	-	1,532,000	1,556,332	-	1,556,332
Other	2400	276,994	-	276,994	276,994	-	276,994
Total Instructional Aides		1,808,994	-	1,808,994	1,833,326	-	1,833,326
Total Classified Salaries		1,808,994	-	1,808,994	13,213,989	-	13,213,989
Employee Benefits	3000	7,551,941	-	7,551,941	19,392,657	-	19,392,657
Supplies and Material	4000	-	-	-	543,959	-	543,959
Other Operating Expenses	5000	-	-	-	6,371,544	-	6,371,544
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		33,122,122	-	33,122,122	68,664,725	-	68,664,725

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 332,903	$ -	$ 332,903	$ 332,903	$ -	$ 332,903
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	36,175	-	36,175
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	947,577	-	947,577
Objects to Exclude							
Rents and Leases	5060	-	-	-	391,703	-	391,703
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,381,044	$ -	$ 1,381,044
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		332,903	-	332,903	3,089,402	-	3,089,402
Total for ECS 84362, 50 Percent Law		$ 32,789,219	$ -	$ 32,789,219	$ 65,575,323	$ -	$ 65,575,323
Percent of CEE (Instructional Salary Cost/Total CEE)		50.00%		50.00%	100.00%		100.00%
50% of Current Expense of Education					$ 32,787,662		$ 32,787,662

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2020.

Activity Classification	Object Code			Unrestricted	
EPA Revenue:	8630				$ 4,877,135
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 4,877,135	$ -	$ -	$ 4,877,135
Total Expenditures for EPA		$ 4,877,135	$ -	$ -	$ 4,877,135
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance and retained earnings		
General fund	$ 7,085,803	
Special revenue funds	17,577,436	
Capital project funds	42,293,853	
Debt service funds	10,698,573	
Enterprise funds	2,658,477	
Internal service funds	751,038	
Student financial aid fund	1,141,237	
Total fund balance and retained earnings		$ 82,206,417
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Capital assets	215,236,245	
Less accumulated depreciation	(76,306,248)	
Net Capital Assets		138,929,997
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(1,944,950)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year end consist of:		
Deferred charges on refunding	12,266,809	
Deferred outflows of resources related to pensions	23,640,709	
Deferred outflows of resources related to OPEB	2,557,526	
Total Deferred Outflows of Resources		38,465,044
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the District's funds. Deferred inflows of resources at year-end consist of:		
Deferred inflows of resources related to pensions	(5,722,182)	
Deferred inflows of resources related to OPEB	(154,907)	
Total Deferred Inflows of Resources		(5,877,089)
Aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(846,517)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(72,156,557)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable, including premium	$ (171,833,835)	
Capital leases payable	(3,695,035)	
Compensated absences	(1,968,522)	
Early retirement incentive	(3,621,790)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	(35,337,866)	
Total long-term liabilities		$ (216,457,048)
Total Net Position (deficit)		$ (37,680,703)

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations as of June 30, 2020.

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

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

Description	CFDA Number	Amount
Total federal revenues from statement of revenues, expenses, and changes in net position:		$ 30,498,084
Federal Pell Grant Program (PELL)	84.063	(4,365)
Total Expenditures of Federal Awards		$ 30,493,719

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 Community Colleges Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

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

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

Independent Auditor's Report
June 30, 2020

Victor Valley Community College District

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

Board of Trustees
Victor Valley Community College District
Victorville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Victor Valley Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Eide Bailly LLP

Rancho Cucamonga, California
February 26, 2021

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

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on Compliance for Each Major Federal Program
We have audited Victor Valley Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2020. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2020.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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

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

Eide Bailly LLP

Rancho Cucamonga, California
February 26, 2021

Independent Auditor's Report on State Compliance

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on State Compliance
We have audited Victor Valley Community College District's (the District) compliance with the types of compliance requirements described in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Section 411	SCFF Data Management Control Environment
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund

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Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

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

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

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

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

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

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 26, 2021

Schedule of Findings and Questioned Costs
June 30, 2020

Victor Valley Community College District

Financial Statements

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

Federal Awards

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

Identification of major Federal programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F

Dollar threshold used to distinguish between Type A and Type B programs:	$ 914,812
Auditee qualified as low-risk auditee	Yes

State Awards

Type of auditor's report issued on compliance for State programs:	Unmodified

None reported.

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

2020-001 Reporting

Direct Programs – U.S. Department of Education
CFDA# 84.425E
COVID-19 - Higher Education Emergency Relief Funds – Student Portion

Criteria or Specific Requirement

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

Condition

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

Cause

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

Effect

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

Questioned Costs

None reported

Context

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

Repeat Finding from Prior Year

No

Recommendation

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

View of Responsible Officials and Corrective Action Plan

The following (bolded) is added to current website information:

You do not have to be receiving financial aid in order to apply. These funds are available for any currently registered student who has a need.

Funds will be prioritized to students who are registered, making progress toward a goal, and complete an application. Awards are made based on the number of units in which a student is enrolled.

> ***12+ units = $500; 9 – 11 units = $400; 3 – 8 units = $300***
> ***Course materials and supplies = up to $300***
> ***Maximum per student: $500 per month, $1000 per semester***

The college is committed to providing financial grants as long as funding is available.

Additionally, student communication includes this information.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Award Findings

2019-001 Finding

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

Criteria or Specific Requirement

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

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

Condition

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

Questioned Costs

No questioned costs.

Context

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

Effect

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

Cause

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

Repeat Finding: No

Recommendation

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

Current Status

Implemented

State Compliance Findings

None reported.