

**VICTOR VALLEY  
COMMUNITY COLLEGE DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2018**

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2018

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Victor Valley Community College District  
Victorville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Victor Valley Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2017-2018 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Varnish, Tunc, Day & Lo, LLP". The signature is cursive and somewhat stylized, with "Varnish" and "Tunc" on the first line, "Day" on the second line, and "& Lo, LLP" on the third line.

Rancho Cucamonga, California

December 6, 2018



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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, 2018. 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, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

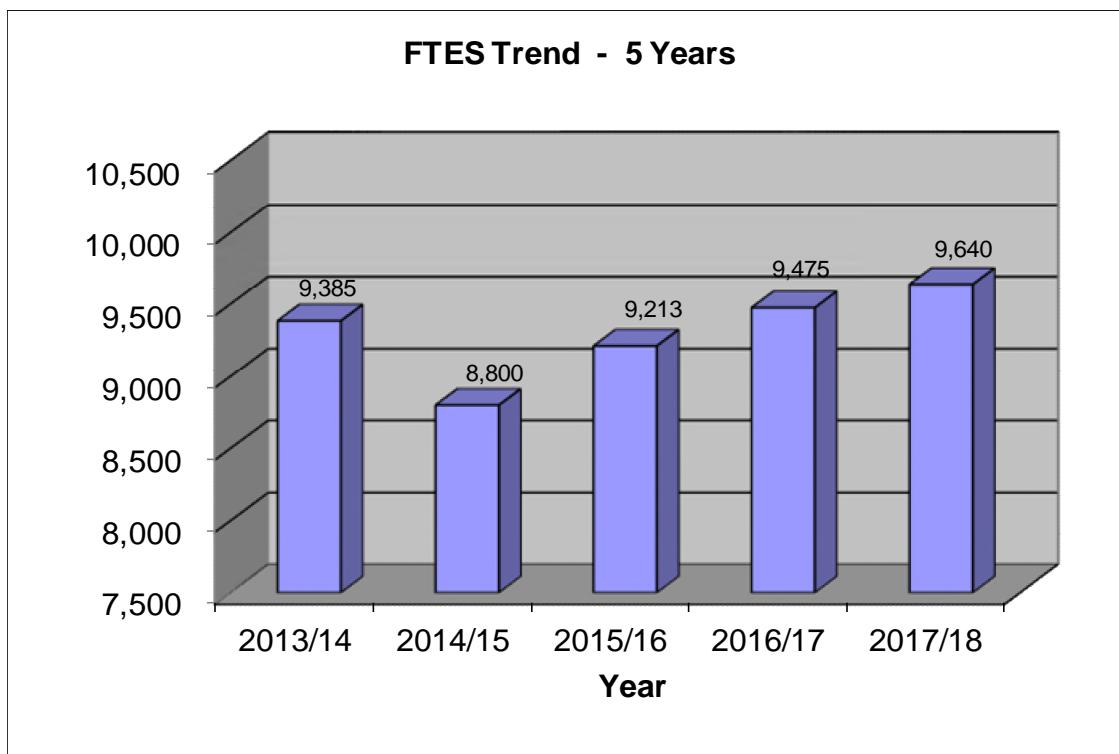
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### ***FINANCIAL HIGHLIGHTS***

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

The District revenue increase, reflected on page 10, from prior year is due to the increase in local property tax revenue and increase in enrollment. The college maintained its basic allocation as a mid-size college. The total funded workload (as of the 2017-2018 Advance Principal Apportionment Report) was 9,621, comprised of a base FTES of 9,476 and growth FTES of 145. The District met its funded growth.

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



# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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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 \$117,234.

	2018	2017	Change
Property tax revenue	\$ 10,705,081	\$ 10,516,955	\$ 188,126
Tuition and fees	3,353,937	3,452,149	(98,212)
Apportionment	41,312,114	41,284,794	27,320
<b>Total</b>	<b>\$ 55,371,132</b>	<b>\$ 55,253,898</b>	<b>\$ 117,234</b>

### ***SELECTED HIGHLIGHTS***

During fiscal year 2017-2018, total FTES increased by one percent. At June 30, 2018, the value of the District's Other Postemployment Benefits (OPEB) irrevocable Future trust was \$12.8 million, and the District's GASB Statement No. 75 OPEB liability is 103 percent funded according to the District's most recent actuarial valuation report.

### **Statement of Net Position**

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

	(as restated)		
	2018	2017	Change
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 40,596,051	\$ 45,705,577	\$ (5,109,526)
Accounts receivable	3,279,328	2,528,907	750,421
Other current assets	954,100	933,642	20,458
Total Current Assets	<u>44,829,479</u>	<u>49,168,126</u>	<u>(4,338,647)</u>
Noncurrent Assets			
Investments	29,315,168	29,342,882	(27,714)
Net OPEB asset/(liability)	305,705	(898,435)	1,204,140
Capital assets, net	130,354,535	132,498,446	(2,143,911)
Total Noncurrent Assets	<u>159,975,408</u>	<u>160,942,893</u>	<u>(967,485)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	13,285,507	13,794,855	(509,348)
Deferred outflows of resources related to pensions and OPEB	24,571,584	16,890,594	7,680,990
Total Assets and Deferred Outflows	<u>\$ 242,661,978</u>	<u>\$ 240,796,468</u>	<u>\$ 1,865,510</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 15,483,033	\$ 19,443,961	\$ (3,960,928)
Current portion of long-term obligations	3,622,080	3,329,159	292,921
Total Current Liabilities	<u>19,105,113</u>	<u>22,773,120</u>	<u>(3,668,007)</u>
Long-Term Obligations			
Total Liabilities	238,668,265	228,391,417	10,276,848
	<u>257,773,378</u>	<u>251,164,537</u>	<u>6,608,841</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	7,823,230	8,671,569	(848,339)
<b>NET POSITION</b>			
Net investment in capital assets	5,194,577	7,144,255	(1,949,678)
Restricted	12,943,654	11,925,467	1,018,187
Unrestricted	(41,072,861)	(38,109,360)	(2,963,501)
Total Net Position	<u>(22,934,630)</u>	<u>(19,039,638)</u>	<u>(3,894,992)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 242,661,978</u>	<u>\$ 240,796,468</u>	<u>\$ 1,865,510</u>

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. The District's net position decreased from last year by \$3.9 million for the fiscal year ending June 30, 2018. 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 44 percent of the cash balance and investments is cash deposited in the San Bernardino County Treasury Pool. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and the return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash.
- Capital assets had a net balance of \$130.4 million. Depreciation expense of \$4.4 million was recognized during 2017-2018.
- Accounts payable in the amount of \$7.1 million are amounts due as of the fiscal year-end for goods and services received as of June 30, 2018. Interest payable accruals total \$1.7 million. Other current liabilities in the amount of \$10.3 million related mainly to unearned revenues and the current portion of bonds payable and lease obligations; noncurrent liabilities in the amount of \$238.7 million include noncurrent portions for compensated absences payable, general obligation bonds, lease obligations, and the aggregate net pension obligation have been recognized for the year ended June 30, 2018.
- The District currently has \$170.4 million outstanding related to the issuance of general obligation debt. Additional information regarding long-term debt is included in the Debt Administration section of this discussion and analysis.
- As of June 30, 2018, the aggregate net pension obligation was \$65.6 million. (See Note 13)

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### 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.

	2018	2017	Change
Operating Revenues			
Tuition and fees	\$ 3,353,937	\$ 3,452,149	\$ (98,212)
Grants and contracts, noncapital	19,804,122	16,262,968	3,541,154
Auxiliary sales and other revenues	3,290,464	3,859,813	(569,349)
Total Operating Revenues	<u>26,448,523</u>	<u>23,574,930</u>	<u>2,873,593</u>
Operating Expenses			
Salaries and benefits	64,776,516	58,429,207	6,347,309
Supplies and maintenance	20,567,529	19,721,445	846,084
Student financial aid	29,004,506	27,842,775	1,161,731
Depreciation	4,356,869	4,450,731	(93,862)
Total Operating Expenses	<u>118,705,420</u>	<u>110,444,158</u>	<u>8,261,262</u>
Loss on Operations	<u>(92,256,897)</u>	<u>(86,869,228)</u>	<u>(5,387,669)</u>
Nonoperating Revenues			
State apportionments	41,312,114	41,284,794	27,320
Property taxes	10,705,081	10,516,955	188,126
Other taxes	6,805,752	5,635,795	1,169,957
Student financial aid	26,640,029	25,527,151	1,112,878
Other nonoperating revenues (expenses)	862,814	(895,248)	1,758,062
Total Nonoperating Revenue	<u>86,325,790</u>	<u>82,069,447</u>	<u>4,256,343</u>
Other Revenues			
Local capital income	<u>2,036,115</u>	<u>1,948,788</u>	<u>87,327</u>
Change in Net Position	<u>\$ (3,894,992)</u>	<u>\$ (2,850,993)</u>	<u>\$ (1,043,999)</u>

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

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

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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- Tuition and fees are generated by the resident, non-resident, and foreign fees paid by the students attending Victor Valley Community College, including fees such as parking fees, community services classes, and other related fees.
- Non-capital grants and contracts are primarily those received from Federal and State sources and used in the instructional program.
- State apportionment is generated based on the workload measures reported to the State by the District. The District has experienced a one percent FTES increase in the 2017-2018 fiscal year.
- 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 \$8.3 million. The net increase is comprised of three parts:

1. Salaries and benefits increased by \$6.3 million;
2. Supplies, maintenance, and other operating expenses increased by \$0.8 million;
3. Payments to students increased by \$1.2 million.

Operating expenses are 54.6 percent related to personnel costs. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### 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.

	2018	2017	Change
Cash Provided by (Used in)			
Operating activities	\$ (90,255,891)	\$ (100,847,194)	\$ 10,591,303
Non-capital financing activities	83,440,476	101,474,578	(18,034,102)
Capital financing activities	(920,334)	(5,263,999)	4,343,665
Investing activities	2,598,509	2,643,801	(45,292)
Net Change in Cash	(5,137,240)	(1,992,814)	(3,144,426)
Cash, Beginning of Year	75,048,459	77,041,273	(1,992,814)
Cash, End of Year	<u>\$ 69,911,219</u>	<u>\$ 75,048,459</u>	<u>\$ (5,137,240)</u>

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

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

Cash flow used in operating activities decreased by \$10.6 million during fiscal year 2017-2018.

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 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 SunAmerica Annuity and Life Assurance Company.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### 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	\$ 27,482,582	\$ 9,503,594	\$ 1,952,953	\$ 630,865	\$ -	\$ -	\$ 39,569,994
Academic support	2,553,289	1,000,134	177,798	-	-	-	3,731,221
Student services	7,289,135	2,639,080	4,062,934	167,938	-	-	14,159,087
Plant operations and maintenance	2,030,379	1,112,712	3,919,184	318	-	-	7,062,593
Instructional support services	6,113,752	3,341,616	5,711,606	451,763	-	-	15,618,737
Community services and economic development	451,200	91,499	305,211	59,086	-	-	906,996
Ancillary services and auxiliary operations	818,709	348,835	2,099,495	-	-	-	3,267,039
Student Aid	-	-	-	-	29,004,506	-	29,004,506
Physical property and related acquisitions	-	-	-	1,028,378	-	4,356,869	5,385,247
Total	<u>\$ 46,739,046</u>	<u>\$ 18,037,470</u>	<u>\$ 18,229,181</u>	<u>\$ 2,338,348</u>	<u>\$ 29,004,506</u>	<u>\$ 4,356,869</u>	<u>\$ 118,705,420</u>

### 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, 2018, the District had total capital assets of \$198.0 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 \$67.6 million.

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Land and construction in progress	\$ 18,412,380	\$ 1,882,543	\$ -	\$ 20,294,923
Buildings and improvements	162,824,952	59,494	-	162,884,446
Furniture and equipment	14,500,937	260,921	-	14,761,858
Subtotal	195,738,269	2,202,958	-	197,941,227
Accumulated depreciation	(63,239,823)	(4,356,869)	-	(67,596,692)
	<u>\$ 132,498,446</u>	<u>\$ (2,153,911)</u>	<u>\$ -</u>	<u>\$ 130,344,535</u>

### Debt

At June 30, 2018, the District had \$242.3 million in total debt. The District was successful in passing a bond measure before the voters in November 2008. The general obligation bond was used in part to retire the outstanding certificates of participation debt.

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
General obligation bonds	\$ 168,912,692	\$ 4,652,727	\$ 3,192,341	\$ 170,373,078
Compensated absences	1,576,203	97,963	-	1,674,166
Capital leases	5,112,143	-	449,159	4,662,984
Net pension liability	56,119,538	9,460,579	-	65,580,117
Total Long-Term Debt	<u>\$ 231,720,576</u>	<u>\$ 14,211,269</u>	<u>\$ 3,641,500</u>	<u>\$ 242,290,345</u>
Amount due within one year				<u>\$ 3,622,080</u>

### BUDGETARY HIGHLIGHTS

At the time the 2017-2018 budget was developed, the following assumptions were made:

- The 2017-2018 State Cost of Living Allowance (COLA) increase was budgeted at 1.56 percent.
- The District budgeted for a new ongoing allocation from the State for a Base Allocation increase estimated at \$1.47 million.
- The District budgeted \$7.3 million for estimated Education Protection Account (EPA) funding.
- The District targeted an increase to 9,621 Full-Time Equivalent Students served.
- The District's budget was balanced without the need to use a portion of the 2016-2017 unrestricted ending balance funds.

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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### ***ECONOMIC FACTORS***

- The financial position of the District is closely tied to that of the State of California. The District receives over 90 percent of its combined General Fund revenues through State apportionments, local property taxes including redevelopment agency allocations, and the Education Protection Account (EPA). These sources along with student paid enrollment fees essentially make up the District's general apportionment, the main funding support for California community colleges.
- Management continues to closely monitor the State budget information and operating costs of the District and will maintain a close watch over resources to ensure financial stability and retain reserve levels required by Board Policy and the State Chancellor's Office.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2018

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### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 2,684,310
Investments - unrestricted	17,047,575
Investments - restricted	20,864,166
Accounts receivable	2,988,006
Student receivable	277,639
Due from fiduciary funds	13,683
Prepaid expenses	125,903
Inventories	828,197
<b>Total Current Assets</b>	<b>44,829,479</b>

#### Noncurrent Assets

Investments - unrestricted	29,315,168
Net other postemployment benefits (OPEB) asset	305,705
Nondepreciable capital assets	20,304,923
Depreciable capital assets, net of depreciation	110,049,612
<b>Total Noncurrent Assets</b>	<b>159,975,408</b>
<b>TOTAL ASSETS</b>	<b>204,804,887</b>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on refunding	13,285,507
Deferred outflows of resources related to pensions	23,496,704
Deferred outflows of resources related to OPEB	1,074,880
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>37,857,091</b>

### LIABILITIES

#### Current Liabilities

Accounts payable	7,136,459
Accrued interest payable	1,659,118
Due to fiduciary funds	5,560
Unearned revenue	6,681,896
Bonds payable - current portion	3,150,000
Lease obligations - current portion	472,080
<b>Total Current Liabilities</b>	<b>19,105,113</b>

#### Noncurrent Liabilities

Compensated absences payable - noncurrent portion	1,674,166
Bonds payable - noncurrent portion	160,026,452
Bond premium	7,196,626
Lease obligations - noncurrent portion	4,190,904
Aggregate net pension obligation	65,580,117
<b>Total Noncurrent Liabilities</b>	<b>238,668,265</b>
<b>TOTAL LIABILITIES</b>	<b>257,773,378</b>

### DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	7,823,230
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### NET POSITION

Net investment in capital assets	5,194,577
Restricted for:	
Debt service	6,450,968
Capital projects	5,798,846
Educational programs	327,679
Other activities	366,161
Unrestricted	(41,072,861)
<b>TOTAL NET POSITION</b>	<b>\$ (22,934,630)</b>

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2018

### OPERATING REVENUES

Student Tuition and Fees	\$ 12,294,842
Less: Scholarship discount and allowance	(8,940,905)
Net tuition and fees	<u>3,353,937</u>
Grants and Contracts, Noncapital	
Federal	1,442,570
State	16,266,386
Local	<u>2,095,166</u>
Total grants and contracts, noncapital	<u>19,804,122</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	2,686,928
Cafeteria	282,161
Other Operating Revenues	<u>321,375</u>
	<u>26,448,523</u>

### TOTAL OPERATING REVENUES

### OPERATING EXPENSES

Salaries	46,739,046
Employee benefits	18,037,470
Supplies, materials, and other operating expenses and services	18,229,181
Student financial aid	29,004,506
Equipment, maintenance, and repairs	2,338,348
Depreciation	<u>4,356,869</u>
	<u>118,705,420</u>

### TOTAL OPERATING EXPENSES

### OPERATING LOSS

### NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	41,312,114
Local property taxes, levied for general purposes	10,705,081
Taxes levied for other specific purposes	6,805,752
Federal financial aid grants, noncapital	23,662,887
State financial aid grants, noncapital	2,977,142
State taxes and other revenues	2,759,977
Investment income	2,651,095
Interest expense on capital related debt	(8,928,274)
Investment income on capital asset-related debt	19,073
Transfer from fiduciary funds	1,111,073
Other nonoperating revenue	<u>3,249,870</u>

### TOTAL NONOPERATING REVENUES (EXPENSES)

### LOSS BEFORE OTHER REVENUES

### OTHER REVENUES

Local revenues, capital	<u>2,036,115</u>
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### CHANGE IN NET POSITION

### NET POSITION, BEGINNING OF YEAR, AS RESTATED (See Note 16)

### NET POSITION, END OF YEAR

	<u>(3,894,992)</u>
	<u>(19,039,638)</u>
	<u>\$ (22,934,630)</u>

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2018

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 3,278,539
Federal, State, and local grants and contracts, noncapital	18,395,471
Payments to vendors for supplies and services	(21,370,190)
Payments to or on behalf of employees	(64,845,669)
Payments to students for scholarships and grants	(29,004,506)
Auxiliary enterprise sales and charges	<u>3,290,464</u>

#### Net Cash Flows From Operating Activities

### CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	41,699,292
Federal and State financial aid grants	26,640,029
Property taxes - non-debt related	10,705,081
State taxes and other apportionments	2,762,058
Other nonoperating	<u>1,634,016</u>

#### Net Cash Flows From Non-Capital Financing Activities

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(2,371,205)
Local revenue, capital projects	2,036,115
Deferred costs on issuance of refunding debt	509,348
Property taxes - related to capital debt	6,805,752
Proceeds from capital debt	4,652,727
Principal paid on capital debt	(3,641,500)
Interest paid on capital debt	(8,930,644)
Interest received on capital asset-related debt	<u>19,073</u>

#### Net Cash Flows From Capital Financing Activities

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	2,598,509
	<u>(5,137,240)</u>

### NET CHANGE IN CASH AND CASH EQUIVALENTS

### CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

### CASH AND CASH EQUIVALENTS, END OF YEAR

<u>\$ 69,911,219</u>
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The accompanying notes are an integral part of these financial statements.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED FOR THE YEAR ENDED JUNE 30, 2018

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

Operating Loss	<u>\$ (92,256,897)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	4,356,869
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(359,956)
Inventories	(12,881)
Prepaid expenses	(7,576)
Net OPEB asset	(1,204,140)
Accounts payable and accrued liabilities	(676,430)
Unearned revenue	(1,124,093)
Deferred outflows of resources related to pensions & OPEB	(7,680,990)
Compensated absences	97,963
Aggregate net pension obligation	9,460,579
Deferred inflows of resources related to pensions	(848,339)
Total Adjustments	<u>2,001,006</u>
<b>Net Cash Flows From Operating Activities</b>	<b><u>\$ (90,255,891)</u></b>

### CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 2,684,310
Cash in county treasury	37,911,741
SunAmerica Annuity and Life Assurance Company	29,315,168
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 69,911,219</u></b>

### NONCASH TRANSACTIONS

Board of governors fee waivers	\$ 8,940,905
On behalf payments for benefits	1,963,131
	<b><u>\$ 10,904,036</u></b>

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	Retiree OPEB Trust	STRS/PERS Trust	Other Trusts
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 461,262
Investments	12,819,252	4,957,841	10,845
Accounts receivable	-	-	62,436
Due from primary government	-	-	5,560
<b>Total Assets</b>	<b>12,819,252</b>	<b>4,957,841</b>	<b>540,103</b>
<b>LIABILITIES</b>			
Accounts payable	-	-	16,841
Due to primary government	-	-	13,683
Due to student groups	-	-	34,813
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>65,337</b>
<b>NET POSITION</b>			
Restricted for postemployment benefits other than pensions	12,819,252	-	-
Restricted for pension benefits	-	4,957,841	-
Unrestricted	-	-	474,766
<b>Total Net Position</b>	<b>\$ 12,819,252</b>	<b>\$ 4,957,841</b>	<b>\$ 474,766</b>

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

	Retiree OPEB Trust	STRS/PERS Trust	Other Trusts
<b>ADDITIONS</b>			
Interest and investment income	\$ 749,679	\$ 188,643	\$ -
District contributions	1,074,880	-	-
Local revenues	-	-	398,339
<b>Total Additions</b>	<b>1,824,559</b>	<b>188,643</b>	<b>398,339</b>
<b>DEDUCTIONS</b>			
Services and operating expenditures	-	-	284,182
Administrative expenses	97,163	13,511	-
Benefit payments	1,074,880	-	-
<b>Total Deductions</b>	<b>1,172,043</b>	<b>13,511</b>	<b>284,182</b>
<b>OTHER FINANCING USES</b>			
Transfers to primary government	-	(1,000,000)	(111,073)
<b>Change in Net Position</b>	<b>652,516</b>	<b>(824,868)</b>	<b>3,084</b>
<b>Net Position - Beginning of Year</b>	<b>12,166,736</b>	<b>5,782,709</b>	<b>471,682</b>
<b>Net Position - End of Year</b>	<b>\$ 12,819,252</b>	<b>\$ 4,957,841</b>	<b>\$ 474,766</b>

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

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2018**

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### ***NOTE 1 - ORGANIZATION***

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

### ***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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

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

### Cash and Cash Equivalents

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

### Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2018, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2018**

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### **Restricted Assets**

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

### **Accounts Receivable**

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

### **Prepaid Expenses**

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2018.

### **Inventories**

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

### **Capital Assets and Depreciation**

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

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

### **Accrued Liabilities and Long-Term Obligations**

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

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2018**

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### **Debt Premiums**

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

### **Deferred Charges on Refunding**

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items and for OPEB related items.

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

### **Pensions**

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

### **Postemployment Benefits Other Than Pensions (OPEB)**

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

### **Compensated Absences**

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

### **Unearned Revenue**

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

### **Noncurrent Liabilities**

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

### **Net Position**

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report \$12,943,654 of restricted net position.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Operating Revenues and Expenses

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

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

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

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

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

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

### State Apportionments

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

### Property Taxes

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

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

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2018**

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### **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 June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The District has implemented the provisions of this Statement as of June 30, 2018.

### New Accounting Pronouncements

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

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

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

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.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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

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

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

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

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

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 3 - DEPOSITS AND INVESTMENTS

#### Policies and Practices

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

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

#### 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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Authorized Under Debt Agreements

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

### Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2018, consist of the following:

Primary government	\$ 69,911,219
Fiduciary funds	18,249,200
	<u>\$ 88,160,419</u>
Cash on hand and in banks	\$ 3,020,322
Cash in revolving	125,250
Investments	85,014,847
	<u>\$ 88,160,419</u>

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Investment Pool and SunAmerica Annuity and Life Assurance Company (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	Fair Value	Weighted Average Days to Maturity
San Bernardino County Investment Pool	\$ 37,745,623	353
Guaranteed Investment Contract (GIC)	29,315,168	N/A
Mutual Funds	17,777,093	N/A
Total	<u>\$ 84,837,884</u>	

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Bernardino County Investment Pool was rated 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, 2018.

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2018**

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### **Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are the Guaranteed Investment Contract (GIC) with SunAmerica Annuity and Life Assurance Company which represents 35 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. 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, 2018, the District had \$1,334,487 in deposits exposed to custodial credit risk due to balances not insured by the Federal Deposit Insurance Corporation (FDIC) or a collateral contract.

### **NOTE 4 - FAIR VALUE MEASUREMENTS**

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

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

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

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

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Level 1 Inputs	Level 3 Inputs	Uncategorized
San Bernardino County Investment Pool	\$ 37,745,623	\$ -	\$ -	\$ 37,745,623
Guaranteed Investment Contract (GIC)	29,315,168	-	29,315,168	-
Mutual Funds	17,777,093	17,777,093	-	-
<b>Total</b>	<b>\$ 84,837,884</b>	<b>\$ 17,777,093</b>	<b>\$ 29,315,168</b>	<b>\$ 37,745,623</b>

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

The following table summarizes the District's Level 3 reconciliation as of June 30, 2018:

	Level 3 Inputs
Investments at Fair Value	
Balance at July 1, 2017	\$ 29,342,882
Disbursement to District	(2,300,000)
Interest and investment income	2,272,286
Balance at June 30, 2018	<b>\$ 29,315,168</b>

### NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	\$ 416,923	\$ -
State Government		
Categorical aid	303,009	-
Lottery	406,629	-
Local Sources		
Interest	109,778	-
Property taxes	465,469	-
Victor Valley College Foundation	400,000	-
Other local sources	886,198	62,436
<b>Total</b>	<b>\$ 2,988,006</b>	<b>\$ 62,436</b>
Student receivables	\$ 277,639	\$ -

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 11,883,784	\$ 4,974	\$ -	\$ 11,888,758
Construction in progress	6,528,596	1,887,569	-	8,416,165
<b>Total Capital Assets Not Being Depreciated</b>	<b>18,412,380</b>	<b>1,892,543</b>	<b>-</b>	<b>20,304,923</b>
<b>Capital Assets Being Depreciated</b>				
Land improvements	15,040,106	-	-	15,040,106
Buildings and improvements	147,784,846	59,494	-	147,844,340
Furniture and equipment	14,500,937	260,921	-	14,761,858
<b>Total Capital Assets Being Depreciated</b>	<b>177,325,889</b>	<b>320,415</b>	<b>-</b>	<b>177,646,304</b>
<b>Total Capital Assets</b>	<b>195,738,269</b>	<b>2,212,958</b>	<b>-</b>	<b>197,951,227</b>
<b>Less Accumulated Depreciation</b>				
Land improvements	7,102,351	606,464	-	7,708,815
Buildings and improvements	43,963,993	3,304,634	-	47,268,627
Furniture and equipment	12,173,479	445,771	-	12,619,250
<b>Less Accumulated Depreciation</b>	<b>63,239,823</b>	<b>4,356,869</b>	<b>-</b>	<b>67,596,692</b>
<b>Net Capital Assets</b>	<b>\$ 132,498,446</b>	<b>\$ (2,143,911)</b>	<b>\$ -</b>	<b>\$ 130,354,535</b>

Depreciation expense for the year was \$4,356,869.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll and benefits	\$ 2,716,724	\$ -
State categorical	166,491	-
Construction	307,119	-
Vendor payables	3,946,125	16,841
Total	<u>\$ 7,136,459</u>	<u>\$ 16,841</u>

### NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	Primary Government
State categorical	\$ 5,443,781
Student fees	256,632
Other local	981,483
Total	<u>\$ 6,681,896</u>

### NOTE 9 - INTERFUND TRANSACTIONS

#### Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government 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, 2018, the amounts owed between the primary government and the fiduciary funds were \$13,683 and \$5,560, respectively.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018 fiscal year, the amount transferred to the primary government from the fiduciary funds amounted to \$1,111,073.

### NOTE 10 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
<b>Bonds and Notes Payable</b>					
2008 General obligation bonds, Series A	\$ 4,562,420	\$ 445,475	\$ 1,640,000	\$ 3,367,895	\$ 1,800,000
2008 General obligation bonds, Series C	56,766,305	4,207,252	700,000	60,273,557	805,000
2016 General obligation refunding bonds, Series A	49,920,000	-	-	49,920,000	-
2016 General obligation refunding bonds, Series B	38,390,000	-	540,000	37,850,000	545,000
2016 General obligation refunding bonds, Series C	11,765,000	-	-	11,765,000	-
Premium on issuance	7,508,967	-	312,341	7,196,626	-
<b>Total Bonds Payable</b>	<b>168,912,692</b>	<b>4,652,727</b>	<b>3,192,341</b>	<b>170,373,078</b>	<b>3,150,000</b>
<b>Other Liabilities</b>					
Compensated absences	1,576,203	97,963	-	1,674,166	-
Capital leases	5,112,143	-	449,159	4,662,984	472,080
Aggregate net pension obligation	56,119,538	9,460,579	-	65,580,117	-
<b>Total Other Liabilities</b>	<b>62,807,884</b>	<b>9,558,542</b>	<b>449,159</b>	<b>71,917,267</b>	<b>472,080</b>
<b>Total Long-Term Debt</b>	<b>\$ 231,720,576</b>	<b>\$ 14,211,269</b>	<b>\$ 3,641,500</b>	<b>\$ 242,290,345</b>	<b>\$ 3,622,080</b>

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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 Unrestricted General Fund. The compensated absences and aggregate net pension obligation will be paid by the fund for which the employee worked.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds				Outstanding June 30, 2018
				Outstanding July 1, 2017	Issued	Accrued Interest	Redeemed	
2009	08/01/19	3.00% - 5.375%	\$ 54,004,963	\$ 4,562,420	\$ -	\$ 445,475	\$ 1,640,000	\$ 3,367,895
2009	06/01/49	3.17% - 7.20%	70,017,065	56,766,305	-	4,207,252	700,000	60,273,557
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	38,390,000	-	-	540,000	37,850,000
2016	08/01/33	4.00%	11,765,000	11,765,000	-	-	-	11,765,000
				<u>\$ 161,403,725</u>	<u>\$ -</u>	<u>\$ 4,652,727</u>	<u>\$ 2,880,000</u>	<u>\$ 163,176,452</u>

### 2008 General Obligation Bonds, Series A

In June 2009, the District issued \$54,004,963 of the Victor Valley Community College District, 2008 General Obligation Bonds, Series A. The bonds issued included \$27,635,000 of current interest serial bonds, \$24,440,000 of current interest term bonds, and \$1,929,963 of capital appreciation bonds, with the capital appreciation bonds accreting to \$5,410,000. The bonds have a final maturity to occur on August 1, 2019, with interest rates from 3.00 percent to 5.375 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization and equipping of certain District property and facilities, as well as to refund all of the Victor Valley Community College District, 1997 variable rate certificates of participation. At June 30, 2018, the principal balance outstanding was \$3,367,895.

### 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, 2018, the principal balance outstanding was \$60,273,557.

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2018**

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### **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, 2018, the principal balance outstanding was \$49,920,000. Unamortized premium received on issuance of the bonds amounted to \$5,893,604 as of June 30, 2018.

### **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, 2018, the principal balance outstanding was \$37,850,000.

### **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, 2018, the principal balance outstanding was \$11,765,000. Unamortized premium received on issuance of the bonds amounted to \$1,303,022 as of June 30, 2018.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

Fiscal Year	Principal (Including Accrued Interest to Date)	Accrued Interest	Total
2019	\$ 1,702,102	\$ 97,898	\$ 1,800,000
2020	1,665,793	304,207	1,970,000
Total	\$ 3,367,895	\$ 402,105	\$ 3,770,000

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

Fiscal Year	Principal (Including Accrued Interest to Date)	Accrued Interest	Current Interest to Maturity	Total
2019	\$ 761,218	\$ 43,782	\$ -	\$ 805,000
2020	773,706	141,294	414,906	1,329,906
2021	155,006	49,994	829,813	1,034,813
2022	223,119	106,881	829,813	1,159,813
2023	275,089	179,911	829,813	1,284,813
2024-2028	1,821,473	2,498,527	4,149,063	8,469,063
2029-2033	3,464,900	4,755,100	4,149,063	12,369,063
2034-2038	24,167,002	30,074,520	3,734,154	57,975,676
2039-2043	11,590,789	45,390,686	-	56,981,475
2044-2048	11,840,255	70,179,757	-	82,020,012
2049	5,201,000	40,054,331	-	45,255,331
Total	\$ 60,273,557	\$ 193,474,783	\$ 14,936,625	\$ 268,684,965

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ -	\$ 2,108,800	\$ 2,108,800
2020	-	2,108,800	2,108,800
2021	675,000	2,091,925	2,766,925
2022	755,000	2,056,175	2,811,175
2023	845,000	2,016,175	2,861,175
2024-2028	5,765,000	9,310,625	15,075,625
2029-2033	5,890,000	7,669,700	13,559,700
2034-2038	-	7,198,000	7,198,000
2039-2043	20,130,000	4,147,600	24,277,600
2044-2045	15,860,000	951,600	16,811,600
Total	<u>\$ 49,920,000</u>	<u>\$ 39,659,400</u>	<u>\$ 89,579,400</u>

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 545,000	\$ 1,069,673	\$ 1,614,673
2020	550,000	1,063,023	1,613,023
2021	2,110,000	1,041,701	3,151,701
2022	2,275,000	1,002,452	3,277,452
2023	2,450,000	955,098	3,405,098
2024-2028	15,410,000	3,711,291	19,121,291
2029-2032	14,510,000	929,418	15,439,418
Total	<u>\$ 37,850,000</u>	<u>\$ 9,772,656</u>	<u>\$ 47,622,656</u>

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ -	\$ -	\$ -
2020	-	235,300	235,300
2021	-	470,600	470,600
2022	-	470,600	470,600
2023	-	470,600	470,600
2024-2028	-	2,353,000	2,353,000
2029-2033	10,875,000	1,989,300	12,864,300
2034	890,000	17,800	907,800
Total	<u>\$ 11,765,000</u>	<u>\$ 6,007,200</u>	<u>\$ 17,772,200</u>

### Compensated Absences

At June 30, 2018, the liability for compensated absences was \$1,674,166.

### Capital Leases

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

	Equipment
Balance, July 1, 2017	\$ 5,610,251
Payments	(543,872)
Balance, June 30, 2018	<u>\$ 5,066,379</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	\$ 558,029
2020	572,608
2021	587,625
2022	603,092
2023	619,025
2024-2027	<u>2,126,000</u>
Total	<u>5,066,379</u>
Less: Amount Representing Interest	(403,395)
Present Value of Minimum Lease Payments	<u>\$ 4,662,984</u>

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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

### Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension obligation amounted to \$65,580,117. See Note 13 for additional information.

## ***NOTE 11 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET***

### **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, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	47
Active employees	<u>294</u>
	<u><u>341</u></u>

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Victor Valley Community College District Futuris Trust

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

#### *Benefits Provided*

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

#### *Contributions*

The contribution requirements of Plan members and the District are established and may be amended by the District, the California Teachers Association (CTA), the local California School Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, CTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$1,074,880 to the Plan, all of which was used for current premiums.

#### **Investment**

##### *Investment Policy*

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2017:

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *Rate of Return*

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.77 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### **Net OPEB Asset of the District**

The District's net OPEB asset of \$305,705 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2016. The components of the net OPEB asset of the District at June 30, 2017, were as follows:

Total OPEB liability	\$ 11,861,031
Plan fiduciary net position	12,166,736
District's net OPEB (asset)	<u>\$ (305,705)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>102.58%</u>

### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

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 actual assumptions used in the June 30, 2016 valuation were based on the results of an actual experience study as of June 30, 2016.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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, 2017, (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	9.3%
Fixed income	4.8%
International equity	8.8%
Real estate	8.0%
Cash	1.0%

### *Discount Rate*

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### **Changes in the Net OPEB Liability/(Asset)**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2016	\$ 11,462,838	\$ 10,564,403	\$ 898,435
Service cost	635,656	-	635,656
Interest	679,336	-	679,336
Contributions - employer	-	1,424,926	(1,424,926)
Net investment income	-	1,185,907	(1,185,907)
Benefit payments	(916,799)	(916,799)	-
Administrative expense	-	(91,701)	91,701
Net change in total OPEB liability/(asset)	398,193	1,602,333	(1,204,140)
Balance at June 30, 2017	<u>\$ 11,861,031</u>	<u>\$ 12,166,736</u>	<u>\$ (305,705)</u>

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *Sensitivity of the Net OPEB Asset to Changes in the Discount Rate*

The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset 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/(Asset)
1% decrease (5.00%)	\$ 323,604
Current discount rate (6.00%)	(305,705)
1% increase (7.00%)	(887,777)

### *Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates*

The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset 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/(Asset)
1% decrease (3.00%)	\$ (1,719,084)
Current healthcare cost trend rate (4.00%)	(305,705)
1% increase (5.00%)	1,311,849

## **OPEB Expense and Deferred Outflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,727,306. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$1,074,880.

## **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.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2018, 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 2017-2018, the District participated in the Protected Insurance Program for Schools and Colleges (PIPS) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

### Employee Medical Benefits

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

### 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, 2018, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 40,805,853	\$ 15,961,291	\$ 6,134,445	\$ 4,497,956
CalPERS	24,774,264	7,535,413	1,688,785	3,577,203
Total	<u>\$ 65,580,117</u>	<u>\$ 23,496,704</u>	<u>\$ 7,823,230</u>	<u>\$ 8,075,159</u>

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2018**

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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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

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

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

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

### 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 the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were \$3,896,867.

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

At June 30, 2018, 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	\$ 40,805,853
State's proportionate share of net pension liability associated with the District	24,140,398
<b>Total</b>	<b>\$ 64,946,251</b>

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.0441 percent and 0.0436 percent, respectively, resulting in a net increase in the proportionate share of 0.0005 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$4,497,956. In addition, the District recognized pension expense and revenue of \$2,429,963 for support provided by the State. At June 30, 2018, 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	\$ 3,896,867	\$ -
Net change in proportionate share of net pension liability	4,353,759	4,335,952
Differences between projected and actual earnings on the pension plan investments	-	1,086,773
Differences between expected and actual experience in the measurement of the total pension liability	150,904	711,720
Changes of assumptions	7,559,761	-
<b>Total</b>	<b>\$ 15,961,291</b>	<b>\$ 6,134,445</b>

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
2019	\$ (903,475)
2020	683,664
2021	98,581
2022	(965,543)
<b>Total</b>	<b>\$ (1,086,773)</b>

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,316,441
2020	1,316,441
2021	1,316,441
2022	1,316,445
2023	403,820
Thereafter	1,347,164
Total	\$ 7,016,752

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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, 2017, are summarized in the following table:

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

### **Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 59,915,947
Current discount rate (7.10%)	40,805,853
1% increase (8.10%)	25,296,717

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### 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, 2016, 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### 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, 2018, are presented above, and the total District contributions were \$2,172,162.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$24,774,264. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.1038 percent and 0.1058 percent, respectively, resulting in a net decrease in the proportionate share of 0.0020 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$3,577,203. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,172,162	\$ -
Net change in proportionate share of net pension liability	-	1,397,099
Differences between projected and actual earnings on the pension plan investments	857,020	-
Differences between expected and actual experience in the measurement of the total pension liability	887,560	-
Changes of assumptions	3,618,671	291,686
<b>Total</b>	<b>\$ 7,535,413</b>	<b>\$ 1,688,785</b>

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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
2019	\$ (23,222)
2020	988,815
2021	360,731
2022	(469,304)
Total	\$ 857,020

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions, will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 746,671
2020	895,159
2021	1,175,616
Total	\$ 2,817,446

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

### 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%)	\$ 36,450,881
Current discount rate (7.15%)	24,774,264
1% increase (8.15%)	15,087,532

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2018**

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### **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, 2018, the trust balance total assets was \$4,957,841.

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

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

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

### **Tax Deferred Annuity**

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

### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to \$1,963,131 (9.328 percent). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2018. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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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, 2018.

#### **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, 2018.

#### **Construction Commitments**

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

<b>CAPITAL PROJECT</b>	<b>Remaining Construction Commitment</b>	<b>Expected Date of Completion</b>
Signage and Wayfinding F-380	\$ 150,121	December 2018
Emergency Notification System	96,048	December 2018
Performing Arts Center New Stage	300,000	January 2019
One Stop Student Services	12,945,278	November 2019
	<b><u>\$ 13,491,447</u></b>	

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

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### **NOTE 16 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION**

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ (8,796,406)
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(10,243,232)
Net Position - Beginning, as Restated	<u><u>\$ (19,039,638)</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB ASSET AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	2018
<b>Total OPEB Liability</b>	
Service cost	\$ 635,656
Interest	679,336
Benefit payments	<u>(916,799)</u>
<b>Net changes in total OPEB liability</b>	398,193
<b>Total OPEB Liability - beginning</b>	<u>11,462,838</u>
<b>Total OPEB Liability - ending (a)</b>	<u><u>\$ 11,861,031</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 1,424,926
Net investment income	1,185,907
Benefit payments	<u>(916,799)</u>
Administrative expense	<u>(91,701)</u>
<b>Net change in plan fiduciary net position</b>	1,602,333
<b>Plan fiduciary net position - beginning</b>	<u>10,564,403</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 12,166,736</u></u>
 <b>District's net OPEB asset - ending (a) - (b)</b>	<u><u>\$ (305,705)</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	102.58%
<b>Covered-employee payroll</b>	<u>\$ 38,155,231</u>
<b>District's net OPEB asset as a percentage of covered-employee payroll</b>	<u>0.80%</u>

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

See accompanying note to required supplementary information.

## VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

### SCHEDULE OF OPEB INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2018

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

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

See accompanying note to required supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
<b>CalSTRS</b>				
District's proportion of the net pension liability	0.0441%	0.0436%	0.0518%	0.0422%
District's proportionate share of the net pension liability	\$ 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	<u>24,140,398</u>	<u>20,054,810</u>	<u>18,432,232</u>	<u>14,890,525</u>
Total	<u><u>\$ 64,946,251</u></u>	<u><u>\$ 55,283,053</u></u>	<u><u>\$ 53,283,032</u></u>	<u><u>\$ 39,550,116</u></u>
District's covered-employee payroll	\$ 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-employee payroll	163.72%	149.35%	133.92%	116.85%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
<b>CalPERS</b>				
District's proportion of the net pension liability	0.1038%	0.1058%	0.1201%	0.1225%
District's proportionate share of the net pension liability	\$ 24,774,264	\$ 20,891,295	\$ 17,706,927	\$ 13,903,284
District's covered-employee payroll	<u>\$ 13,231,495</u>	<u>\$ 13,273,327</u>	<u>\$ 13,838,552</u>	<u>\$ 12,939,488</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.24%	157.39%	127.95%	107.45%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

See accompanying note to required supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
<b>CalSTRS</b>				
Contractually required contribution	\$ 3,896,867	\$ 3,135,406	\$ 2,530,938	\$ 2,310,868
Contributions in relation to the contractually required contribution	<u>3,896,867</u>	<u>3,135,406</u>	<u>2,530,938</u>	<u>2,310,868</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered-employee payroll	<u>\$ 27,005,315</u>	<u>\$ 24,923,736</u>	<u>\$ 23,587,493</u>	<u>\$ 26,023,288</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
 <b>CalPERS</b>				
Contractually required contribution	\$ 2,172,162	\$ 1,837,590	\$ 1,572,491	\$ 1,628,936
Contributions in relation to the contractually required contribution	<u>2,172,162</u>	<u>1,837,590</u>	<u>1,572,491</u>	<u>1,628,936</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered-employee payroll	<u>\$ 13,985,976</u>	<u>\$ 13,231,495</u>	<u>\$ 13,273,327</u>	<u>\$ 13,838,552</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

See accompanying note to required supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Changes in the District's Net OPEB Asset and Related Ratios**

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

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

*Changes of Assumptions* - There were no changes of assumptions since the previous valuation.

#### **Schedule of OPEB Investment Returns**

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

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

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

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

*Changes of Assumptions* - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

#### **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.

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***SUPPLEMENTARY INFORMATION***

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# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **DISTRICT ORGANIZATION**

**JUNE 30, 2018**

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

### **BOARD OF TRUSTEES**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Marianne Tortorici	President	December 2018
Dennis Henderson	Vice President	December 2018
Joseph W. Brady	Clerk	December 2020
John Pinkerton	Member	December 2020
Brandon Wood	Member	December 2018

### **ADMINISTRATION**

Roger W. Wagner	Superintendent/President
Peter Maphumulo	Executive Vice President, Instruction and Student Services
Tracey L. Richardson	Vice President, Administrative Services
Dr. Karen Engelsen	Vice President, Student Services
Raymond Quan	Director of Human Resources
Kevin Leahy	Chief Information Officer, Information Technology Services

See accompanying notes to supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
<b>BUREAU OF LAND MANAGEMENT</b>			
Fish, Wildlife and Plant Conservation Resource Management	15.231		\$ 35,445
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through Chaffey Community College District			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	15C215	<u>51,312</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Cluster			
Federal Pell Grant Program (PELL)	84.063		23,323,523
PELL Administrative Allowance	84.063		35,235
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		285,600
FSEOG Administrative Allowance	84.007		16,052
Federal Work-Study Program (FWS)	84.033		397,488
FWS Administrative Allowance	84.033		<u>18,500</u>
Total Student Financial Assistance Cluster			<u>24,076,398</u>
Upward Bound	84.047A		269,598
Passed through California Department of Education			
Adult Education: Adult Basic Education & Family Literacy Act	84.002A	14508	44,937
Passed through California Community Colleges			
Chancellor's Office			
Career and Technical Education, Title I-C	84.048	17-C01-066	412,301
CTE Transitions	84.048A	17-C01-066	<u>40,990</u>
<b>Total U.S. Department of Education</b>			<u>24,844,224</u>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
Veterans Educational Assistance	64.028		<u>1,607</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Community Colleges			
Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	119,105
<b>Total Expenditures of Federal Programs</b>			<u>\$ 25,051,693</u>

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

See accompanying notes to supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Program	Program Entitlements		
	Current Year	Prior Year Carryover	Total Entitlement
AB104 Adult Education Consortium	\$ 2,069,315	\$ 471,571	\$ 2,540,886
AEBG Data and Accountability	-	234,297	234,297
Alt and Renew Fuel/Auto Tech (ATRE)	-	15,787	15,787
Basic Skills	385,649	68,873	454,522
Cal Grant - Student Aid	1,686,273	-	1,686,273
Calworks	687,926	-	687,926
Campus Safety and Sexual Assault	21,335	-	21,335
CARE	316,493	-	316,493
Child Development-State Pre-school	157,220	-	157,220
Community College Completion Grant	243,000	-	243,000
CTE Data Unlocked	-	41,727	41,727
DACA Non Res Dreamer Emergency Aid	37,826	-	37,826
Deputy Sector Navigator - ED Workforce Development	235,000	-	235,000
Deputy Sector Navigator - CTE	-	82,761	82,761
Deputy Sector Navigator - Healthcare Workforce Initiative	10,000	-	10,000
Disabled Students Program And Services	604,468	-	604,468
Extended Opportunity Program and Services	1,172,988	-	1,172,988
FT Faculty Compensation	248,093	-	248,093
Full-Time Student Success Grant	762,500	148,100	910,600
Guided Pathways	371,845	-	371,845
Hunger Free Campus AB214	20,138	-	20,138
Innovation and Effectiveness	200,000	-	200,000
Nursing Enrollment Growth & Retention	154,000	-	154,000
Nursing Assessment, Remediation & Retention	57,000	-	57,000
Physical Plant/Instructional Support/Library Materials	583,358	965,743	1,549,101
Pre-Apprenticeship Grant	443,490	-	443,490
Prop 39 Energy Project	325,352	-	325,352
RAMP UP - CCPT	-	1,372,392	1,372,392
Song-Brown Nursing Grant #4	-	15,837	15,837
Staff Diversity	50,000	-	50,000
Strong Workforce - Alt Vehicle	4,000	-	4,000
Strong Workforce - CTE - Local	1,381,800	1,146,575	2,528,375
Strong Workforce - CTE - Regional	179,344	135,187	314,531
Strong Workforce - Regional Round II	505,262	-	505,262

See accompanying notes to supplementary information.

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**Program Revenues**

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Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 2,540,886	\$ -	\$ -	\$ 296,587	\$ 2,244,299	\$ 2,244,299
234,297	-	-	224,690	9,607	9,607
-	15,787	-	-	15,787	15,787
454,522	-	-	338,712	115,810	115,810
1,726,378	-	(40,105)	-	1,686,273	1,686,273
687,926	-	(124,377)	-	563,549	563,549
21,335	-	-	21,335	-	-
316,493	-	-	-	316,493	316,493
157,220	-	-	-	157,220	157,220
241,882	1,118	-	44,250	198,750	198,750
41,727	-	-	-	41,727	41,727
37,826	-	-	662	37,164	37,164
120,000	73,307	-	-	193,307	193,307
-	82,761	-	-	82,761	82,761
10,000	-	-	-	10,000	10,000
604,468	-	-	-	604,468	604,468
1,172,988	-	(2,009)	-	1,170,979	1,170,979
248,093	-	-	-	248,093	248,093
910,600	-	-	25,500	885,100	885,100
371,845	-	-	371,833	12	12
20,138	-	-	17,006	3,132	3,132
200,000	-	-	10,945	189,055	189,055
97,255	30,118	-	-	127,373	127,373
38,300	11,619	-	-	49,919	49,919
1,549,101	-	-	327,601	1,221,500	1,221,500
177,396	-	-	177,129	267	267
325,352	-	-	-	325,352	325,352
1,372,392	-	-	-	1,372,392	1,372,392
15,837	-	-	12,814	3,023	3,023
50,000	-	-	18,676	31,324	31,324
4,000	-	-	-	4,000	4,000
2,528,375	-	-	1,418,576	1,109,799	1,109,799
116,580	88,299	-	-	204,879	204,879
106,940	-	-	87,517	19,423	19,423

**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

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Program	Program Entitlements		
	Current Year	Prior Year Carryover	Total Entitlement
Student Equity	\$ 1,532,150	\$ 279,326	\$ 1,811,476
Student Financial Aid Administrative Allowance	494,589	-	494,589
Student Success, Credit	1,933,697	1,399,011	3,332,708
Student Success, Noncredit	14,628	-	14,628
Successful Advance in Math(Basic Skills Transitions)	472,535	147,388	619,923
TANF/Child Development Careers Program	-	3,684	3,684
Veterans Resource Center	58,898	-	58,898
<b>Total State Programs</b>			

See accompanying notes to supplementary information.

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**Program Revenues**

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Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 1,811,476	\$ -	\$ -	\$ 239,845	\$ 1,571,631	\$ 1,571,631
494,589	-	-	-	494,589	494,589
3,332,708	-	-	1,358,690	1,974,018	1,974,018
14,628	-	-	-	14,628	14,628
790,024	-	-	388,831	401,193	401,193
3,684	-	-	3,684	-	-
58,898	-	-	58,898	-	-
<b>\$ 23,006,159</b>	<b>\$ 303,009</b>	<b>\$ (166,491)</b>	<b>\$ 5,443,781</b>	<b>\$ 17,698,896</b>	<b>\$ 17,698,896</b>

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# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

CATEGORIES	*Revised Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession</b>			
1. Noncredit	5.25	-	5.25
2. Credit	262.35	-	262.35
<b>B. Summer Intersession</b>			
1. Noncredit	-	-	-
2. Credit	729.29	-	729.29
<b>C. Primary Terms</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,007.73	-	5,007.73
(b) Daily Census Contact Hours	1,123.60	-	1,123.60
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	73.87	-	73.87
(b) Credit	442.51	-	442.51
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,277.93	-	1,277.93
(b) Daily Census Contact Hours	717.79	-	717.79
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>9,640.32</u>	<u>-</u>	<u>9,640.32</u>
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>H. Basic Skills courses and Immigrant Education (FTES)</b>			
1. Noncredit	47.43	-	47.43
2. Credit	1,571.87	-	1,571.87

\*Annual report revised as of November 1, 2018.

See accompanying notes to supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF EDUCATION CODE SECTION 843262 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2018

	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
<b>Academic Salaries</b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 10,877,925	\$ -	\$ 10,877,925	\$ 10,877,925	\$ -	\$ 10,877,925
Other	1300	12,696,544	-	12,696,544	12,729,171	-	12,729,171
<b>Total Instructional Salaries</b>		23,574,469	-	23,574,469	23,607,096	-	23,607,096
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	3,750,551	-	3,750,551
Other	1400	-	-	-	558,684	-	558,684
<b>Total Noninstructional Salaries</b>		-	-	-	4,309,235	-	4,309,235
<b>Total Academic Salaries</b>		23,574,469	-	23,574,469	27,916,331	-	27,916,331
<b>Classified Salaries</b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	9,498,208	-	9,498,208
Other	2300	-	-	-	497,905	-	497,905
<b>Total Noninstructional Salaries</b>		-	-	-	9,996,113	-	9,996,113
<b>Instructional Aides</b>							
Regular Status	2200	1,485,961	-	1,485,961	1,576,643	-	1,576,643
Other	2400	285,827	-	285,827	290,149	-	290,149
<b>Total Instructional Aides</b>		1,771,788	-	1,771,788	1,866,792	-	1,866,792
<b>Total Classified Salaries</b>		1,771,788	-	1,771,788	11,862,905	-	11,862,905
Employee Benefits	3000	6,736,530	-	6,736,530	15,071,818	-	15,071,818
Supplies and Material	4000	-	-	-	533,157	-	533,157
Other Operating Expenses	5000	-	-	-	6,006,500	-	6,006,500
Equipment Replacement	6420	-	-	-	12,564	-	12,564
<b>Total Expenditures</b>		32,082,787	-	32,082,787	61,403,275	-	61,403,275
<b>Prior to Exclusions</b>							

See accompanying notes to supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF EDUCATION CODE SECTION 843262 (50 PERCENT LAW) CALCULATION, CONTINUED FOR THE YEAR ENDED JUNE 30, 2018

	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	
<b><u>Exclusions</u></b>								
<b>Activities to Exclude</b>								
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 336,456	\$ -	\$ 336,456	\$ 336,456	\$ -	\$ 336,456	
Student Health Services Above Amount Collected	6441	-	-	-	109,800	-	109,800	
Student Transportation	6491	-	-	-	701,071	-	701,071	
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	474,109	-	474,109	
<b>Objects to Exclude</b>								
Rents and Leases	5060	-	-	-	1,525,111	-	1,525,111	
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	-	-	-	-	-	-	
<b>Total Supplies and Materials</b>		-	-	-	-	-	-	

See accompanying notes to supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF EDUCATION CODE SECTION 843262 (50 PERCENT LAW) CALCULATION, CONTINUED FOR THE YEAR ENDED JUNE 30, 2018

	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
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6410	-	-	-	-	-	-
Equipment - Additional	6420	-	-	-	-	-	-
Equipment - Replacement		-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>							
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		336,456	-	336,456	3,146,547	-	3,146,547
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 31,746,331	\$ -	\$ 31,746,331	\$ 58,256,728	\$ -	\$ 58,256,728
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		54.49%		54.49%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 29,128,364		\$ 29,128,364

See accompanying notes to supplementary information.

## **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

### **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying notes to supplementary information.

**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)  
EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>	
EPA Proceeds:	8630					
		<b>Activity Classification</b>	<b>Object Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>
Instructional Activities	1000-5900	\$ 7,736,989	\$ -	\$ -	\$ -	\$ 7,736,989
<b>Total Expenditures for EPA</b>		<b>\$ 7,736,989</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,736,989</b>
<b>Revenues Less Expenditures</b>						<b>\$ -</b>

See accompanying notes to supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2018

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

#### Total Fund Balance:

General Fund, unrestricted	\$ 6,347,749
General Fund, restricted	327,679
Special Revenue Funds	29,801,061
Capital Project Funds	12,526,378
Debt Service Funds	8,110,086
Enterprise Funds	2,341,235
Internal Service Funds	779,842
Student Financial Aid Fund	<u>86,702</u>
<b>Total Fund Balance - All District Funds</b>	<b>\$ 60,320,732</b>

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is:

Accumulated depreciation is:	<u>197,951,227</u>	130,354,535
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In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (1,659,118)

Recognizing the net OPEB asset resulting from the difference between the total OPEB liability and the fiduciary net position as of the measurement date. 305,705

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities. 13,285,507

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

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

Pension contributions subsequent to measurement date	6,069,029
Net change in proportionate share of the net pension liability	4,353,759
Differences between projected and actual earnings on pension plan investments	857,020
Differences between expected and actual experience in the measurement of the total pension liability	1,038,464
Changes of assumptions	<u>11,178,432</u>
<b>Total Deferred Outflows of Resources Related to Pensions</b>	<b>23,496,704</b>

See accompanying notes to supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, CONTINUED JUNE 30, 2018

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

Net change in proportionate share of the net pension liability	\$ (5,733,051)
Differences between projected and actual earnings on pension plan investments	(1,086,773)
Differences between expected and actual experience in the measurement of the total pension liability	(711,720)
Changes of assumptions	(291,686)
<b>Total Deferred Inflows of Resources Related to Pensions</b>	<b>\$ (7,823,230)</b>

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

Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.

1,074,880

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

(65,580,117)

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

Long-term obligations at year-end consist of:

Bonds payable, net of premium	140,510,013
Capital leases payable	4,662,984
Compensated absences (vacation)	1,674,166
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	
<b>Total Net Position</b>	<b>\$ (22,934,630)</b>

See accompanying notes to supplementary information.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **District Organization**

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

#### **Schedule of Expenditures of Federal Awards**

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

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

Description	CFDA Number	Amount
Total Federal Revenues from Statement of Revenues, Expenses, and Changes in Net Position:		\$ 25,105,457
Federal Pell Grant Program (PELL)	84.063	(13,664)
Federal Supplemental Education Opportunity Grants (FSEOG)	84.007	(40,100)
Total Expenditures of Federal Awards		<u>\$ 25,051,693</u>

#### **Schedule of Expenditures of State Awards**

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

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

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

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION**

### **JUNE 30, 2018**

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

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

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

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

#### **Proposition 30 Education Protection Account (EPA) Expenditure Report**

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

#### **Reconciliation of Governmental Funds to the Statement of Net Position**

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

Board of Trustees  
Victor Valley Community College District  
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Victor Valley Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2018.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

A handwritten signature in black ink that reads "VanTrust, Day & Co, LLP". The signature is somewhat stylized and cursive.

Rancho Cucamonga, California  
December 6, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Victor Valley Community College District  
Victorville, California

**Report on Compliance for Each Major Federal Program**

We have audited Victor Valley Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2018. 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, 2018.

## 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Rancho Cucamonga, California  
December 6, 2018



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees  
Victor Valley Community College District  
Victorville, California

### Report on State Compliance

We have audited Victor Valley Community College District's (the District) compliance with the types of compliance requirements as identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Basis for Qualified Opinion on Section 424: State General Apportionment Funding System

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 424: State General Apportionment Funding System as identified in finding number 2018-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

## **Qualified Opinion on Section 424: State General Apportionment Funding System**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

## **Unmodified Opinion for Each of the Other Programs**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
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 Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District does not offer Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

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

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

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

The District's responses to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

*Varonik, Tunc, Day & Co, LLP*

Rancho Cucamonga, California  
December 6, 2018

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## **SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2018**

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### **FINANCIAL STATEMENTS**

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

### **FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Assistance Cluster</u>
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 751,551</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### **STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Qualified</u>
Unmodified for all State programs except for the following State program which was qualified:	
<u>Name of State Program</u>	
<u>Section 424 - State General</u>	
<u>Apportionment Funding System</u>	

**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018**

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The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

### **2018-001 STATE GENERAL APPORTIONMENT FUNDING SYSTEM**

#### **Criteria or Specific Requirement**

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

#### **Condition**

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

#### **Questioned Costs**

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

#### **Context**

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

#### **Effect**

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

#### **Cause**

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

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018**

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### **Recommendation**

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

### **Corrective Action Plan**

Regarding daily courses: Enforcing consistent practices for faculty records of attendance in daily census (aka positive attendance or PA) courses will go a long way to improving positive attendance estimates calculated at P2. While faculty can continue to use whatever means they currently use for taking attendance in their classes (e.g., SARS, paper, et al), final submission of attendance records requires a more formal process with clear internal controls. We will implement suggestions from the Contracted District Audit Manual (CDAM) regarding supplemental documentation, Section 424.01 on pages 26 and 27:

1. The District will formally "adopt procedures to document all course enrollment, attendance, and disenrollment as required by Title 5 Sections 58020-58024."
2. The District will create an online submission process that faculty can use to submit and certify positive attendance hours, as well as upload supporting evidence of individual student attendance (e.g., SARS Certified Hours Report).

Regarding weekly courses: No exceptions should be made outside of the time block officially established by the instruction office. The District will expand the available blocks to include any alternative scheduling patterns from the past that have cleared audit. Any additional alternative scheduling patterns not on the official time blocks must meet one or more the following conditions:

1. The scheduling pattern conforms to Title 5 attendance standards.
2. The scheduling pattern benefits students without violating law or audit standards.
3. The scheduling pattern is required by a professional accreditor or other program regulator.

Any other faculty requests to offer alternative scheduling that is not part of the official time blocks or does not meet 1 of the 3 conditions listed above should be denied. Furthermore, division deans must (at minimum) remain in the feedback loop for any faculty requests for alternative scheduling. Ideally, change requests should be cleared by them first, rather than going directly to support staff. This will eliminate any undue pressure support staff experience from having to deal directly with change requests from faculty, and will enable administrative oversight of audit compliance during the schedule build process.

# VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018**

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

### ***Financial Statement Findings***

None reported.

### ***Federal Awards Findings***

None reported.

### ***State Awards Findings***

## **2017-001 STATE GENERAL APPORTIONMENT FUNDING SYSTEM**

### **Criteria or Specific Requirement**

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

### **Condition**

Of the 98 courses selected for audit recalculation for the fiscal year from the P2-CCFS 320 Apportionment Attendance Report, 48 courses were not calculated correctly based on prescribed guidance from the Student Attendance Accounting Manual. These courses were weekly, daily, alternative attendance - weekly, and alternative attendance - daily census type courses. The miscalculation resulted in a net overstatement of contact hours and, consequently, the amount of FTES claimed for funding.

### **Questioned Costs**

The District performed a 100 percent recalculation of all contact hours related to the type of courses identified in the Condition. The District's re-calculation resulted in an overstatement of 1,810.74 contact hours (3.45 FTES) for weekly, an understatement of 599.40 contact hours (1.14 FTES) for daily, and understatement of 4.80 contact hours (0.01 FTES) for alternative attendance – daily, and an overstatement of 328.80 contact hours (0.63 FTES) for alternative attendance – weekly census type courses. After performing suggested audit procedures #3 and #4, as described in Section 424 of the Contracted District Audit Manual (CDAM), on the District's contact hours recalculation, the auditor agrees with the results.

# **VICTOR VALLEY COMMUNITY COLLEGE DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018**

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### **Context**

The District claimed a total of 9,428.57 credit FTES on the CCFS-320 Annual Report. The net overstatement of 2.93 credit FTES constitutes a 0.03 percent overstatement.

### **Effect**

The FTES reported on the CCFS-320 Annual Report was overstated by 2.93 credit FTES. Based on the District's funding of \$5,005.75 per credit FTES, the overstatement is equivalent to \$14,666.85.

### **Cause**

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

### **Recommendation**

The District should amend the CCFS-320 Annual Report to reflect the variances noted in Questioned Costs and properly state the amount of FTES claimed. The District filed an amended CCFS-320 Annual Report with the State Controller's Office on October 20, 2017. The District should reconfigure their system of calculating contact hours to reflect guidance provided by the State Chancellor's Office and monitor the calculation to prevent future miscalculations in FTES.

### **Current Status**

Not implemented. See current year finding 2018-001.