

**VICTOR VALLEY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Net OPEB Asset and Related Ratios	63
Schedule of District Contributions for OPEB	64
Schedule of OPEB Investment Returns	65
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	66
Schedule of the District's Proportionate Share of the Net Pension Liability	67
Schedule of District Contributions for Pensions	68
Note to Required Supplementary Information	69

SUPPLEMENTARY INFORMATION

District Organization	72
Schedule of Expenditures of Federal Awards	73
Schedule of Expenditures of State Awards	74
Schedule of Workload Measures for State General Apportionment	75
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	76
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements	79
Proposition 30 Education Protection Act (EPA) Expenditure Report	80
Reconciliation of Governmental Funds to the Statement of Net Position	81
Note to Supplementary Information	83

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	86
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	88
Report on State Compliance	90

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	93
Financial Statement Findings and Recommendations	94
Federal Awards Findings and Questioned Costs	95
State Awards Findings and Questioned Costs	96
Summary Schedule of Prior Audit Findings	98

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Victor Valley Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *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 opinion.

Opinion

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, 2017, and the respective changes in financial position and 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 Notes 2 and 16 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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 68 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 other supplementary information as listed in the table of contents are presented for purposes of additional analysis and is 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 November 30, 2017, 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.

Vauinek, Time, Day & Co., LLP

Rancho Cucamonga, California
November 30, 2017



**ADMINISTRATIVE
SERVICES**

18422 Bear Valley Road
Victorville, CA
92395-5849

(760) 245-4271, x 2464

Fax (760) 243-2781

Tracey L. Richardson
Vice President
Administrative Services

tracey.richardson@vvc.edu

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, 2017. 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, 2017. 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

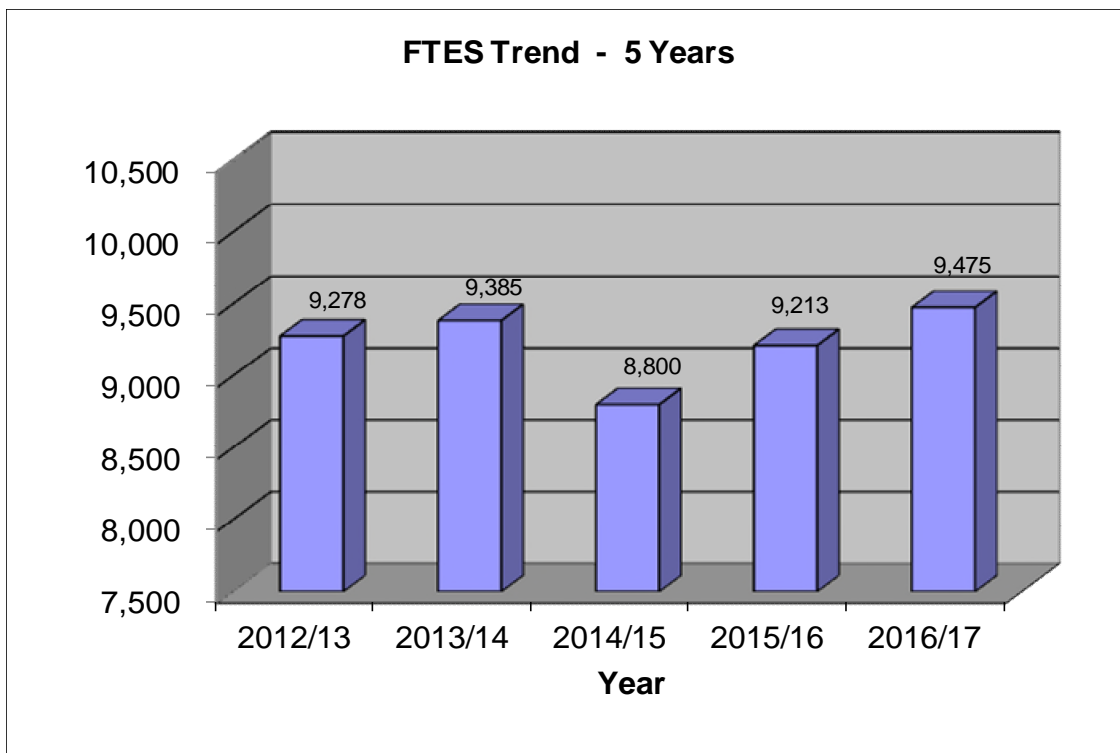
JUNE 30, 2017

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 7, 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 2016-2017 Advance Principal Apportionment Report) was 9,531, comprised of a base FTES of 9,213, growth FTES of 316, and restored FTES of six. The District was short of its funded growth by a total of 56 FTES.

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, 2017

Once the Chancellor's Office calculates the District's base apportionment, it reduces the net amount to be distributed by the amount of property taxes and enrollment fees expected to be paid directly to the District. The matrix below lists the three components and illustrates the net effect of the changes. Overall, total apportionment increased by \$2,711,702.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Property tax revenue	\$ 10,516,955	\$ 9,172,302	\$ 1,344,653
Tuition and fees	3,452,149	3,002,157	449,992
Apportionment	<u>41,284,794</u>	<u>40,367,737</u>	<u>917,057</u>
Total	<u>\$ 55,253,898</u>	<u>\$ 52,542,196</u>	<u>\$ 2,711,702</u>

SELECTED HIGHLIGHTS

During fiscal year 2016-2017, total FTES increased by 2.8 percent. At June 30, 2017, the value of the District's Other Postemployment Benefits (OPEB) irrevocable Futuris trust was \$12.2 million, and the District's GASB Statement No. 45 liabilities are 100 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, 2017

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.

	2017	2016	Change
ASSETS			
Current Assets			
Cash and investments	\$ 45,705,577	\$ 47,706,808	\$ (2,001,231)
Accounts receivable	2,528,907	3,093,309	(564,402)
Other current assets	933,642	975,288	(41,646)
Total Current Assets	<u>49,168,126</u>	<u>51,775,405</u>	<u>(2,607,279)</u>
Noncurrent Assets			
Investments	29,342,882	29,334,465	8,417
Net OPEB asset	9,344,797	7,496,738	1,848,059
Capital assets (net)	132,498,446	131,463,245	1,035,201
Total Noncurrent Assets	<u>171,186,125</u>	<u>168,294,448</u>	<u>2,891,677</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	13,794,855	14,304,204	(509,349)
Deferred outflows of resources related to pensions	16,890,594	16,741,640	148,954
Total Assets and Deferred Outflows	<u>\$ 251,039,700</u>	<u>\$ 251,115,697</u>	<u>\$ (75,997)</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 19,443,961	\$ 17,807,968	\$ 1,635,993
Current portion of long-term obligations	3,329,159	3,869,682	(540,523)
Total Current Liabilities	<u>22,773,120</u>	<u>21,677,650</u>	<u>1,095,470</u>
Long-Term Obligations			
Total Liabilities	<u>251,164,537</u>	<u>245,656,483</u>	<u>5,508,054</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	8,671,569	11,404,627	(2,733,058)
NET POSITION			
Net investment in capital assets	7,144,255	7,902,098	(757,843)
Restricted	11,925,467	12,760,380	(834,913)
Unrestricted	(27,866,128)	(26,607,891)	(1,258,237)
Total Net Position	<u>(8,796,406)</u>	<u>(5,945,413)</u>	<u>(2,850,993)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 251,039,700</u>	<u>\$ 251,115,697</u>	<u>\$ (75,997)</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. The District's net position decreased from last year by \$2.9 million for the fiscal year ending June 30, 2017. 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 57 percent of the cash balance and investments is cash deposited in the San Bernardino County Treasury Pool. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and the return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash.
- Capital assets had a net balance of \$132.5 million. Depreciation expense of \$4.5 million was recognized during 2016-2017.
- Accounts payable in the amount of \$8.0 million are amounts due as of the fiscal year-end for goods and services received as of June 30, 2017. Interest payable accruals total \$1.7 million. Other current liabilities in the amount of \$13.1 million related mainly to unearned revenues and the current portion of bonds payable and lease obligations; noncurrent liabilities in the amount of \$228.4 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, 2017.
- The District currently has \$168.9 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, 2017, the aggregate net pension obligation was \$56.1 million. (See Note 13)

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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.

	2017	2016	Change
Operating Revenues			
Tuition and fees	\$ 3,452,149	\$ 3,002,157	\$ 449,992
Auxiliary sales and other revenues	3,859,813	3,679,146	180,667
Total Operating Revenues	<u>7,311,962</u>	<u>6,681,303</u>	<u>630,659</u>
Operating Expenses			
Salaries and benefits	58,429,207	57,102,463	1,326,744
Supplies and maintenance	19,721,445	22,811,821	(3,090,376)
Student financial aid	27,842,775	27,413,961	428,814
Depreciation	4,450,731	4,003,984	446,747
Total Operating Expenses	<u>110,444,158</u>	<u>111,332,229</u>	<u>(888,071)</u>
Loss on Operations	<u>(103,132,196)</u>	<u>(104,650,926)</u>	<u>1,518,730</u>
Nonoperating Revenues			
State apportionments	41,284,794	40,367,737	917,057
Property taxes	10,516,955	9,172,302	1,344,653
Other taxes	5,635,795	6,367,858	(732,063)
Grants and contracts	41,790,119	42,736,694	(946,575)
Other nonoperating revenues (expenses)	(895,248)	1,381,899	(2,277,147)
Total Nonoperating Revenue	<u>98,332,415</u>	<u>100,026,490</u>	<u>(1,694,075)</u>
Other Revenues			
Local capital income	<u>1,948,788</u>	<u>1,706,008</u>	<u>242,780</u>
Change in Net Position	<u>\$ (2,850,993)</u>	<u>\$ (2,918,428)</u>	<u>\$ 67,435</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, 2017

- 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 2.8 percent FTES increases in the 2016-2017 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 decreased by \$0.9 million. The net decrease is comprised of three parts:

1. Salaries and benefits increased by \$1.3 million;
2. Supplies, maintenance, and other operating expenses decreased by \$3.1 million;
3. Payments to students and depreciation increased by \$0.9 million.

Operating expenses are 52.9 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, 2017

Statement of Cash Flows

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

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (100,847,194)	\$ (96,101,880)	\$ (4,745,314)
Non-capital financing activities	101,474,578	99,960,000	1,514,578
Capital financing activities	(5,263,999)	(2,604,814)	(2,659,185)
Investing activities	<u>2,643,801</u>	<u>2,476,423</u>	<u>167,378</u>
Net Change in Cash	(1,992,814)	3,729,729	(5,722,543)
Cash, Beginning of Year	<u>77,041,273</u>	<u>73,311,544</u>	<u>3,729,729</u>
Cash, End of Year	<u><u>\$ 75,048,459</u></u>	<u><u>\$ 77,041,273</u></u>	<u><u>\$ (1,992,814)</u></u>

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

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

Cash flow used in operating activities increased by \$4.7 million during fiscal year 2016-2017.

Property tax revenue, State apportionment, and grants and contracts account for approximately 92 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, 2017

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	\$ 25,231,891	\$ 8,078,609	\$ 1,373,388	\$ 264,499	\$ -	\$ -	\$ 34,948,387
Academic support	2,483,486	794,958	162,758	1,664	-	-	3,442,866
Student services	6,644,143	2,034,109	3,633,084	72,285	-	-	12,383,621
Plant operations and maintenance	1,950,609	880,556	2,359,177	29,944	-	-	5,220,286
Instructional support services	6,015,404	2,834,847	7,400,359	404,086	-	-	16,654,696
Community services and economic development	370,809	69,589	187,026	6,711	-	-	634,135
Ancillary services and auxiliary operations	771,894	268,303	2,570,053	-	-	-	3,610,250
Student Aid	-	-	-	-	27,842,775	-	27,842,775
Physical property and related acquisitions	-	-	-	1,256,411	-	4,450,731	5,707,142
Total	\$ 43,468,236	\$ 14,960,971	\$ 17,685,845	\$ 2,035,600	\$ 27,842,775	\$ 4,450,731	\$ 110,444,158

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, 2017, the District had total capital assets of \$195.7 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 \$63.2 million. (See Note 7)

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, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Land and construction in progress	\$ 13,368,112	\$ 5,044,268	\$ -	\$ 18,412,380
Buildings and improvements	162,774,757	50,195	-	162,824,952
Furniture and equipment	14,155,247	391,469	45,779	14,500,937
Subtotal	190,298,116	5,485,932	45,779	195,738,269
Accumulated depreciation	(58,834,871)	(4,450,731)	45,779	(63,239,823)
	<u>\$ 131,463,245</u>	<u>\$ 1,035,201</u>	<u>\$ -</u>	<u>\$ 132,498,446</u>

We present more detailed information about our capital assets in Note 7 to the financial statements.

Debt

At June 30, 2017, the District had \$231.7 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.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
General obligation bonds	\$ 168,279,790	\$ 4,460,243	\$ 3,827,341	\$ 168,912,692
Compensated absences	1,577,826	-	1,623	1,576,203
Capital leases	5,433,172	-	321,029	5,112,143
Net pension liability	52,557,727	3,561,811	-	56,119,538
Total Long-Term Debt	<u>\$ 227,848,515</u>	<u>\$ 8,022,054</u>	<u>\$ 4,149,993</u>	<u>\$ 231,720,576</u>
Amount due within one year				<u>\$ 3,329,159</u>

We present more detailed information about our debt in Note 11 to the financial statements.

BUDGETARY HIGHLIGHTS

At the time the 2016-2017 budget was developed, the following assumptions were made:

- The 2016-2017 State Cost of Living Allowance (COLA) increase was budgeted at zero percent.
- The District budgeted for a new ongoing allocation from the State for a Base Allocation increase estimated at \$0.7 million.
- The District budgeted \$7.7 million for estimated Education Protection Account (EPA) funding.
- The District targeted an increase to 9,531 Full-Time Equivalent Students served.
- The District also budgeted an estimated \$0.8 million from a one-time State allocation for outstanding Mandated Cost reimbursement.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- The full-time Faculty Obligation Number was estimated at 118. The District therefore budgeted for five new full-time faculty hires to meet this obligation.
- The District's budget was balanced without the need to use a portion of the 2015-2016 unrestricted ending balance funds.

ECONOMIC FACTORS

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2017**

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,738,940
Investments - unrestricted	20,058,586
Investments - restricted	22,908,051
Accounts receivable	2,330,496
Student loans receivable	188,691
Due from fiduciary funds	9,720
Prepaid expenses	118,326
Inventories	815,316
Total Current Assets	<u>49,168,126</u>
Noncurrent Assets	
Investments - unrestricted	29,342,882
Net other postemployment benefits (OPEB) asset	9,344,797
Nondepreciable capital assets	18,412,380
Depreciable capital assets, net of depreciation	114,086,066
Total Noncurrent Assets	<u>171,186,125</u>
TOTAL ASSETS	<u>220,354,251</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	13,794,855
Deferred outflows of resources related to pensions	16,890,594
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>30,685,449</u>
LIABILITIES	
Current Liabilities	
Accounts payable	7,971,136
Accrued interest payable	1,661,488
Due to fiduciary funds	2,005,348
Unearned revenue	7,805,989
Bonds payable - current portion	2,880,000
Lease obligations - current portion	449,159
Total Current Liabilities	<u>22,773,120</u>
Noncurrent Liabilities	
Compensated absences payable - noncurrent portion	1,576,203
Bonds payable - noncurrent portion	158,523,725
Bond premium	7,508,967
Lease obligations - noncurrent portion	4,662,984
Aggregate net pension obligation	56,119,538
Total Noncurrent Liabilities	<u>228,391,417</u>
TOTAL LIABILITIES	<u>251,164,537</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	8,671,569
NET POSITION	
Net investment in capital assets	7,144,255
Restricted for:	
Debt service	6,150,884
Capital projects	5,774,583
Unrestricted	(27,866,128)
TOTAL NET POSITION	<u>\$ (8,796,406)</u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES	
Student Tuition and Fees	\$ 11,693,449
Less: Scholarship discount and allowance	(8,241,300)
Net tuition and fees	<u>3,452,149</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	3,216,997
Cafeteria	238,724
Other Operating Revenues	<u>404,092</u>
TOTAL OPERATING REVENUES	<u>7,311,962</u>
OPERATING EXPENSES	
Salaries	43,468,236
Employee benefits	14,960,971
Supplies, materials, and other operating expenses and services	17,685,845
Student financial aid	27,842,775
Equipment, maintenance, and repairs	2,035,600
Depreciation	<u>4,450,731</u>
TOTAL OPERATING EXPENSES	<u>110,444,158</u>
OPERATING LOSS	<u>(103,132,196)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	41,284,794
Local property taxes, levied for general purposes	10,516,955
Taxes levied for other specific purposes	5,635,795
Federal grants	24,802,804
State grants	16,987,315
State taxes and other revenues	3,303,698
Investment income	2,620,132
Interest expense on capital related debt	(8,516,024)
Investment income on capital asset-related debt, net	168,453
Transfer from fiduciary funds	911,472
Transfer to fiduciary funds	(2,508,127)
Other nonoperating revenue	<u>3,125,148</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>98,332,415</u>
LOSS BEFORE OTHER REVENUES	<u>(4,799,781)</u>
OTHER REVENUES	
Local revenues, capital	<u>1,948,788</u>
CHANGE IN NET POSITION	(2,850,993)
NET POSITION, BEGINNING OF YEAR	(5,945,413)
NET POSITION, END OF YEAR	<u>\$ (8,796,406)</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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 3,037,479
Payments to vendors for supplies and services	(17,910,656)
Payments to or on behalf of employees	(61,991,055)
Payments to students for scholarships and grants	(27,842,775)
Auxiliary enterprise sales and charges	3,859,813
Net Cash Flows From Operating Activities	<u>(100,847,194)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	41,146,737
Grant and contracts	41,790,119
Property taxes - non-debt related	10,487,371
State taxes and other apportionments	4,051,435
Other nonoperating	3,998,916
Net Cash Flows From Non-Capital Financing Activities	<u>101,474,578</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(5,892,924)
State revenue, capital projects	1,948,788
Deferred costs on issuance of refunding debt	509,349
Property taxes - related to capital debt	5,635,795
Proceeds from capital debt	4,460,243
Principal paid on capital debt	(4,148,370)
Interest paid on capital debt	(7,945,333)
Interest received on capital asset-related debt	168,453
Net Cash Flows From Capital Financing Activities	<u>(5,263,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>2,643,801</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,992,814)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>77,041,273</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 75,048,459</u></u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

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

Operating Loss	<u>\$ (103,132,196)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	4,450,731
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(1,659)
Inventories	109,763
Prepaid expenses	(68,117)
Net OPEB asset	(1,848,059)
Accounts payable and accrued liabilities	1,800,616
Unearned revenue	(328,322)
Deferred outflows of resources related to pensions	(148,954)
Compensated absences, net pension obligation, and supplemental employee retirement plan	1,052,061
Deferred inflows of resources related to pensions	(2,733,058)
Total Adjustments	<u>2,285,002</u>
Net Cash Flows From Operating Activities	<u><u>\$ (100,847,194)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 2,738,940
Cash in county treasury	42,966,637
SunAmerica Annuity and Life Assurance Company	29,342,882
Total Cash and Cash Equivalents	<u><u>\$ 75,048,459</u></u>

NONCASH TRANSACTIONS

Board of governors fee waivers	\$ 8,241,300
On behalf payments for benefits	2,131,316
	<u><u>\$ 10,372,616</u></u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2017

	Retiree OPEB Trust	STRS/PERS Trust	Other Trusts
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 494,918
Investments	12,166,736	3,782,709	7,492
Accounts receivable	-	-	45,609
Due from primary government	-	2,000,000	5,348
Total Assets	<u>12,166,736</u>	<u>5,782,709</u>	<u>553,367</u>
LIABILITIES			
Accounts payable	-	-	13,646
Due to primary government	-	-	9,720
Due to student groups	-	-	58,319
Total Liabilities	<u>-</u>	<u>-</u>	<u>81,685</u>
NET POSITION			
Restricted for postemployment benefits other than pensions	12,166,736	-	-
Restricted	-	5,782,709	-
Unrestricted	-	-	471,682
Total Net Position	<u>\$ 12,166,736</u>	<u>\$ 5,782,709</u>	<u>\$ 471,682</u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Retiree OPEB Trust	STRS/PERS Trust	Other Trusts
ADDITIONS			
Interest and investment income	\$ 365,548	277,963	\$ -
Net realized and unrealized gain	820,359	-	-
Local revenues	-	-	345,084
Total Additions	<u>1,185,907</u>	<u>277,963</u>	<u>345,084</u>
DEDUCTIONS			
Services and operating expenditures	-	-	272,032
Administrative expenses	91,701	11,046	-
Total Deductions	<u>91,701</u>	<u>11,046</u>	<u>272,032</u>
OTHER FINANCING SOURCES (USES)			
Transfers from primary government	508,127	2,000,000	-
Transfers to primary government	-	(800,000)	(111,472)
Total Other Financing Sources (Uses)	<u>508,127</u>	<u>1,200,000</u>	<u>(111,472)</u>
Change in Net Position	1,602,333	1,466,917	(38,420)
Net Position - Beginning of Year, as Restated (See Note 16)	10,564,403	4,315,792	510,102
Net Position - End of Year	<u>\$ 12,166,736</u>	<u>\$ 5,782,709</u>	<u>\$ 471,682</u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

The District has identified the following component unit:

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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 entity-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 and auxiliary activities through the bookstore and cafeteria.

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

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2017.

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 entity-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

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

Deferred Charge 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 and for pension related items.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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

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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$11,925,467 of restricted net position.

State Apportionments

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

Property Taxes

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

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. 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 GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

As a result of implementing GASB Statement No. 74, the District has restated the beginning net position in the fiduciary funds Statement of Net Position, effectively increasing the District's fiduciary Net Position as of July 1, 2016 by \$10,564,403. This increase results from accounting for the District's OPEB Trust account within the District's fiduciary funds.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. 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 GASB 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. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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.

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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 requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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, 2017, consist of the following:

Primary government	\$ 75,048,459
Fiduciary funds	16,451,855
Total Deposits and Investments	<u>\$ 91,500,314</u>
Cash on hand and in banks	\$ 3,108,608
Cash in revolving	125,250
Investments	88,266,456
Total Deposits and Investments	<u>\$ 91,500,314</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	\$ 42,963,619	341
Guaranteed Investment Contract (GIC)	29,342,882	N/A
Mutual Funds	15,949,445	N/A
Total	<u>\$ 88,255,946</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Bernardino County Investment Pool was rated AAA/V1 by Fitch Ratings. The District's investments other investment instruments are not required to be rated, nor have they been rated as of June 30, 2017.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 33 percent and investments in Mutual Funds which represents 18 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, 2017, the District had \$1,415,705 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, 2017

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Level 1 Inputs	Level 3 Inputs	Uncategorized
San Bernardino County Investment Pool	\$ 42,963,619	\$ -	\$ -	\$ 42,963,619
Guaranteed Investment Contract (GIC)	29,342,882	-	29,342,882	-
Mutual Funds	15,949,445	15,949,445	-	-
Total	\$ 88,255,946	\$ 15,949,445	\$ 29,342,882	\$ 42,963,619

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, 2017:

	Level 3 Inputs
Investments at Fair Value	
Balance at July 1, 2016	\$ 29,334,465
Disbursement to District	(2,300,000)
Interest and investment income	2,308,417
Balance at June 30, 2017	\$ 29,342,882

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, 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	\$ 448,924	\$ -
State Government		
Apportionment	387,178	-
Lottery	408,710	-
Local Sources		
Interest	57,192	-
Property taxes	439,548	-
Other local sources	588,944	45,609
Total	\$ 2,330,496	\$ 45,609
Student receivables	\$ 188,691	\$ -

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

Plan administration. The District's Governing Board administers the Postemployment Benefits Plan (the "Plan"), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

Management of the Plan is vested with the Victor Valley Community College District Retirement Board of Authority, which consists of locally appointed Plan members.

Plan membership. At June 30, 2017, Plan membership consisted of the following:

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

Benefits provided. The Plan provides medical, life and vision 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 Victor Valley Community College District Governing Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contribution Information

Contributions. The contribution requirements of the District are established and may be amended by the District and 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 by the Victor Valley Community College District Governing Board. For fiscal year 2016-2017, the District contributed \$1,398,573 to the plan, \$508,127 of which was a prefunding contribution to the Trust and the remaining \$890,446 was used for current premiums. Plan members are not required to contribute to the Plan.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Victor Valley Community College District Retirement Board of Authority by a majority vote of its members. It is the policy of the Retirement Board of Authority to pursue an investment strategy that reduces risk through the prudent diversification of 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 allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%
Total	<u>100%</u>

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.06 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Total Net OPEB Liability of the District

The component of the net OPEB liability of the District as June 30, 2017, was as follows:

Total OPEB liability	\$ 11,174,445
Plan fiduciary net position	<u>12,166,736</u>
District's net OPEB (asset)/liability	<u>\$ (992,291)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>108.88%</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial 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	6.50 percent
Healthcare cost trend rates	4.00 percent

Mortality rates were based on the 2009 CalSTRS Mortality Table for Certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees for Classified employees.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study as of June 2016.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	9.1%
Fixed income	4.8%
International equity	8.7%
Real estate	7.5%
Cash	1.0%

Discount rate. The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that 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 future benefit payments of current plan members. 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.

Sensitivity of the net OPEB liability to changes in the discount and health care cost trend rates. The OPEB liability is based on the actuarial report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and health care cost trend rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from these estimates and assumptions.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 11,883,784	\$ -	\$ -	\$ 11,883,784
Construction in progress	1,484,328	5,044,268	-	6,528,596
Total Capital Assets Not Being Depreciated	<u>13,368,112</u>	<u>5,044,268</u>	<u>-</u>	<u>18,412,380</u>
Capital Assets Being Depreciated				
Land improvements	15,040,106	-	-	15,040,106
Buildings and improvements	147,734,651	50,195	-	147,784,846
Furniture and equipment	14,155,247	391,469	45,779	14,500,937
Total Capital Assets Being Depreciated	<u>176,930,004</u>	<u>441,664</u>	<u>45,779</u>	<u>177,325,889</u>
Total Capital Assets	<u>190,298,116</u>	<u>5,485,932</u>	<u>45,779</u>	<u>195,738,269</u>
Less Accumulated Depreciation				
Land improvements	6,442,621	659,730	-	7,102,351
Buildings and improvements	40,651,024	3,312,969	-	43,963,993
Furniture and equipment	11,741,226	478,032	45,779	12,173,479
Less Accumulated Depreciation	<u>58,834,871</u>	<u>4,450,731</u>	<u>45,779</u>	<u>63,239,823</u>
Net Capital Assets	<u>\$ 131,463,245</u>	<u>\$ 1,035,201</u>	<u>\$ -</u>	<u>\$ 132,498,446</u>

Depreciation expense for the year was \$4,450,731.

Interest expense on capital related debt for the year ended June 30, 2017, was \$8,660,985. Of this amount, \$144,961 was capitalized in the current year.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Accrued payroll and benefits	\$ 2,377,355	\$ -
State categorical	940,804	-
Construction	465,366	-
Vendor Payables	4,187,611	13,646
Total	<u>\$ 7,971,136</u>	<u>\$ 13,646</u>

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	<u>Primary Government</u>
State categorical	\$ 6,452,249
Other state	260,490
Student fees	243,082
Other local	850,168
Total	<u>\$ 7,805,989</u>

NOTE 10 - 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, 2017, the amounts owed between the primary government and the fiduciary funds were \$9,720 and \$2,005,348, respectively.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 2017 fiscal year, the amount transferred to the primary government from the fiduciary funds amounted to \$911,472. The amount transferred to the fiduciary funds from the primary government amounted to \$2,508,127.

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
Bonds and Notes Payable					
2008 General obligation bonds, Series A	\$ 5,504,758	\$ 482,662	\$ 1,425,000	\$ 4,562,420	\$ 1,640,000
2008 General obligation bonds, Series C	53,388,724	3,977,581	600,000	56,766,305	700,000
2016 General obligation refunding bonds, Series A	50,840,000	-	920,000	49,920,000	-
2016 General obligation refunding bonds, Series B	38,960,000	-	570,000	38,390,000	540,000
2016 General obligation refunding bonds, Series C	11,765,000	-	-	11,765,000	-
Premium on issuance	7,821,308	-	312,341	7,508,967	-
Total Bonds Payable	<u>168,279,790</u>	<u>4,460,243</u>	<u>3,827,341</u>	<u>168,912,692</u>	<u>2,880,000</u>
Other Liabilities					
Compensated absences	1,577,826	-	1,623	1,576,203	-
Capital leases	5,433,172	-	321,029	5,112,143	449,159
Aggregate net pension liability	52,557,727	3,561,811	-	56,119,538	-
Total Other Liabilities	<u>59,568,725</u>	<u>3,561,811</u>	<u>322,652</u>	<u>62,807,884</u>	<u>449,159</u>
Total Long-Term Debt	<u>\$ 227,848,515</u>	<u>\$ 8,022,054</u>	<u>\$ 4,149,993</u>	<u>\$ 231,720,576</u>	<u>\$ 3,329,159</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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		Bonds		Outstanding June 30, 2017
				Outstanding July 1, 2016	Issued	Accreted Interest	Redeemed	
2009	08/01/19	3.00% - 5.375%	\$ 54,004,963	\$ 5,504,758	\$ -	\$ 482,662	\$ 1,425,000	\$ 4,562,420
2009	06/01/49	3.17% - 7.20%	70,017,065	53,388,724	-	3,977,581	600,000	56,766,305
2016	08/01/44	2.00%-5.00%	50,840,000	50,840,000	-	-	920,000	49,920,000
2016	08/01/31	0.778% - 3.498%	38,960,000	38,960,000	-	-	570,000	38,390,000
2016	08/01/33	4.00%	11,765,000	11,765,000	-	-	-	11,765,000
				<u>\$ 160,458,482</u>	<u>\$ -</u>	<u>\$ 4,460,243</u>	<u>\$ 3,515,000</u>	<u>\$ 161,403,725</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, 2017, the principal balance outstanding was \$4,562,420.

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, 2017, the principal balance outstanding was \$56,766,305.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance outstanding was \$49,920,000. Unamortized premium received on issuance of the bonds amounted to \$6,119,557 as of June 30, 2017.

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, 2017, the principal balance outstanding was \$38,390,000.

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, 2017, the principal balance outstanding was \$11,765,000. Unamortized premium received on issuance of the bonds amounted to \$1,389,410 as of June 30, 2017.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Total
2018	\$ 1,550,816	\$ 89,184	\$ 1,640,000
2019	1,522,036	277,964	1,800,000
2020	1,489,568	480,432	1,970,000
Total	\$ 4,562,420	\$ 847,580	\$ 5,410,000

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

Fiscal Year	Principal (Including Accreted Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2018	\$ 661,933	\$ 38,067	\$ -	\$ 700,000
2019	680,687	124,313	-	805,000
2020	691,854	223,146	414,906	1,329,906
2021	138,608	66,392	829,813	1,034,813
2022	199,515	130,485	829,813	1,159,813
2023-2027	1,517,746	2,102,254	4,149,063	7,769,063
2028-2032	2,902,018	4,502,982	4,149,063	11,554,063
2033-2037	13,081,583	31,059,939	4,149,063	48,290,585
2038-2042	18,101,130	33,922,183	414,903	52,438,216
2043-2047	11,406,306	66,192,073	-	77,598,379
2048-2049	7,384,925	59,320,203	-	66,705,128
Total	\$ 56,766,305	\$ 197,682,037	\$ 14,936,624	\$ 269,384,966

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ -	\$ 2,108,800	\$ 2,108,800
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
2023-2027	5,225,000	9,585,375	14,810,375
2028-2032	7,275,000	7,971,525	15,246,525
2033-2037	-	7,198,000	7,198,000
2038-2042	20,130,000	4,952,800	25,082,800
2043-2045	15,860,000	1,586,000	17,446,000
Total	<u>\$ 49,920,000</u>	<u>\$ 41,768,200</u>	<u>\$ 91,688,200</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ 540,000	\$ 1,075,527	\$ 1,615,527
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
2023-2027	14,305,000	4,104,118	18,409,118
2028-2032	18,065,000	1,491,689	19,556,689
Total	<u>\$ 38,390,000</u>	<u>\$ 10,848,183</u>	<u>\$ 49,238,183</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	235,300	235,300
2021	-	470,600	470,600
2022	-	470,600	470,600
2023-2027	-	2,353,000	2,353,000
2028-2032	3,655,000	2,279,900	5,934,900
2033-2034	8,110,000	197,800	8,307,800
Total	<u>\$ 11,765,000</u>	<u>\$ 6,007,200</u>	<u>\$ 17,772,200</u>

Compensated Absences

At June 30, 2017, the liability for compensated absences was \$1,576,203.

Capital Leases

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

Balance, July 1, 2016	<u>Equipment</u> \$ 6,892,537
Payments	(1,282,286)
Balance, June 30, 2017	<u>\$ 5,610,251</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2018	\$ 543,872
2019	558,029
2020	572,608
2021	587,625
2022	603,092
2023-2027	<u>2,745,025</u>
Total	5,610,251
Less: Amount Representing Interest	<u>(498,108)</u>
Present Value of Minimum Lease Payments	<u>\$ 5,112,143</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to \$56,119,538. See Note 13 for additional information.

NOTE 12 - RISK MANAGEMENT

Property and Liability Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2017, 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 2016-2017, 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources 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	\$ 35,228,243	\$ 10,912,821	\$ 6,062,496	\$ 3,742,334
CalPERS	20,891,295	5,977,773	2,609,073	1,910,461
Total	\$ 56,119,538	\$ 16,890,594	\$ 8,671,569	\$ 5,652,795

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were \$3,135,406.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

At June 30, 2017, 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	\$	35,228,243
State's proportionate share of net pension liability associated with the District		20,054,810
Total	\$	<u><u>55,283,053</u></u>

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.0436 percent and 0.0518 percent, respectively, resulting in a net decrease in the proportionate share of 0.0082 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$3,742,334. In addition, the District recognized pension expense and revenue of \$1,938,508 for support provided by the State. At June 30, 2017, 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	\$ 3,135,406	\$ -
Net change in proportionate share of net pension liability	4,976,787	5,203,143
Differences between projected and actual earnings on the pension plan investments	2,800,628	-
Differences between expected and actual experience in the measurement of the total pension liability	-	859,353
Total	<u><u>\$ 10,912,821</u></u>	<u><u>\$ 6,062,496</u></u>

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

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows 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 of Resources
2018	\$ 61,100
2019	61,101
2020	1,628,016
2021	1,050,411
Total	<u>\$ 2,800,628</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability 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
2018	\$ (28,670)
2019	(28,670)
2020	(28,670)
2021	(28,670)
2022	(28,667)
Thereafter	(942,362)
Total	<u>\$ (1,085,709)</u>

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 7.60 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 (7.60 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 50,701,386
Current discount rate (7.60%)	35,228,243
1% increase (8.60%)	22,377,149

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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically 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.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The CalPERS provisions and benefits in effect at June 30, 2017, 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%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above, and the total District contributions were \$1,837,590.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,891,295. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.1058 percent and 0.1201 percent, respectively, resulting in a net decrease in the proportionate share of 0.0143 percent.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$1,910,461. At June 30, 2017, 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	\$ 1,837,590	\$ -
Net change in proportionate share of net pension liability	-	1,981,414
Differences between projected and actual earnings on the pension plan investments	3,241,657	-
Differences between expected and actual experience in the measurement of the total pension liability	898,526	-
Changes of assumptions	-	627,659
Total	<u>\$ 5,977,773</u>	<u>\$ 2,609,073</u>

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

The deferred outflows 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 of Resources
2018	\$ 454,685
2019	454,685
2020	1,486,243
2021	846,044
Total	<u>\$ 3,241,657</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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
2018	\$ (743,395)
2019	(557,913)
2020	(409,239)
Total	<u>\$ (1,710,547)</u>

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	\$ 31,169,928
Current discount rate (7.65%)	20,891,295
1% increase (8.65%)	12,332,310

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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. For the 2016-2017 fiscal year the District withdrew \$800,000 from the trust, with total assets of \$5,782,709 as of June 30, 2017.

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, 2017, which amounted to \$2,131,316 (8.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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, 2017.

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, 2017.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Signage and Wayfinding F-380	\$ 800,000	June 1, 2018
Emergency Notification System F-430	575,096	June 1, 2018
Vocational Education Complex	374,830	September 12, 2017
Boiler Replacement	519,428	December 30, 2017
One Stop Student Services	794,665	September 30, 2019
	<u>\$ 3,064,019</u>	

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

NOTE 16 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION

The District's beginning fiduciary net position has been restated as of July 1, 2016.

The District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the current year. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the fiduciary funds by \$10,564,403.

<u>Fiduciary Funds</u>	
Fiduciary Net Position - Beginning of Year	\$ 4,825,894
Restatement of Retiree OPEB Trust for the implementation of GASB Statement No. 74	<u>10,564,403</u>
Fiduciary Net Position - Beginning of Year, as Restated	<u>\$ 15,390,297</u>

REQUIRED SUPPLEMENTARY INFORMATION

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB ASSET AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Total Net OPEB Asset*	
Annual required contribution	\$ 644,720
Interest and investment income	(365,548)
Net realized and unrealized gain	(820,359)
Administrative expense	91,701
District contributions to the irrevocable trust	(508,127)
Pay-as-you-go contributions	<u>(890,446)</u>
Net Changes in Total OPEB Asset	<u>(1,848,059)</u>
Total OPEB Asset - Beginning	<u>(7,496,738)</u>
Total OPEB Asset - Ending	<u><u>\$ (9,344,797)</u></u>
Plan Fiduciary Net Position**	
Contributions - employer	\$ 508,127
Net investment income	1,185,907
Administrative expense	<u>(91,701)</u>
Net Change in Plan Fiduciary Net Position	<u>1,602,333</u>
Plan Fiduciary Net Position - Beginning	<u>10,564,403</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 12,166,736</u></u>

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

* The Total Net OPEB Asset was measured in accordance with GASB Statement No. 45.

** The Plan Fiduciary Net Position was measured in accordance with GASB Statement No. 74.

See accompanying note to required supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB FOR THE YEAR ENDED JUNE 30, 2017

	2017
Actuarially determined contribution	\$ 644,720
Contributions in relations to the actuarially determined contribution	1,398,573
Contribution deficiency (excess)	\$ (753,853)
Covered-employee payroll	\$ 12,094,446
Contribution as a percentage of covered-employee payroll	11.56%

Note : In the future, as data become 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, 2017**

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	10.06%

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

See accompanying note to required supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)*	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
May 1, 2012	\$ 7,801,056	\$ 8,137,692	\$ 336,636	96%	N/A	N/A
September 1, 2014	10,130,872	9,168,360	(962,512)	110%	N/A	N/A
July 1, 2016	10,564,403	11,174,445	610,042	95%	N/A	N/A

*Entry age normal cost method.

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, 2017**

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

Note : In the future, as data become 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, 2017**

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

Note : In the future, as data become 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, 2017

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. There were no changes in benefit terms or assumptions in the current year.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, 2016, which is at least two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed for the initial UAAL. Level percent, open for any residual UAAL.
Amortization period	Initial UAAL – 1 year Residual UAAL – 15 years
Asset Valuation method	Because plan assets are primarily short-term, no smoothing formula was used.
Inflation	2.75 percent
Health care cost trend rates	4.00 percent
Salary increases	2.75 percent
Investment rate of return	6.50 percent
Retirement age	Certificated – 2009 CalSTRS Retirement Rates. Classified – Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees. Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees. Two percent @ 60 adjusted to a minimum retirement age of 52.
Mortality	Certificated – 2009 CalSTRS Mortality. Classified – 2014 CalPERS Active Mortality for Miscellaneous Employees.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

Schedule of District Contributions for Pensions

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

SUPPLEMENTARY INFORMATION

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2017

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>
Brandon Wood	President	December 2018
Marianne Tortorici	Vice President	December 2018
Dennis Henderson	Clerk	December 2018
Joseph W. Brady	Member	December 2020
John Pinkerton	Member	December 2020

ADMINISTRATION

Roger W. Wagner	Superintendent/President
Tracey L. Richardson	Vice President, Administrative Services
Peter Maphumulo	Executive Vice President, Instruction and 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, 2017**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed through Chaffey Community College District			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	15C215	\$ 157,367
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program (PELL)	84.063		23,127,832
PELL Administrative Allowance	84.063		35,035
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		281,600
FSEOG Administrative Allowance	84.007		15,381
Federal Work-Study Program (FWS)	84.033		367,201
FWS Administrative Allowance	84.033		18,398
Total Student Financial Assistance Cluster			<u>23,845,447</u>
Upward Bound	84.047A		223,680
Passed through California Community Colleges			
Chancellor's Office			
Career and Technical Education, Title I-C	84.048	16-C01-066	418,262
CTE Transitions	84.048A	16-C01-066	43,131
Total U.S. Department of Education			<u>24,530,520</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Educational Assistance	64.028		<u>4,763</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Community Colleges			
Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	116,942
Total Expenditures of Federal Programs			<u>\$ 24,809,592</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, 2017**

Program	Program Entitlements		
	Current Year	Prior Year Carryover	Total Entitlement
AB104 Adult Education Consortium	\$ 2,069,315	\$ 400,151	\$ 2,469,466
AEBG Data and Accountability	234,297	-	234,297
Alt and Renew Fuel/Auto Tech (ATRE)	100,901	-	100,901
Basic Skills	114,803	116,930	231,733
Cal Grant - Student Aid	1,615,944	84,221	1,700,165
Calworks	675,707	-	675,707
CARE	328,026	-	328,026
Child Development-State Pre-school	-	-	-
CTE Data Unlocked	50,000	-	50,000
CTE Enhancement 40%	-	12,851	12,851
Deputy Sector Navigator	200,000	-	200,000
Deputy Sector Navigator	100,000	69,839	169,839
Disabled Students Program And Services	588,767	-	588,767
Extended Opportunity Program and Services	1,095,022	-	1,095,022
Full-Time Student Success Grant	496,148	-	496,148
Lottery	485,599	-	485,599
Nursing Enrollment Growth & Retention	154,000	-	154,000
Nursing Assessment, Remediation and Retention	57,000	-	57,000
Physical Plant/Instructional Support/Library Materials	1,483,551	634,632	2,118,183
Prop 39 Energy Project	336,595	259,561	596,156
RAMP UP - CCPT	2,241,515	2,183,858	4,425,373
Song-Brown Nursing Grant #4	-	17,135	17,135
Staff Diversity	511	6,772	7,283
Strong Workforce - CTE - Local	1,215,020	-	1,215,020
Strong Workforce - CTE - Regional	135,187	-	135,187
Student Equity	1,521,996	873,192	2,395,188
Student Financial Aid Administrative Allowance	481,354	-	481,354
Student Success, Credit	2,035,470	1,720,265	3,755,735
Student Success, Noncredit	23,185	-	23,185
Successful Advance in Math(Basic Skills Transitions)	497,616	-	497,616
TANF/Child Development Careers Program	-	11,143	11,143
Total State Programs			

See accompanying notes to supplementary information.

Program Revenues

Cash Received	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 2,469,466	\$ -	\$ 471,571	\$ 1,997,895	\$ 1,997,895
234,297	-	234,297	-	-
85,114	-	-	85,114	85,114
231,733	-	41,642	190,091	190,091
1,635,657	(66,065)	-	1,569,592	1,569,592
621,852	-	-	621,852	621,852
328,026	-	-	328,026	328,026
139,069	-	-	139,069	139,069
50,000	-	41,727	8,273	8,273
12,851	-	-	12,851	12,851
200,000	-	-	200,000	200,000
87,078	-	-	87,078	87,078
511,406	-	-	511,406	511,406
1,095,022	-	-	1,095,022	1,095,022
496,148	-	156,548	339,600	339,600
485,599	-	-	485,599	485,599
132,710	-	-	132,710	132,710
50,652	-	-	50,652	50,652
2,118,183	-	965,743	1,152,440	1,152,440
596,156	-	-	596,156	596,156
4,423,624	-	1,372,392	3,051,232	3,051,232
17,135	-	15,837	1,298	1,298
7,283	-	-	7,283	7,283
1,215,020	-	1,146,575	68,445	68,445
104,125	-	104,125	-	-
2,395,188	-	279,325	2,115,863	2,115,863
464,495	-	-	464,495	464,495
3,755,735	(874,739)	1,399,011	1,481,985	1,481,985
23,185	-	-	23,185	23,185
570,000	-	219,772	350,228	350,228
3,684	-	3,684	-	-
<u>\$ 24,560,493</u>	<u>\$ (940,804)</u>	<u>\$ 6,452,249</u>	<u>\$ 17,167,440</u>	<u>\$ 17,167,440</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2017**

CATEGORIES	<u>*Revised Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession			
1. Noncredit	3.87	-	3.87
2. Credit	483.86	-	483.86
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	528.85	-	528.85
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,900.68	(3.45)	4,897.23
(b) Daily Census Contact Hours	1,018.06	1.14	1,019.20
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	50.85	-	50.85
(b) Credit	485.62	-	485.62
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,309.03	(0.63)	1,308.40
(b) Daily Census Contact Hours	697.04	0.01	697.05
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>9,477.86</u>	<u>(2.93)</u>	<u>9,474.93</u>
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	35.33	-	35.33
2. Credit	822.16	-	822.16

*Annual report revised as of October 20, 2017.

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, 2017

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 10,206,370	\$ -	\$ 10,206,370	\$ 10,206,370	\$ -	\$ 10,206,370
Other	1300	11,711,849	-	11,711,849	11,737,435	-	11,737,435
Total Instructional Salaries		21,918,219	-	21,918,219	21,943,805	-	21,943,805
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,631,855	-	3,631,855
Other	1400	-	-	-	598,220	-	598,220
Total Noninstructional Salaries		-	-	-	4,230,075	-	4,230,075
Total Academic Salaries		21,918,219	-	21,918,219	26,173,880	-	26,173,880
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	9,234,929	-	9,234,929
Other	2300	-	-	-	504,627	-	504,627
Total Noninstructional Salaries		-	-	-	9,739,556	-	9,739,556
Instructional Aides							
Regular Status	2200	1,324,256	-	1,324,256	1,516,944	-	1,516,944
Other	2400	317,350	-	317,350	317,350	-	317,350
Total Instructional Aides		1,641,606	-	1,641,606	1,834,294	-	1,834,294
Total Classified Salaries		1,641,606	-	1,641,606	11,573,850	-	11,573,850
Employee Benefits	3000	5,904,940	-	5,904,940	14,892,220	-	14,892,220
Supplies and Material	4000	-	-	-	434,493	-	434,493
Other Operating Expenses	5000	384,007	-	384,007	7,129,948	-	7,129,948
Equipment Replacement	6420	-	-	-	278,535	-	278,535
Total Expenditures Prior to Exclusions		29,848,772	-	29,848,772	60,482,926	-	60,482,926

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, 2017

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 280,663	\$ -	\$ 280,663	\$ 280,663	\$ -	\$ 280,663
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	63,702	-	63,702
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	553,463	-	553,463
Objects to Exclude							
Rents and Leases	5060	-	-	-	472,543	-	472,543
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 843262 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 1,513,114	\$ -	\$ 1,513,114
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		280,663	-	280,663	2,883,485	-	2,883,485
Total for ECS 84362, 50 Percent Law		\$ 29,568,109	\$ -	\$ 29,568,109	\$ 57,599,441	\$ -	\$ 57,599,441
Percent of CEE (Instructional Salary Cost/Total CEE)		51.33%		51.33%	100.00%		100.00%
50% of Current Expense of Education					\$ 28,799,721		\$ 28,799,721

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 7,706,878
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 7,706,878	\$ -	\$ -	\$ 7,706,878
Total Expenditures for EPA		\$ 7,706,878	\$ -	\$ -	\$ 7,706,878
Revenues Less Expenditures					\$ -

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017**

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

Total Fund Balance:

General Fund, unrestricted	\$ 5,679,430	
General Fund, restricted	394,957	
Special Revenue Funds	29,721,643	
Capital Project Funds	14,339,468	
Debt Service Funds	7,812,372	
Enterprise Funds	2,075,220	
Internal Service Funds	712,613	
Fiduciary Funds	18,413,959	
Total Fund Balance - All District Funds		\$ 79,149,662

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:	195,738,269	
Accumulated depreciation is:	<u>(63,239,823)</u>	132,498,446
Amounts held in trust on behalf of others (Trust and Agency Funds)		(18,421,127)

Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds. 9,344,797

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	4,972,996	
Net change in proportionate share of the net pension liability	4,976,787	
Differences between projected and actual earnings on pension plan investments.	6,042,285	
Differences between expected and actual experience in the measurement of the total pension liability.	<u>898,526</u>	
Total Deferred Outflows of Resources Related to Pensions		16,890,594

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:

Differences between expected and actual experience in the measurement of the total pension liability.	(859,353)	
Net change in proportionate share of the net pension liability	(7,184,557)	
Changes in assumptions	<u>(627,659)</u>	
Total Deferred Inflows of Resources Related to Pensions		(8,671,569)

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2017**

Governmental funds report deferred cost of refunding associated with the issuance of debt when first issued, whereas the amounts are deferred and amortized as an adjustment to interest expense.		\$	13,794,855
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.			(1,661,488)
Long-term obligations at year end consist of:			
General obligation bonds	\$	135,092,821	
Premium on bonds		7,508,967	
Capital leases payable		5,112,143	
Compensated absences		1,576,203	
Aggregate net pension obligation		56,119,538	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:		26,310,904	(231,720,576)
Total Net Position			<u>\$ (8,796,406)</u>

See accompanying notes to supplementary information.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017/2017

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:		\$ 24,802,804
Federal Pell Grant Program (PELL)	84.063	7,956
Federal Supplemental Education Opportunity Grants (FSEOG)	84.007	(1,168)
Total Expenditures of Federal Awards		<u>\$ 24,809,592</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

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, 2017

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS



**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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 2 and 16 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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.

Vauxier, Time, Day & Co., LLP

Rancho Cucamonga, California
November 30, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND 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, 2017. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the 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, 2017.

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.

Vauine & Time Day & Co., LLP

Rancho Cucamonga, California
November 30, 2017



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Victor Valley Community College District
Victorville, California

Report on State Compliance

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

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

Auditor's Responsibility

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

Basis for Qualified Opinion

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*. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion

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, 2017.

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 programs noted below that were audited for the year ended June 30, 2017, 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 of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
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	Proposition 55 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 an Intersession Extension Program; 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 did not receive Proposition 1D and 51 State Bond Funded Projects funding during the year; therefore, the compliance tests within this section were not applicable.

The District's response 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.



Rancho Cucamonga, California
November 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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>
84.007, 84.033, 84.063	Student Financial Assistance Cluster

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Qualified</u>
Unmodified for all State programs except for the following State program which was qualified:	

<u>Name of State Program</u>
Section 424 State General
<u>Apportionment Funding System</u>

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

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 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. The auditor reviewed the District's recalculations and agrees with the results.

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 FTES. Based on the District's funding of \$5,005.75 per credit FTES, the overstatement is equivalent to \$14,666.85.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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.

Management's Response and Corrective Action Plan

All contact hours for the 2016-2017 are based upon the "Calculating Class Hours" table (Fiscal Services Unit – CCCCCO, 2011). For instance, a section previously scheduled for 115 minutes is now going to run for 110 minutes to comply with the contact hours of 2.0 thereby matching the table provided by the Chancellor's Office.

Weekly sections are based upon the TLM regardless of holidays unless the number of holidays decreases the overall number of contact hours below the minimum requirements based upon the section units.

Example: $30 \text{ (students)} \times 3.4 \text{ (contact hours)} \times 16 \text{ (TLM)} / 525 = 3.11 \text{ FTES}$

Daily sections are calculated based upon the number of days in which the course meets.

Example: $30 \text{ (students)} \times 3.4 \text{ (contact hours)} \times 16 \text{ (days)} / 525 = 3.11 \text{ FTES}$

Independent study sections are based upon the number of units.

Example: $30 \text{ (students)} \times 3.0 \text{ (units)} \times 16 \text{ (TLM)} / 525 = 2.74 \text{ FTES}$

Upon recalculation for the 2016-2017 year, we will detail the annual versus recalculated FTES figures for each attendance type and overall FTES gain or loss will be documented. As part of our ongoing business process, we will ensure that the calendar details (e.g. time of day and days per week) and the contact hours field equate in the SECT screen in Colleague.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.