

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

LANCASTER, CALIFORNIA

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2019**



ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Antelope Valley Community College District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Antelope Valley Community College 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of Antelope Valley Community College District, as of June 30, 2019, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Antelope Valley Community College District's basic financial statements. The accompanying schedule of expenditure 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 Award and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents 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. The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organizational Structure, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organizational Structure, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Organizational Structure has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 on our consideration of Antelope Valley Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Antelope Valley Community College District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
December 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

This section of Antelope Valley College District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2019.

The California Community College Chancellor's Office has recommended that all State community college Districts follow the new standards under the Business Type Activity (BTA) model. The District has adopted the BTA reporting model for these financial statements to comply with the recommendation of the Chancellor's Office and to report in a manner consistent and comparable with other community college Districts.

The following discussion and analysis provides an overview of the District's financial activities with emphasis on current year data. As required by accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Some of the changes in the financial statements that have resulted under the BTA model from the implementation of these standards are:

- Revenues and expenses are categorized as either operating or non-operating
- Pledges from donors (excluding permanent endowments) are recorded, as receivable and non-operating revenues at the date of the pledge
- Capital assets are included in the statement presentations

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$119,613,747 at June 30, 2019. This is a change from the total combined net position as of June 30, 2018, which reflected \$70,497,247.
- During the fiscal year, the District's total operating expenses, were \$146,830,489. Combined operating, non-operating and capital revenues totaled \$146,342,616. This produced an excess of revenues over expenses of \$973,272.
- The general fund reported a fund balance this year of \$15,768,425, which represents an overall 17.3 percent of total ending balance. The restricted reserve percentage is 10.8 percent and the unrestricted reserve percentage is 18.8 percent. Although the Chancellor's Office recommends that the District maintain, at minimum, an unrestricted reserve percentage of approximately 5 percent, recent challenges with California State apportionment have indicated that greater reserve percentages are necessary to ensure that there is adequate cash on hand to pay obligations and to manage the risk associated with funding shortfalls from property taxes or enrollment fees that do not have automatic backfills. The Government Finance Officer's Organization (GFOA) released a recommended best practice on unrestricted reserve levels. <http://www.gfoa.org/appropriate-level-unrestricted-fund-balance-general-fund>. In summary, GFOA recommends no less than two months of reserves to assist in volatility, risk and cash flow. It is not a one-size fits all and several factors need to be assessed to see if a particular District needs to determine a higher level based on several factors; however, the minimum recommendation is 16.7 percent.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Statement of Net Position

The Statement of Net Position (see page 17, Basic Financial Statements section) presents the assets, deferred outflows of resources, liabilities, deferred inflows and outflows of resources and net position of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to the accounting basis used by most private-sector institutions. Net position—the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources—are one way to measure the financial health of the District. The data allows readers to determine the assets available to continue the operations of the District. The net position of the District consists of three major categories.

- Net investment in capital assets – The District’s equity in property, plant and equipment.
- Restricted net position (divided by either expendable or nonexpendable.) – Restricted net position is restricted by use constraints placed on them by outside parties such as through agreements, laws, or regulations of creditors or other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – The District can use them for any lawful purpose. Although, unrestricted, the District’s governing board may place internal restrictions on net position, but it retains the power to change, remove, or modify these restrictions.

The District’s financial position, as a whole, remained positive in fiscal year 2019. Accounts receivable increased by \$1,359,991 or approximately 61 percent. Current liabilities decreased by \$8,535,911 or by 25 percent mainly due to the current portion of long-term debt and a restatement to remove capital leases paid off in prior years. The final paycheck for the fiscal year is booked in the current fiscal year and paid out of the following fiscal year. Unearned revenue mainly occurs with restricted programs and grants or from Summer session. The revenues cannot be “earned” until they are expended.

	2019	2018	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Total assets	\$ 498,330,048	\$ 461,945,721	\$ 36,384,327
Deferred outflows of resources	34,738,809	33,956,264	782,545
Total Assets and Deferred Outflows of Resources	533,068,857	495,901,985	37,166,872
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	25,799,395	34,335,306	(8,535,911)
Non-current liabilities	382,614,730	384,478,931	(1,864,201)
Deferred inflows of resources	4,941,345	6,590,501	(1,649,156)
Total Liabilities and Deferred Inflows of Resources	413,355,470	425,404,738	(12,049,268)
NET POSITION			
Invested in capital assets, net of related debt	173,550,871	111,056,888	62,493,983
Restricted	14,046,212	17,552,781	(3,506,569)
Unrestricted	(67,983,336)	(58,112,422)	(9,870,914)
Total Net Position	\$ 119,613,747	\$ 70,497,247	\$ 49,116,500

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (see page 18, Basic Financial Statements section) presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses received or spend by the District. State general apportionment funds, which budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Changes in total net position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Generally speaking, operating revenues are received for those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the District.

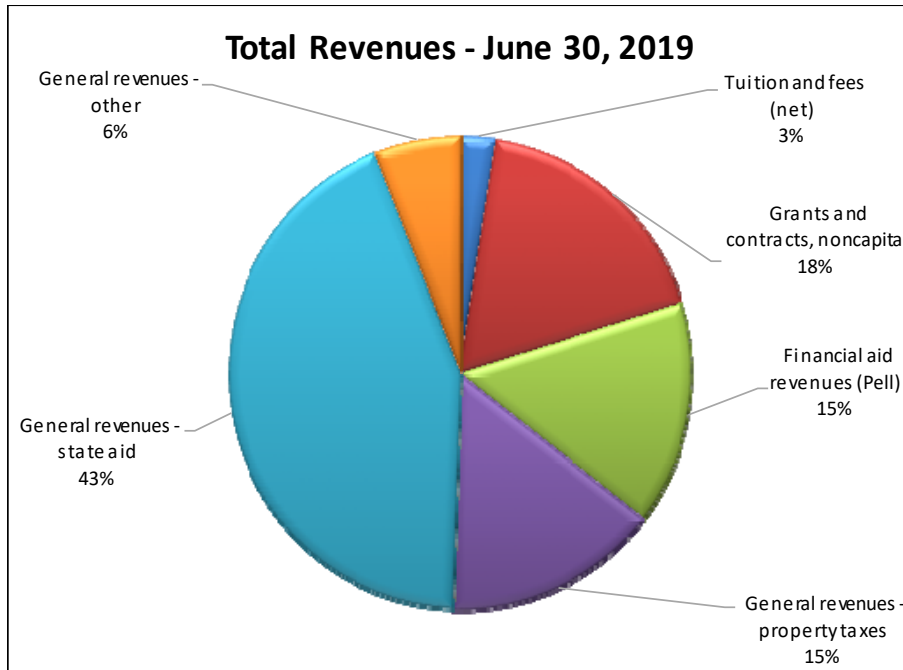
The Statement of Revenues, Expenses, and Changes in Net Position reflects a positive year due to an increase in other revenue and state apportionments. The change in net position at June 30, 2019 has decreased at the end of the year by \$2,954,017 from June 30, 2018. Below is a summary of changes in revenues and expenses for the years ending June 30, 2019 and June 30, 2018:

	2019	2018	Change
REVENUES			
Tuition and fees (net)	\$ 4,061,899	\$ 3,972,209	\$ 89,690
Grants and contracts, noncapital	28,470,108	58,116,660	(29,646,552)
Financial aid revenues (Pell)	24,701,993	24,615	24,677,378
General revenues - property taxes	24,094,088	22,388,972	1,705,116
General revenues - state aid	69,921,346	58,804,643	11,116,703
General revenues - other	9,595,953	7,474,983	2,120,970
Total Revenues	160,845,387	150,782,082	10,063,305
EXPENSES			
Operating expenses	146,342,616	133,548,309	12,794,307
Interest and other	13,529,499	13,306,484	223,015
Total Expenses	159,872,115	146,854,793	13,017,322
Change in Net Position	\$ 973,272	\$ 3,927,289	\$ (2,954,017)

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

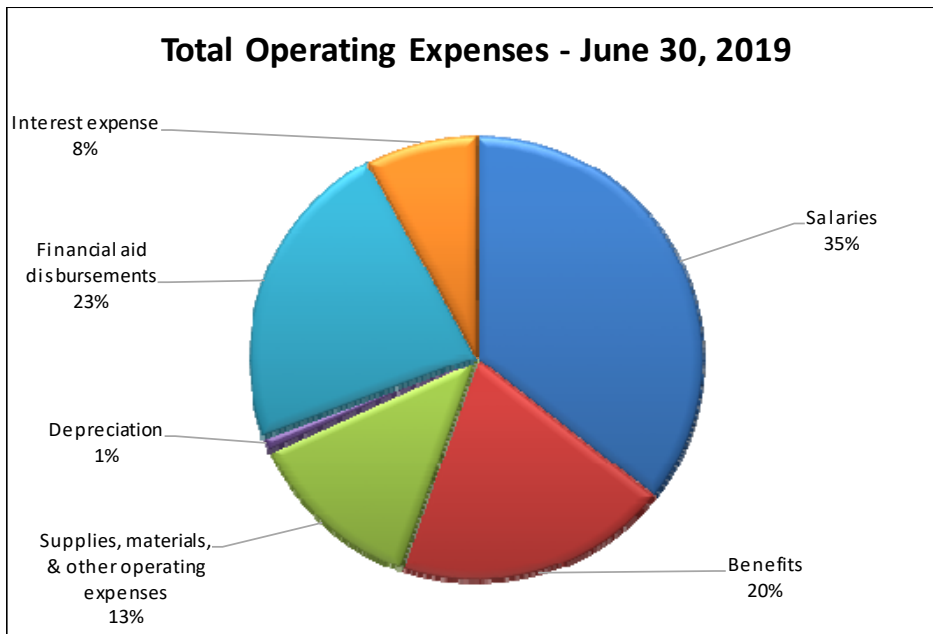
Total Revenues for the Year Ended June 30, 2019

The following chart graphically shows the various components of revenue for the District as a whole:



Total Operating Expenses for the Year Ended June 30, 2019

The following chart graphically shows the various components of operating expenses for the District as a whole:



**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Statement of Cash Flows

The statement of cash flows (see page 19 and 20, Basic Financial Statements section) provides additional information about the District's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first part deals with operating cash flows and show the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments. The net cash used by the District for operating activities for period ending June 30, 2019 was \$117,318,614.

Capital Assets

The District's capital assets, net of accumulated depreciation at June 30, 2019 totaled \$355,066,597. This represented an increase in capital assets of \$63,948,959 from the prior year or a 22 percent increase from 2018 due to changes in construction in progress and building improvements and restatement to buildings and improvements. The District has continued its capital improvements, utilized redevelopment funding and has received State scheduled maintenance funds. Below is a summary of the District's capital assets.

	2019	2018	Change
Capital Assets not being depreciated	\$ 65,122,638	\$ 49,887,785	\$ 15,234,853
Capital Assets being depreciated	331,819,870	287,250,664	44,569,206
Accumulated depreciation	(41,875,911)	(46,020,811)	4,144,900
Total Capital Assets	\$ 355,066,597	\$ 291,117,638	\$ 63,948,959

Long-Term Liabilities

The District's total liabilities at June 30, 2019 totaled \$388,565,622 of which \$382,614,730 are long term liabilities as listed below; \$11,323,815 of this amount is due in the upcoming fiscal year. Long term liabilities have decreased by \$7,237,124 or 1.8 percent mainly due to the removal of capital leases and payments of general obligation bonds. Below is a summary of the District's long-term liabilities.

	2019	2018	Change
General obligation and revenue bonds	\$ 300,093,038	\$ 309,583,455	\$ (9,490,417)
Compensated absences	2,098,730	1,848,406	250,324
Net OPEB liability	6,350,264	6,139,627	210,637
Net pension liability	79,602,722	72,726,520	6,876,202
Other long-term liabilities	420,868	5,504,738	(5,083,870)
Total Long-term Liabilities	\$ 388,565,622	\$ 395,802,746	\$ (7,237,124)

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

District’s Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of the 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 we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

UNRESTRICTED GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures. The Board of Trustees adopted the fiscal year 2019-2020 budget on September 9, 2019.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

The State of California approved its 2019-2020 budget on June 27, 2018. Below is the California Community College budget⁷ and changes through the legislative process.

2019-2020 Adopted Budget for Community Colleges (In Millions)⁷

Program	2018-19 Revised	2019-20	Change		Explanation of change
			Amount	Percent	
Student Centered Funding Formula	\$7,165	\$7,430	265	3.69%	COLA, enrollment growth, minimum revenue provision
Student Equity and Achievement Program	475	475	-	-	
Strong Workforce Program	255	248	-7	-2.75%	Remove \$7 one-time, \$7 in 2019-20 is from one-time sources
Student Success Completion Grant	132	150	18	13.98%	Adjust for revised estimates of recipients
Adult Education Program	131	135	4	3.14%	COLA (does not apply to \$5 million for data system)
Disabled Students Programs and Services (DSPS)	120	124	4	3.26%	COLA
Extended Opportunity Programs and Services (EOPS)	112	116	4	3.26%	COLA
California College Promise (AB 19)	46	85	37	79.4%	Remove \$4 for revised estimates of recipients, add \$42.5 expansion

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**ECONOMIC FACTORS AFFECTING THE FUTURE OF THE ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT,
continued**

Program	2018-19 Revised	2019-20	Change		Explanation of change
			Amount	Percent	
Financial aid administration	92	76	-16	-17.28%	Remove \$14 one-time, adjust for revised estimates of fee waivers
Full-time faculty hiring	50	50	-	-	
CalWORKs student services	45	47	1	3.26%	COLA
Apprenticeship (CCC districts)	53	44	-9	-17.13%	Remove \$10 one-time, COLA
Integrated technology	42	42	-	-	
Mandates Block Grant and reimbursements	33	34	1	1.85%	COLA, revised enrollment estimates
Institutional effectiveness initiative	29	28	-1	-4.78%	Remove one-time funding
Part-time faculty compensation	25	25	-	-	
Online education initiative	58	23	-35	-60.34%	Remove one-time funding
Economic and Workforce Development	23	23	-	-	
NextUp (foster youth program)	20	20	-	-	
Calbright College (online college)	120	20	-100	-83.33%	Remove one-time funding
Cooperative Agencies Resources for Education (CARE)	16	17	1	3.26%	COLA
Lease revenue bond payments	32	16	-16	-49.00%	Adjust for actual obligations
Deferred maintenance and instructional equipment (one time)	28	14	-14	-48.21%	Remove and add one-time funding
Nursing grants	13	13	0	-	
Part-time faculty office hours	62	12	-50	-80.42%	Remove one-time funding
Veterans Resource Centers	13	10	-3	-38.46%	Remove one-time funding and augment
Student housing program	-	9	9	-	Funding for new program
Foster Parent Education Program	5	6	0	7.61%	Backfill federal funding (\$0.4 million)
Childcare tax bailout	4	4	0	3.26%	COLA
Other ^b	3	3	-	2.66%	
Equal Employment Opportunity Program	5	3	-2	-43.39%	Remove one-time funding (EEO Fund)
Umoja	3	3	-	-	
Mathematics, Engineering, Science Achievement (MESA)	2	2	-	-	
Puente Project	2	2	-	-	
Middle College High School Program	2	2	-	-	

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**ECONOMIC FACTORS AFFECTING THE FUTURE OF THE ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT,
continued**

Program	2018-19 Revised	2019-20	Change		Explanation of change
			Amount	Percent	
College-specific allocations	16	11	-5	-	Remove and add one-time funding
One-time program funding ^c	31	9	-22		Remove and add one-time funding
K-12 passthroughs (adult ed, K-12 apprenticeship, workforce)	621	606	-15	-2.42%	Remove one-time funding, COLA
Totals	\$9,884	\$9,937	\$49	0.49%	

^a Table reflects total programmatic funding for CCC, including amounts from prior years available for use in the years displayed.

^b Other programs include Academic Senate, transfer, FCMAT, and part-time faculty health insurance.

^c In 2018-19, includes one-time allocations for hunger-free campus, mental health services and training, re-entry grant program, and open educational resources. In 2019-20, includes basic needs programs, re-entry grant program, teacher credentialing partnerships, and assessment of college-based food programs.

COLA = cost-of-living adjustment.

The enacted budget included several policy changes. Below is the updated enactment summaries from the Chancellor’s Office¹:

Student Centered Funding Formula. The Budget Act continues implementation of the SCFF, with adjustments to the formula’s structure in 2018-19 and 2019-20. For detail on the 2018-19 changes, please see the section below on the 2018-19 apportionment. This section focuses on the changes for 2019-20 and beyond.

First, the budget recalculates funding rates in the base, supplemental, and student success allocations so that in 2019-20, 70 percent of SCFF funds would be allocated for the base allocation, 20 percent for the supplemental allocation, and 10 percent for the student success allocation. Beginning in 2020-21, those funding rates would simply be adjusted by COLA, and the distribution of funds across the three allocations would be determined by changes in the underlying factors.

Second, for the calculation of the student success allocation, it:

- (1) Counts only the highest of all awards (i.e., associate degree for transfer, associate degree, baccalaureate degree, and credit certificate) a student earned in the same year. Further, it counts an award only if the student was enrolled in the district in the year the award was granted.
- (2) Amends the definition of a transfer student. A student who transferred to a four- year university would be included in the district’s count only if the student completed 12 or more units in the district in the year prior to transfer.
- (3) Calculates the student success allocation based on three-year averages of each of the measures in the allocation.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**ECONOMIC FACTORS AFFECTING THE FUTURE OF THE ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT,
continued**

Finally, the budget extends the existing minimum revenue provision of the SCFF, specifying that districts will receive at least the 2017-18 total computational revenues (TCR), adjusted by COLA each year, through 2021-22. Current law provides this commitment through 2020-21.

The budget charges the Chancellor's Office with determining the final funding rates for 2019-20 consistent with these policy adjustments. The Chancellor's Office is consulting with the Advisory Workgroup on Fiscal Affairs and other advisory bodies regarding methods for use in apportioning funds in 2019-20, and further guidance is forthcoming.

Expansion of California College Promise. The Budget Act expands the California College Promise (Assembly Bill 19 of 2017, Santiago) with an additional \$43 million (for a total of \$85 million). Under current law, districts can use funds to waive or buy out enrollment fees for any first-time, full-time California students for up to one year. Districts also can decide to use the funds for other purposes. Trailer legislation amends the program to allow colleges to provide a second year of fee waivers for all first-time, full-time students. The legislation also allows colleges to alter the definition of full-time for students with disabilities. The Chancellor's Office will allocate funds in accordance with AB 19. That is, each college would receive funding calculated based on the costs to waive student fees for all first-time, full-time students for two years.

No changes are made to the participation requirements for colleges. Colleges must partner with local education agencies to establish an Early Commitment to College program, improve college readiness, reduce the need for remediation, use "multiple measures" for assessment and placement, participate in the Guided Pathways program, ensure that students complete the federal or state financial aid application, and participate in the federal student loan program.

Cal Grant Expansion. As discussed, the budget expands the number of competitive Cal Grant awards by 15,250. These awards are for students who meet Cal Grant eligibility requirements but do not qualify for the entitlement programs, primarily because of the amount of time they have been out of school. As a result, these awards generally serve older adults enrolled in community colleges. The Student Aid Commission will now be authorized to make 41,000 new competitive Cal Grant awards each year.

Consistent with the Governor's proposal from January, the budget also creates a new supplemental award for Cal Grant recipients who are enrolled in one of the public higher education segments and who have dependent children. For students receiving the Cal Grant A, the proposal creates a new access award that could provide up to \$6,000 annually to cover non tuition costs. For students receiving the Cal Grant B, the maximum access award would increase to \$6,000 annually (from \$1,648). For students receiving the Cal Grant C, the maximum books and supplies award would increase to \$4,000 (from \$1,094).

Finally, the budget creates the Cal Grant B Service Incentive Grant Program to provide students who are not eligible for federal work study programs with non-tuition aid of up to \$1,500 per semester for performing at least 150 hours of community or volunteer service per semester. The budget includes \$9 million General Fund ongoing for this purpose.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**ECONOMIC FACTORS AFFECTING THE FUTURE OF THE ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT,
continued**

Relief on Pension Costs. The Budget Act includes a one-time, \$1.6 billion CalSTRS payment and a one-time, \$660 million CalPERS payment, both of which would reduce school and community college districts' share of the unfunded liability for these pension funds. These payments come from non-Proposition 98 General Fund. For both systems, the payments are expected to reduce the district contribution rate by about three-tenths of a percentage point beginning in 2021-22. The exact rate reductions will depend on a number of factors and are likely to fluctuate from year to year.

Additional funding is included to pay districts' statutory employer contributions to CalSTRS and CalPERS for 2019-20 and 2020-21. Specifically, for 2019-20, the budget includes a payment of \$356 million to CalSTRS, reducing districts' required contributions from 18.1% of covered payroll to 17.1%, and a payment of \$144 million to CalPERS, reducing districts' contributions from 20.7% to 19.7%. For 2020-21, the budget includes a payment of \$250 million to CalSTRS, reducing districts' contributions from 19.1% to 18.4%, and a payment of \$100 million to CalPERS, reducing districts' contributions from 23.6% to 22.7%.

This action could reduce strains on local funds, which could allow for funding of other district priorities in those two years. State fiscal experts caution that the budget relief is temporary and should be treated as one-time savings with no ongoing benefit. Moreover, the Legislative Analyst's Office cautions that, though districts currently view rising pension costs as difficult to manage, these difficulties could become much more pronounced during an economic downturn. Districts could set aside funds from the budget relief to help them pay growing pension costs when state funding for districts flattens or declines.

Longitudinal Data System. The Budget Act funds implementation of a new statewide longitudinal data system, the "Cradle-to-Career Data System," to connect information from education entities, employers, and other state and local agencies. The Office of Planning and Research will serve as fiscal agent for these funds.

Enacted trailer legislation establishes a workgroup consisting of state agencies and other parties expected to provide data to the system. Specifically, the workgroup includes representatives from the State Board of Education, California Department of Education, CCC, University of California, California State University, Commission on Teacher Credentialing, Student Aid Commission, Employment Development Department, Labor and Workforce Development Agency, the Health and Human Services Agency, the Department of Technology, the Bureau for Private Postsecondary Education, the Association of Independent California Colleges and Universities, and California School Information Services. The legislation also requires a planning facilitator to convene one or more advisory groups of data system end-users to provide additional input.

The legislation directs the workgroup to prioritize implementation of the data system in the following order: phase 1 focusing on K-12 and higher education, phase 2 focusing on workforce, phase 3 focusing on early care and education, and phase 4 focusing on health and human services and other data connections. The planning facilitator is required to report to the Department of Finance and the Legislature on its progress in preparing its recommendations by October 1, 2020."

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**ECONOMIC FACTORS AFFECTING THE FUTURE OF THE ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT,
continued**

District Budget

New funding formula implementation:

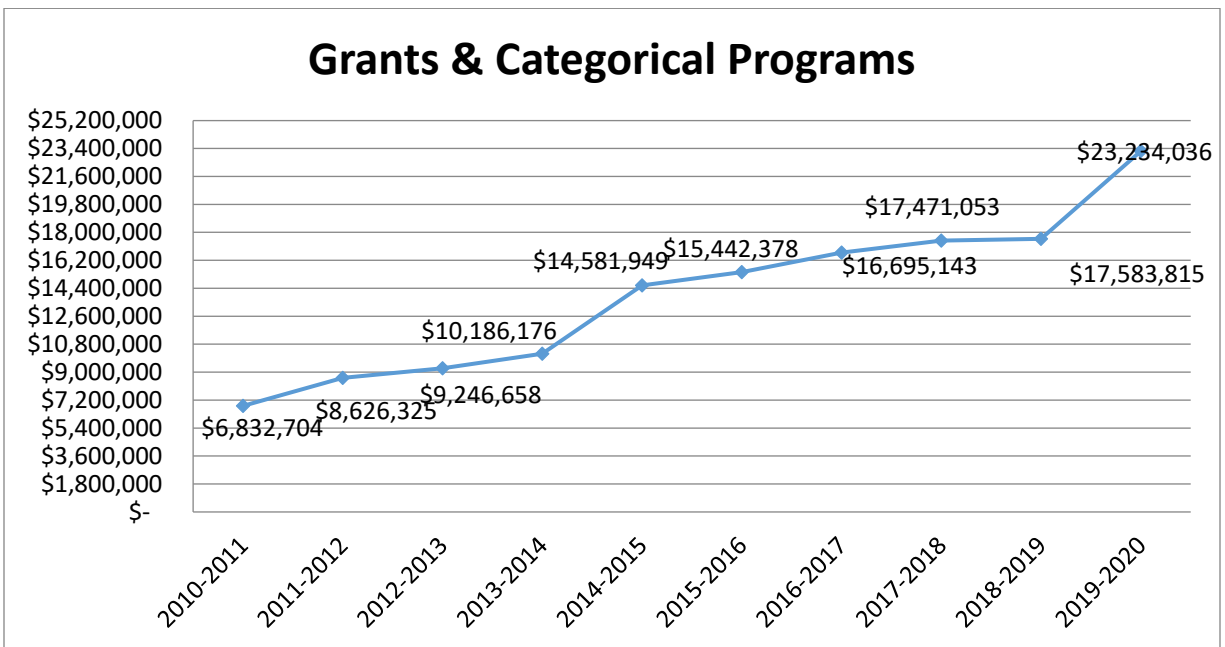
The new funding formula implementation has had challenges with estimating the funding levels for 2018-2019. Advanced apportionment showed the implementation of the new Student Centered Funding Formula (SCFF) fully funding 2018-2019. The first release of the first principle apportionment in February indicated that due to 2017-2018 actual figures and a potential property tax shortfall, that the new funding formula could not be funded. In order to balance the budget, a 5.02% deficit factor was applied to all community colleges using the SCFF. The April revision of the first principle apportionment then reverted to the 2017-2018 total computation revenue but constrained the funding to roughly no more than 8.13% above 2017-2018 for the 2018-2019 fiscal year.

Antelope Valley College has estimated the 2018-2019 total computational revenue budget figure using the 17-18 constrained 8.13% figure. This is the assumed base for 19-20 with applied 3.26% COLA.

In order to provide an adequate revenue model, two scenarios are shown in the unrestricted fund budget with the conservative base of 17-18 TCR plus respective COLAs as well as the revenue scenario with the new SCFF implementation. The difference is about \$10.6 million in revenue between the two scenarios.

Grants and Categorical Programs

The restricted portion of the general fund includes grants and categorical programs. These programs are for an intended and specific purpose and cannot be used to supplant the general unrestricted fund. These funds have grown significantly over the last decade. Below is a graph of the revenues showing the growth in the restricted fund.



**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**ECONOMIC FACTORS AFFECTING THE FUTURE OF THE ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT,
continued**

Changes that can Effect the Budget

CalSTRS & CalPERS

The Governor has proposed and the CA legislature has adopted a significant buy down of the pension liabilities for CalSTRS and CalPERS that will reduce the project employer contribution rates as follows:

STRS Contribution Rates				
	New Employer Rate	Prior Employer Rate	Employee (pre-2013 hire date)	Employee (post-2013 hire date)
2013-2014		8.25%	8%	8%
2014-2015		8.88	8.15	8.15
2015-2016		10.73	9.2	8.56
2016-2017		12.58	10.25	9.205
2017-2018		14.43	10.25	9.205
2018-2019		16.28	10.25	10.205
2019-2020	17.1	18.13	10.25	10.205
2020-2021	18.4	19.1	10.25	10.205

PERS Contribution Rates				
	New Employer Rate	Prior Employer Rate	Employee (pre-2013 hire date)	Employee (post-2013 hire date)
2013-2014		11.44%	7%	6%
2014-2015		11.77	7.00	6.00
2015-2016		11.85	7.00	6.00
2016-2017		13.89	7.00	6.00
2017-2018		15.53	7.00	6.50
2018-2019		18.1	7.00	6.50
2019-2020	19.7	20.8	7.00	6.50
2020-2021	22.7	23.8	7.00	6.50

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**ECONOMIC FACTORS AFFECTING THE FUTURE OF THE ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT,
continued**

The District has instituted BP6250 to establish funding for a trust to address the growing pension liability.

Minimum Wage

The Fair Wage Act of 2016 was passed that will increase the minimum wage per hour over the next four years starting at \$10.50 effective January 1, 2017 and then increasing \$11 starting January 1, 2018. It will then increase \$1 per year up to \$15 per hour on January 1, 2022

Contacting the Antelope Valley College's Financial Management

This financial report is designed to provide our citizens and taxpayers an overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Services Area.

¹*Association of California Community College Administrators, the Association of Chief Business Officials, and the Community College League of California Update on Enacted 2019-2020 Budget, June 28, 2019

FINANCIAL SECTION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 16,739,775
Accounts receivable, net	4,695,497
Inventory	471,162
Prepaid expenditures and other assets	1,194,074
Total Current Assets	<u>23,100,508</u>

Noncurrent Assets:

Restricted cash and cash equivalents	120,162,943
Capital assets, net	355,066,597
Total Noncurrent Assets	<u>475,229,540</u>

TOTAL ASSETS

498,330,048

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding	12,013,434
Deferred outflows - OPEB	557,898
Deferred outflows - pensions	22,167,477
	<u>34,738,810</u>

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES

\$ 533,068,857

LIABILITIES

Current Liabilities:

Accounts payable & accrued expenses	\$ 8,934,368
Unearned revenue	10,914,135
Long-term debt, current portion	5,950,892
Total Current Liabilities	<u>25,799,395</u>

Noncurrent Liabilities:

Compensated absences	2,098,730
Net pension liability	79,602,722
Net OPEB Liability	6,350,264
Bank faculty load time	420,868
Long-term debt, non-current portion	294,142,146
Total Noncurrent Liabilities	<u>382,614,730</u>

TOTAL LIABILITIES

408,414,125

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - OPEB	99,640
Deferred inflows - pensions	4,941,345

NET POSITION

Net investment in capital assets	173,550,871
Restricted for:	
Debt service	13,599,065
Capital projects	(1,727,191)
Other special purpose	2,174,338
Unrestricted	(67,983,336)
TOTAL NET POSITION	<u>119,613,747</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 533,068,857

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

OPERATING REVENUES	
Tuition and fees (gross)	\$ 14,249,809
Less: Scholarship discounts and allowances	(10,187,910)
Net tuition and fees	<u>4,061,899</u>
Grants and contracts, noncapital:	
Federal	9,372,216
State	19,059,392
Local	<u>38,500</u>
TOTAL OPERATING REVENUES	<u>32,532,007</u>
OPERATING EXPENSES	
Salaries	56,680,779
Employee benefits	32,115,606
Supplies, materials, and other operating expenses and services	20,013,940
Student aid	36,136,575
Depreciation	<u>1,395,716</u>
TOTAL OPERATING EXPENSES	<u>146,342,616</u>
OPERATING INCOME (LOSS)	<u>(113,810,609)</u>
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	59,263,881
Local property taxes	7,413,438
State taxes and other revenues	10,657,465
Pell grants	24,701,993
Investment income - noncapital	1,044,933
Interest expense on capital asset-related debt	(13,142,386)
Transfer to trust fund	(387,113)
Other non-operating revenues	<u>5,988,415</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>95,540,626</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(18,269,983)</u>
State apportionments, capital	2,562,605
Local property taxes and revenues, capital	<u>16,680,650</u>
INCREASE IN NET POSITION	<u>973,272</u>
NET POSITION -- BEGINNING OF YEAR	<u>70,497,247</u>
PRIOR YEAR ADJUSTMENT (SEE NOTE 12)	<u>48,143,228</u>
NET POSITION -- END OF YEAR	<u>\$ 119,613,747</u>

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 4,061,899
Grants and contracts	31,677,936
Payments to or on behalf of employees	(84,510,804)
Payments to vendors for supplies and services	(62,811,198)
Net Cash Used by Operating Activities	<u>(111,582,167)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	59,263,881
Property taxes	7,413,438
State taxes and other revenues	10,657,465
Financial aid revenues	24,701,993
Transfer to trust fund	(387,113)
Other nonoperating cash flows	5,988,415
Net Cash Provided by Non-capital Financing Activities	<u>107,638,079</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Acquisition and construction of capital assets	(19,216,841)
Local property taxes and other revenues, capital purpose	19,243,255
Principal paid on capital debt	(20,352,523)
Interest paid on capital debt	(5,993,878)
Net Cash Used by Capital Financing Activities	<u>(26,319,987)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>1,044,933</u>
Net Cash Provided by Investing Activities	<u>1,044,933</u>

NET DECREASE IN CASH & CASH EQUIVALENTS

(29,219,142)

CASH & CASH EQUIVALENTS, BEGINNING OF YEAR

166,121,860

CASH & CASH EQUIVALENTS, END OF YEAR

\$ 136,902,718

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating income	\$ (113,810,609)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	1,395,716
Changes in Assets and Liabilities:	
Receivables, net	3,942,825
Inventory	215,598
Prepaid items	(91,588)
Deferred outflows of resources	(1,791,119)
Accounts payable and accrued liabilities	(10,727,518)
Deferred revenue	3,207,828
Compensated absences	250,324
Bank faculty load time	289,053
Net pension liability	6,876,202
Net OPEB liability	210,637
Deferred inflows of resources	(1,549,516)
Total Adjustments	<u>2,228,442</u>
Net Cash Flows From Operating Activities	<u>\$ (111,582,167)</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Associated Students Trust Fund	Student Representation Fee Trust Fund	Scholarship and Loan Agency Fund	OPEB Irrevocable Trust Fund	District Auxiliary Trust Fund	Total
ASSETS						
Cash and equivalents	\$ 471,626	\$ 349,226	\$ 31,428	\$ 1,093,334	\$ 607,134	\$ 2,552,748
Investments	-	-	-	1,744,883	-	1,744,883
Accounts receivable	-	9,118	(505)	18	-	8,631
Total Assets	471,626	358,344	30,923	2,838,235	607,134	4,306,262
LIABILITIES						
Accounts Payable	-	248	(189)	625,299	184	625,542
Deferred revenue	-	15,569	-	-	-	15,569
Total Liabilities	-	15,817	(189)	625,299	184	641,111
NET POSITION						
Net position restricted for OPEB	-	-	-	2,212,936	-	2,212,936
Held in trust for others	471,626	342,527	31,112	-	606,950	1,452,215
Total Net Position	\$ 471,626	\$ 342,527	\$ 31,112	\$ 2,212,936	\$ 606,950	\$ 3,665,151

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Students Trust Fund	Representation Fee Trust Fund	and Loan Agency Fund	Irrevocable Trust Fund	Auxiliary Trust Fund	Total
OPERATING REVENUES:						
Contributions	\$ -	\$ -	\$ -	\$ 387,113	\$ -	\$ 387,113
Investment income	169	4,443	15	78,784	-	83,411
Other local revenue	163,189	36,673	253,488	-	470,607	923,957
Total Operating Revenues	163,358	41,116	253,503	465,897	470,607	1,394,481
OPERATING EXPENSES:						
Supplies, materials, and other outgo	230,337	20,523	249,563	-	379,513	879,936
Total Operating Expenses	230,337	20,523	249,563	-	379,513	879,936
Net Change in Net Position	(66,979)	20,593	3,940	465,897	91,094	514,545
NET POSITION:						
Beginning of Year	538,605	321,934	27,172	1,747,039	515,856	3,150,606
End of Year	\$ 471,626	\$ 342,527	\$ 31,112	\$ 2,212,936	\$ 606,950	\$ 3,665,151

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Antelope Valley Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District has no component units.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's financial statements provide a comprehensive entity-wide perspective look at the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenditures are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

Fiduciary funds for which the District acts only as an agent are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Cash and Cash Equivalents

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Los Angeles County Treasury are considered cash equivalents.

Restricted Cash

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as noncurrent assets in the Statement of Net Position.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Investments held by the OPEB Irrevocable Trust Fund are reported at fair value using quoted market prices and unrealized and realized gains and losses are included in the Statement of Change in Fiduciary Net Position.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District maintains an allowance for doubtful accounts at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of other receivable balances. At June 30, 2019, management determined that no allowance was necessary.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the District's capitalization policy included all items with a unit cost of \$5,000 or higher and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 - 50 years depending on asset type.

Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or 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 certain STRS and PERS employees, when the employee retires.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Banked Faculty Load

A regular teaching load is considered by a schedule which yields one Full Time Equivalent (FTE). An overload is defined as a schedule which yields more than one FTE. The excess load is recorded as a liability in the Statement of Net Position.

Unearned Revenue

Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. During the year ended June 30, 2019, the District recognized \$1,008,574 in amortization of the deferred loss on refunding. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions and OPEB.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fairvalue.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

The District's net position are classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2019, there is no balance of nonexpendable restricted net position.

Unrestricted net position: Unrestricted net position represent resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

Classification of Revenue and Expenses

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Revenue and Expenses, continued

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of the Board of Governors fee waivers and allowances in the statement of revenues, expenses and change in net position. Certain governmental grants, and other federal, state and nongovernmental programs are recorded as operating revenues, while Federal Pell Grants are classified as non-operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

GASB 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. The Statement is effective for periods beginning after December 15, 2018.

GASB 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. The Statement is effective for periods beginning after December 15, 2019.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

GASB Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities government should include when disclosing information related to debt. The Statement is effective for periods beginning after June 15, 2018.

GASB Statement No. 90 – Accounting for Interest Cost Incurred before the End of a Construction Period. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2019, consisted of the following:

Governmental Funds:

County treasurer's investment pool	\$ 117,638,972
Cash on hand and in banks	4,262,001
Cash with fiscal agents	15,001,745
Total cash and investments - Governmental Funds	\$ 136,902,718

Fiduciary Funds:

County treasurer's investment pool	\$ 823,265
Cash on hand and in banks	1,263,586
Cash with fiscal agents	2,210,780
Total cash and investments - Fiduciary Funds	\$ 4,297,631

Mutual Funds: Investments held within the OPEB trust fund at June 30, 2019, consisted of the following:

Mutual funds - equity	\$ 1,089,878
Mutual funds - fixed income	990,827
Mutual funds - real estate	130,075
Total investments	\$ 2,210,780

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasurer's Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the 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.

Custodial Credit Risk

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The fair value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 - CASH AND INVESTMENTS, continued

Custodial Credit Risk, continued

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. As of June 30, 2019, the District's bank balance was fully collateralized with eligible collateral in accordance with California Government Code Section 53651.

Cash with Fiscal Agent

Cash with Fiscal Agent represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities. Funds are held in the County Treasury. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk

The District investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2019, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

Under provision of the District's policies and in accordance with Sections 53601 and 53602 of the California Government code, the District may invest in the following types of investments:

- Local agency bonds, notes or warrants within the state
- Securities of the U.S. Government or its agencies
- Certificates of Deposit with commercial banks
- Commercial paper
- Repurchase Agreements

Concentration of Credit Risk

The District does not place limits on the amount they may invest in any one issuer. At June 30, 2019, the District had no concentration of credit risk.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Recorded at Fair Value

The following table presents information about the District’s assets measured at fair value on a recurring basis as of June 30, 2019:

OPEB Trust Investments	Total	Level 1	Level 2	Level 3
Mutual funds - equity	\$ 1,089,878	\$ 1,089,878	\$ -	\$ -
Mutual funds - fixed income	990,827	990,827	-	-
Mutual funds - real estate	130,075	130,075	-	-
Total investments	\$ 2,210,780	\$ 2,210,780	\$ -	\$ -

Mutual funds were valued at closing prices from securities exchanges and are classified as Level 1 investments.

During the year ended June 30, 2019, there were no significant transfers in or out of Level 1.

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2019.

NOTE 4 - RECEIVABLES

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest and other local sources. As of June 30, 2019, accounts receivable amounted to \$4,276,968. The District believes all receivables accrued at June 30, 2019 are collectable.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2018	Adjustment for Restatement	Additions	Deductions	Balance June 30, 2019
Capital Assets not being Depreciated					
Land	\$ 2,430,691	\$ -	\$ -	\$ -	\$ 2,430,691
Construction in progress	47,457,094	(243,342)	15,478,195	-	62,691,947
Total Capital Assets not being Depreciated	49,887,785	(243,342)	15,478,195	-	65,122,638
Capital Assets being Depreciated					
Buildings & improvements	273,525,447	37,540,506	66,303	-	311,132,256
Machinery & equipment	13,725,217	3,749,418	3,735,503	522,524	20,687,614
Total Capital Assets being Depreciated	287,250,664	41,289,924	3,801,806	522,524	331,819,870
Total Capital Assets	337,138,449	41,046,582	19,280,001	522,524	396,942,508
Less Accumulated Depreciation					
Buildings & improvements	36,577,104	(5,230,006)	3,315	-	31,350,413
Machinery & equipment	9,443,707	148,754	1,392,401	459,364	10,525,498
Accumulated Depreciation	46,020,811	(5,081,252)	1,395,716	459,364	41,875,911
Net Capital Assets	\$ 291,117,638	\$ 46,127,834	\$ 17,884,285	\$ 63,160	\$ 355,066,597

NOTE 6 - LONG TERM LIABILITIES

General Obligation Bonds

In August 2007, the District issued the General Obligation Bonds Series 2004B and Series 2004C in the amounts of \$52,536,256 and \$56,460,276, respectively. The Series 2004B bonds consisted of Capital Appreciation bonds totaling \$12,231,256 and Current Interest Bonds totaling \$40,305,000. The Series 2004B bonds were refunded during the year ended June 30, 2015. The Series 2004C bonds consisted of Capital Appreciation bonds of \$14,375,276 and Current Interest bonds of \$42,085,000. The Series 2004C bonds were partially refunded during the years ended June 30, 2014 and June 30, 2015. The remaining Series C 2004C bonds mature through August 2017 with an interest rate of 5.0%. The final payment of \$1,080,000 was paid during the 2017-18 year.

In April 2014, the District issued \$42,845,000 and \$16,465,000 of 2014 General Obligation Refunding Bonds Series A and Series B, respectively. The proceeds from the sale of the bonds were used to advance refund the District's outstanding General Obligation Bonds Series 2004C and 2006 General Obligation Refunding Bonds, and to pay the costs of issuing the 2014 Refunding Bonds. The 2014 Refunding Bonds Series A and Series B mature through August 1, 2027 and August 1, 2022, respectively, with interest rates ranging from 0.5% to 5.0%. At June 30, 2019, \$58,036,459 of bonds outstanding are considered defeased.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 - LONG TERM LIABILITIES, continued

The annual payments required to amortize the 2014 General Obligation Refunding Bonds Series A and Series B as of June 30, 2019, are as follows:

Series A:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,550,000	\$ 1,958,250	\$ 3,508,250
2021	1,700,000	1,900,250	3,600,250
2022	1,905,000	1,810,125	3,715,125
2023	2,115,000	1,709,625	3,824,625
2024	5,580,000	1,529,125	7,109,125
2025-2028	28,030,000	2,957,500	30,987,500
	<u>\$ 40,880,000</u>	<u>\$ 11,864,875</u>	<u>\$ 52,744,875</u>

Series B:

Fiscal Year	Principal	Interest	Total
2020	\$ 2,520,000	\$ 302,690	\$ 2,822,690
2021	2,700,000	272,652	2,972,652
2022	2,910,000	195,918	3,105,918
2023	3,150,000	104,486	3,254,486
	<u>\$ 11,280,000</u>	<u>\$ 875,746</u>	<u>\$ 12,155,746</u>

In January 2015, the District issued \$77,818,682 of 2015 General Obligation Refunding Bonds. The proceeds from the sale of the bonds were used to advance refund the District's outstanding General Obligation Bonds Series 2004B and Series 2004C, and to pay the costs of issuing the 2015 Refunding Bonds. The 2015 Refunding Bonds were issued as \$40,880,000 in Current Interest bonds with interest rates ranging from 2.0% to 5.0% and \$36,938,682 in Capital Appreciation bonds with interest accreting at rates ranging from 3.9% to 4.1%. The 2015 Refunding Bonds mature through August 1, 2039.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 - LONG TERM LIABILITIES, continued

The annual payments required to amortize the 2015 General Obligation Refunding Bonds as of June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Accreted Interest	Total
2020	\$ -	\$ 2,037,250	\$ -	\$ 2,037,250
2021	-	2,037,250	-	2,037,250
2022	-	2,037,250	-	2,037,250
2023	-	2,037,250	-	2,037,250
2024	-	2,037,250	-	2,037,250
2025-2029	-	10,186,250	964,778	11,151,028
2030-2034	25,131,157	8,836,250	21,706,993	55,674,400
2035-2039	28,062,525	8,293,500	17,674,547	54,030,572
2040	24,490,000	636,250	-	25,126,250
Accretion	7,282,192	-	(7,282,192)	-
	<u>\$ 84,965,874</u>	<u>\$ 38,138,500</u>	<u>\$ 33,064,126</u>	<u>\$ 156,168,500</u>

In March 2017, the District issued \$116,385,000 of 2016 Series A General Obligation Bonds. The 2016 Series A Bonds were issued as \$23,745,000 of Serial Bonds with interest rates from 3.75% to 5.00% and \$92,640,000 of Term Bonds with interest rates from 4.0% to 5.25%.

The 2016 Series A Bonds mature through August 1, 2046. The annual payments required to amortize the 2016 Series A Bonds as of June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ -	\$ 5,351,750	\$ 5,351,750
2021	-	5,351,750	5,351,750
2022	-	5,351,750	5,351,750
2023	-	5,351,750	5,351,750
2024	-	5,351,750	5,351,750
2025-2029	-	26,758,750	26,758,750
2030-2034	13,595,000	25,315,625	38,910,625
2035-2039	26,330,000	20,357,200	46,687,200
2040-2044	41,200,000	12,335,000	53,535,000
2045-2047	35,260,000	2,191,000	37,451,000
	<u>\$ 116,385,000</u>	<u>\$ 113,716,325</u>	<u>\$ 230,101,325</u>

In March 2017, the District issued \$33,615,000 of 2016 Series A-1 General Obligation Bonds. The 2016 Series A-1 Bonds were issued as Serial Bonds with interest rates from 1.42% to 3.48%.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 - LONG TERM LIABILITIES, continued

The 2016 Series A-1 Bonds mature through August 1, 2028. The annual payments required to amortize the 2016 Series A-1 Bonds as of June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 4,270,000	\$ 724,952	\$ 4,994,952
2021	2,550,000	663,084	3,213,084
2022	1,500,000	619,185	2,119,185
2023	1,705,000	579,266	2,284,266
2024	2,045,000	528,137	2,573,137
2025-2029	15,145,000	1,400,516	16,545,516
	<u>\$ 27,215,000</u>	<u>\$ 4,515,140</u>	<u>\$ 31,730,140</u>

Change in Long-Term Liabilities:

A schedule of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Balance		Additions	Payments and Reductions	Balance June 30, 2019	Amounts Due Within One Year
	July 1, 2018	Adjustment				
General obligation bonds	\$ 289,097,642	\$ -	\$ 1,783,232	\$ 10,155,000	\$ 280,725,874	\$ 10,155,000
Bond premium	20,485,813	-	-	1,118,649	19,367,164	1,168,815
Capital lease	5,372,923	(5,372,923)	-	-	-	-
Banked faculty load time	131,815	-	289,053	-	420,868	-
Compensated absences	1,848,406	-	250,324	-	2,098,730	-
Net pension liability	72,726,520	-	6,876,202	-	79,602,722	-
Other postemployment benefits	6,139,627	-	210,637	-	6,350,264	-
Total Long Term Debt	<u>\$ 395,802,746</u>	<u>\$ (5,372,923)</u>	<u>\$ 9,409,448</u>	<u>\$ 11,273,649</u>	<u>\$ 388,565,622</u>	<u>\$ 11,323,815</u>

NOTE 7 - PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessor of the County of Los Angeles and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are member of the California State Teachers' Retirement System (CalSTRS), and Classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow 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	\$ 43,901,240	\$ 12,355,776	\$ 4,743,392	\$ 4,579,693
CalPERS	35,701,482	9,811,701	197,953	6,827,377
Total	\$ 79,602,722	\$ 22,167,477	\$ 4,941,345	\$ 11,407,070

Pension Plans – California Public Employees' Retirement System (CalPERS)

General Information about the Pension Plan

Plan Description – Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (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, 2015. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 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.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

General Information about the Pension Plan, continued

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.500%
Required employer contribution rate	18.06%	18.06%

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 the 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 contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$3,272,914.

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalPERS for community college education. These payments consist of state general fund contributions of approximately \$1,210,456.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$35,701,482. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.1339 percent and 0.1278 percent, resulting in a net increase in the proportionate share of 0.0061 percent.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

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

For the year ended June 30, 2019, the District recognized pension expense of \$6,827,377. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 292,831	\$ -
Differences between expected and actual experience	2,340,459	-
Changes in assumptions	3,564,635	-
Net changes in proportionate share of net pension liability	340,862	197,953
District contributions subsequent to the measurement date	3,272,914	-
Total	\$ 9,811,701	\$ 197,953

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 3,696,319
2020	2,792,264
2021	(19,179)
2022	(128,570)
	\$ 6,340,834

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

Actuarial assumptions. For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 and the June 30, 2018 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry age actuarial cost method
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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. 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 table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**	Real Return Years 11+***
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	100%		

*In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

**An expected inflation of 2.0% used for this period

***An expected inflation of 2.92% used for this period

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California Public Employees’ Retirement System (CalPERS), continued

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate -

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is in the following table:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	\$ 51,979,650	\$ 35,701,482	\$ 22,196,411

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS CAFR at <https://www.calpers.ca.gov>.

Pension Plans – California State Teachers’ Retirement System (CalSTRS)

General Information about the Pension Plan

Plan Description – The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (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 publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

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 provision and benefits in effect as June 30, 2019 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.328%	9.328%

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

Contributions - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer

contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$4,527,444.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately \$4,007,327.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

District's proportionate share of the net pension liability	\$	43,901,240
State's proportionate share of the net pension liability associated with the District		<u>25,136,722</u>
Total	\$	<u>69,037,962</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.0478 percent and 0.0457 percent, resulting in a net increase in the proportionate share of 0.0021 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$4,579,693. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 1,690,093
Differences between expected and actual experience	136,135	637,075
Changes in assumptions	6,819,765	-
Net changes in proportionate share of net pension liability	872,432	2,416,224
District contributions subsequent to the measurement date	4,527,444	-
Total	<u>\$ 12,355,776</u>	<u>\$ 4,743,392</u>

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 992,669
2020	359,278
2021	(792,767)
2022	1,147,408
2023	1,384,766
Thereafter	(6,414)
	<u>\$ 3,084,940</u>

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

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry age actuarial cost method
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

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 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 20-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:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	<u>100%</u>	

*20-year geometric average

Discount rate - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those 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 the total pension liability.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10% percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 64,310,179	\$ 43,901,240	\$ 26,980,249

Pension plan fiduciary net position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS CAFR at <http://www.calstrs.com/comprehensive-annual-financial-report>.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

In addition to the pension benefits described in Note 8, the District provides post-retirement health care benefits to employees and dependents that have reached the age of 55 and served the District at least 10 years. The District pays medical, dental vision and life insurance premiums to maintain the level of coverage enjoyed by the retiree immediately preceding retirement up until the age of 65 or death of the retiree.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Plan Description - The single-employer OPEB plan is currently operated as a pay-as-you-go-plan. The District makes discretionary, periodic contributions to the plan through an irrevocable trust. The OPEB trust is included in the District's financial report and separately presented as a fiduciary fund. Separate audited financial statements are also available through

Funding Policy - The District’s agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of the District and plan members are established and may be amended by the District’s Board of Trustees through the collective bargaining process. The members receiving benefit contributions vary depending on the level of coverage selected.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Employees Covered by Benefit Term

The following is a table of plan participants as of the June 30, 2018 measurement date:

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	35
Participating Active Employees	442
	<u>477</u>

Contributions - Eligible employees are not permitted to make contributions to the Trust. The Plan administrator (CalPERS) shall, on behalf of the employer (District), make all contribution to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates but contributes in an amount sufficient to fully fund the total OPEB obligation over a period not to exceed 30 years. For fiscal year 2018-19, the District contributed \$906,606 to the Trust.

Actuarial Assumptions - The District’s total OPEB liability of \$8,095,148 was measured as of June 30, 2018. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2018
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.75%
Investment rate of return	6.09%
Discount rate	6.09%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance July 1, 2017	\$ 7,405,289	\$ 1,265,662	\$ 6,139,627
Changes for the year:			
Service cost	633,392	-	633,392
Interest	485,046	-	485,046
Employer contributions	-	906,606	(906,606)
Changes of assumptions	186,897	-	186,897
Experience gains/losses	(95,983)	-	(95,983)
Expected investment income	-	94,293	(94,293)
Investment gains/losses	-	14,916	(14,916)
Administrative expense	-	(17,100)	17,100
Expected benefit payments	(519,493)	(519,493)	-
Net change	689,859	479,222	210,637
Balance June 30, 2018	\$ 8,095,148	\$ 1,744,884	\$ 6,350,264

Fiduciary Net Position as a percentage of the Total OPEB Liability as June 30, 2018 measurement date was 21.55 percent.

Sensitivity of the net pension liability to assumptions - The following presents the net OPEB liability calculated using the discount rate of 6.09 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (5.09 percent) and 1 percent higher (7.09 percent):

	Discount Rate 1% Lower (5.09%)	Current Discount Rate (6.09%)	Discount Rate 1% Higher (7.09%)
Net OPEB liability	\$ 6,854,648	\$ 6,350,264	\$ 5,894,604

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4.00 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.00 percent) and 1 percent higher (5.00 percent):

	Trend Rate 1% Lower (3.00%)	Current Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 5,937,759	\$ 6,350,264	\$ 6,769,620

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

There are various claims and legal actions pending against the District for which no provision has been made in the general-purpose financial statements. In the opinion of the District, any liabilities arising from these claims and legal actions are not considered significant.

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect.

Construction Commitments

As of June 30, 2019, the District has approximately \$36.8 million in outstanding commitments on construction contracts.

NOTE 11 - JOINT POWERS AGREEMENTS

Antelope Valley Community College District participates in Joint Power Agreements (JPAs), with Protected Insurance Program for Schools Joint Power Authority (PIPS), and Self Insurance Risk Management Authority II (SIRMA). Settled claims have not exceeded commercial insurance coverage in any of the past three years. The relationship between Antelope Valley Community College District and the JPAs is such that the JPAs are not component units of Antelope Valley Community College District for financial reporting purposes.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. PIPS provides workers' compensation insurance for its members. SIRMA provides property and liability insurance for its members. Antelope Valley Community College District pays a premium commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

Condensed financial information of the JPAs for the most current year for which audited information is available, is available by contacting each of the respective entities directly.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The beginning net position increased by \$47,976,174. This was due to adjustments to capital assets and long-term debt. In addition, there were district identified adjustments of \$5,721,345.

NOTE 13 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2019 through December 17, 2019, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Total OPEB liability		
Service cost	\$ 633,392	\$ 599,942
Interest	485,046	448,398
Changes of assumptions	186,897	-
Experience gains/losses	(95,983)	-
Benefit payments	(519,493)	(499,512)
Net change in total OPEB liability	689,859	548,828
Total OPEB liability, beginning of year	7,405,289	6,856,461
Total OPEB liability, end of year (a)	\$ 8,095,148	\$ 7,405,289
Plan fiduciary net position		
Employer contributions	\$ 906,606	\$ 886,626
Investment income	94,293	125,965
Investment gains/losses	14,916	-
Administrative expense	(17,100)	(11,322)
Expected benefit payments	(519,493)	(499,512)
Change in plan fiduciary net position	479,222	501,757
Fiduciary trust net position, beginning of year	1,265,662	763,905
Fiduciary trust net position, end of year (b)	\$ 1,744,884	\$ 1,265,662
Net OPEB liability(asset), ending (a) - (b)	\$ 6,350,264	\$ 6,139,627
Covered payroll	\$ 30,618,236	\$ 28,900,000
Plan fiduciary net position as a percentage of the total OPEB liability(asset)	22%	17%
Net OPEB liability(asset) as a percentage of covered payroll	21%	21%

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Actuarially determined contribution	\$ 531,957	\$ 519,493
Contributions in relations to the actuarially determined contribution	906,606	886,626
Contribution deficiency (excess)	<u>\$ (374,649)</u>	<u>\$ (367,133)</u>
Covered-employee payroll	\$ 30,618,236	\$ 28,900,000
Contribution as a percentage of covered-employee payroll	2.96%	3.07%

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

CalSTRS	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.048%	0.046%	0.048%	0.051%	0.052%
District's proportionate share of the net pension liability	\$ 43,901,240	\$ 42,212,558	\$ 38,781,724	\$ 34,436,000	\$ 30,332,000
State's proportionate share of the net pension liability associated with the District	25,136,722	24,972,796	22,080,994	18,213,000	18,316,000
Total	\$ 69,037,962	\$ 67,185,354	\$ 60,862,718	\$ 52,649,000	\$ 48,648,000
District's covered - employee payroll	\$ 27,809,855	\$ 27,360,527	\$ 27,033,792	\$ 23,741,000	\$ 23,119,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	157.86%	154.28%	143.46%	145.05%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	71.00%	69.00%	70.04%	74.02%	76.52%
CalPERS	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.134%	0.128%	0.127%	0.127%	0.128%
District's proportionate share of the net pension liability	\$ 35,701,482	\$ 30,513,962	\$ 25,179,106	\$ 18,775,000	\$ 14,551,000
District's covered - employee payroll	\$ 18,120,443	\$ 19,243,916	\$ 16,126,854	\$ 14,101,000	\$ 13,456,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	197.02%	158.56%	156.13%	133.15%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.90%	73.90%	79.43%	83.38%

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSIONS
FOR THE YEAR ENDED JUNE 30, 2019**

CaSTRS	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 4,527,444	\$ 3,948,124	\$ 3,400,851	\$ 2,655,133	\$ 2,108,206
District's contributions in relation to the statutorily required contribution	4,527,444	3,948,124	3,400,851	2,655,133	2,108,206
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 27,809,855	\$ 27,360,527	\$ 27,033,792	\$ 24,745,000	\$ 23,741,000
District's contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%
CaPERS	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 3,272,914	\$ 2,672,980	\$ 2,240,020	\$ 1,832,600	\$ 1,659,877
District's contributions in relation to the statutorily required contribution	3,272,914	2,672,980	2,240,020	1,832,600	1,659,877
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 18,120,443	\$ 19,243,916	\$ 16,126,854	\$ 15,469,000	\$ 14,101,000
District's contributions as a percentage of covered-employee payroll	18.06%	13.89%	13.89%	11.85%	11.77%

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

The Schedule of Changes in Net OPEB liability is presented to illustrate the elements of the District's Net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Contributions – 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.

Schedule of Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Contributions - Pensions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms

There are no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions

There are no changes of assumptions since the previous valuations for both CalSTRS and CalPERS.

SUPPLEMENTARY INFORMATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2019**

Antelope Valley Community College District was established in 1929, and is comprised of one college located in Lancaster. There were no changes in the boundaries of the District during the current year.

The Governing Board and District Administration for the fiscal year ended June 30, 2019 were composed of the following members:

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Lew Stults	President	2022
Dr. Laura Herman	Vice President	2020
Steve Buffalo	Clerk	2020
Barbara Gains	Trustee	2022
Michael Adams	Trustee	2022

DISTRICT ADMINISTRATION

Edward Knudson
Superintendent/President

Dr. Les Uhazy
Interim Vice President, Academic Affairs

John Hutak
Interim Vice President, Human Resources

Dr. Erin Vines
Vice President, Student Services

Diana Keelen
Executive Director of Business Services, Chief Business Official

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs</i>			
<i>Financial Aid Cluster</i>			
Federal Supplemental Education Opportunity Grants (FESOG)	*	84.007	\$ 341,860
Federal Work Study Program (FWS)	*	84.033	256,287
Federal Direct Student Loans	*	84.268	6,908,927
Federal Pell Grant Program (PELL)	*	84.063	24,785,249
Federal Pell Grant Program - Administrative Allowance	*	84.063	17,984
Total Financial Aid Cluster			<u>32,310,307</u>
TRIO - Student Support Services	*	84.042A	268,734
<i>Higher Education Institutional Aid, Title V Program</i>			
Higher Education Institutional Aid, Title V	*	84.031S	532,976
Higher Education Institutional Aid, Title V, Co-Op	*	84.031S	387,336
Total Higher Educational Aid, Title V Program			<u>920,312</u>
<i>Passed Through California Community College Chancellor's Office</i>			
<i>Career and Technical Education Program</i>			
Career and Technical Education - Basic Grants	*	84.048	498,667
Career and Technical Education - Transitions	*	84.048A	41,377
Total Career and Technical Education Program			<u>540,044</u>
Total U.S. Department of Education			<u>34,039,397</u>
U.S. DEPARTMENT HEALTH AND HUMAN SERVICES			
<i>Passed Through California Community College Chancellor's Office</i>			
Temporary Assistance for Needy Families	*	93.558	84,933
<i>Passed Through California Department of Education</i>			
Foster Parent Training Program, Title IV-E	*	93.658	44,131
Child Development Training Consortium	*	93.575	10,000
Total U.S. Department of Health and Human Services			<u>139,064</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through California Community College Chancellor's Office</i>			
Forest Reserve - Schools and Roads - Grants to States	*	10.665	5,601
Total U.S. Department of Agriculture			<u>5,601</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Information and Assistance	*	64.115	4,620
Total U.S. Department of Veterans Affairs			<u>4,620</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 34,188,682

*Pass-Through number is either not available or not applicable

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
Antelope Valley Air Quality Management	\$ -	\$ 66,560	\$ -	\$ 66,560	\$ 226,560
Baccalaureate Degree Program	-	-	-	-	121,440
Basic Skills	657,744	-	255,154	402,590	560,050
Block Grant - Instructional	372,122	-	301,924	70,198	265,529
Block Grant - Scheduled Maintenance	254,010	-	-	254,010	629,640
Cal Grants	2,328,993	-	-	2,328,993	2,335,215
Calif Apprenticeship Initiative	(9,075)	229,955	-	220,880	220,880
California Campus Catalyst Fund	125,000	-	57,798	67,202	67,202
California College Promise	370,856	-	370,856	-	-
California State Preschool	563,008	14,389	-	577,397	796,400
Calworks	1,035,227	-	-	1,035,227	928,513
Care	266,185	-	-	266,185	266,185
CENIC	50,000	-	-	50,000	50,000
Classified Professional Development	50,763	-	50,763	-	-
Commercial Sexual Exploitation	(1,506)	1,506	-	-	-
CTE Data Unlock Initiative	48,769	-	42,981	5,788	5,788
Curriculum Alignment Project	1,000	-	-	1,000	1,000
Deaf & Hard of Hearing (DHH)	33,313	-	-	33,313	33,313
Disabled Student Program Svcs	886,733	-	-	886,733	886,733
Dreamer Students One Time	5,545	-	-	5,545	4,600
DSS/Calworks	194,208	16,163	-	210,371	210,371
Enrollment Fee Financial Asst.	210,651	-	-	210,651	120,970
EOPS	978,803	-	-	978,803	978,803
Financial Aid Technology	190,921	-	190,921	-	-
Foster Parent Training Program	54,476	-	-	54,476	54,476
Student & Success Completion Grant	1,856,234	-	191,021	1,665,213	1,760,724
Guided Pathways	979,564	-	953,938	25,626	25,626
Hunger Free Campus	94,401	-	84,173	10,228	25,021
Mandated Cost Reimbursement	308,673	-	-	308,673	697,028
Mental Health Support	93,982	-	93,982	-	-
Nursing Grant	153,433	-	-	153,433	153,496
Print & Electronic Info	10,840	-	-	10,840	10,840
Prop 39 year 5 Allocation	-	-	-	-	421,054
Quality Improvement STEP	4,000	-	-	4,000	4,000
SSSP Credit	4,304,939	-	1,513,359	2,791,580	3,281,233
SSSP NonCredit	28,232	-	-	28,232	28,232
Staff Diversity	50,000	-	50,000	-	23,925
State Lottery Proceeds-Prop 20	814,990	253,982	384,416	684,556	862,438
Strong Workforce Program - Regional	610,958	-	610,958	-	86,987
Strong Workforce Program - Local	3,040,964	-	1,687,962	1,353,002	1,353,002
Student Equity	2,823,240	-	514,528	2,308,712	2,415,426
Student Financial Aid Admin	591,830	-	-	591,830	591,830
SWP Job Developer	318,268	-	187,316	130,952	130,952
TANF - State (50%)	44,165	40,768	-	84,933	84,933
Teacher Preparation Program	5,000	-	-	5,000	5,000
Veterans Resource Center Ongoing	46,295	-	46,295	-	52,365
Total State District Funding	\$ 24,847,754	\$ 623,323	\$ 7,588,345	\$ 17,882,732	\$ 20,777,780

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit	7.76	-	7.76
2. Credit	1,025.07	-	1,025.07
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,824.78	-	7,824.78
(b) Daily Census Contact Hours	638.48	-	638.48
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	93.13	-	93.13
(b) Credit	481.34	-	481.34
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	675.90	-	675.90
(b) Daily Census Contact Hours	187.71	-	187.71
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	10,934.17	-	10,934.17
Supplemental Information (subset of above information)			
E. In-service Training Courses			
	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	788.70	-	788.70
2. Noncredit	92.33	-	92.33
Total Basic Skills FTES	881.03	-	881.03

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

FUND BALANCE	Revenue Bond Construction Fund
Balance, June 30, 2019 (CCFS-311)	\$ 100,462,609
Post closing entries	
Change in:	
Cash with fiscal agent	(8,610,082)
Fiscal agent activity	(468,792)
Balance, June 30, 2019, Audited	\$ 91,383,735

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) 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	\$ 14,161,920	\$ -	\$ 14,161,920	\$ 14,161,920	\$ -	\$ 14,161,920
Other	1300	12,597,953	-	12,597,953	12,597,953	-	12,597,953
Total Instructional Salaries		26,759,873	-	26,759,873	26,759,873	-	26,759,873
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	3,962,288	-	3,962,288
Other	1400	-	-	-	663,098	-	663,098
Total Non-Instructional Salaries		-	-	-	4,625,386	-	4,625,386
Total Academic Salaries		26,759,873	-	26,759,873	31,385,259	-	31,385,259
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	13,162,725	-	13,162,725
Other	2300	-	-	-	1,595,996	-	1,595,996
Total Non-Instructional Salaries		-	-	-	14,758,721	-	14,758,721
Instructional Aides							
Regular Status	2200	978,772	-	978,772	978,772	-	978,772
Other	2400	52,427	-	52,427	52,427	-	52,427
Total Instructional Aides		1,031,199	-	1,031,199	1,031,199	-	1,031,199
Total Classified Salaries		1,031,199	-	1,031,199	15,789,920	-	15,789,920
Employee Benefits	3000	7,481,172	-	7,481,172	15,505,264	-	15,505,264
Supplies and Materials	4000	-	-	-	1,301,963	-	1,301,963
Other Operating Expenses	5000	-	-	-	8,902,577	-	8,902,577
Equipment Replacement	6420	-	-	-	413,383	-	413,383
Total Expenditures Prior to Exclusions		35,272,244	-	35,272,244	73,298,366	-	73,298,366
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	469,874	-	469,874
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	346,510	-	346,510
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	1,781,896	-	1,781,896
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	1,129,075	-	1,129,075
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	165,924	-	165,924
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	165,924	-	165,924
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ -	\$ -	\$ -	\$ 3,893,279	\$ -	\$ 3,893,279
Total for ECS 84362, 50% Law		\$ 35,272,244	\$ -	\$ 35,272,244	\$ 69,405,087	\$ -	\$ 69,405,087
Percent of CEE (Instructional Salary Cost/Total CEE)		50.82%	0.00%	50.82%	100.00%	0.00%	100.00%
50% of Current Expense of Education					\$ 34,702,544	\$ -	\$ 34,702,544

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2019**

EPA Revenue	10,525,250
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	10,525,250	-	-	10,525,250
Total		10,525,250	-	-	10,525,250

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 135,963,203
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	\$ 65,122,638	
Depreciable capital assets	331,819,870	
Accumulated depreciation	<u>(41,875,911)</u>	355,066,597
Accrued interest		(4,356,702)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(79,602,722)
Compensated absences		(2,098,730)
OPEB liability		(6,350,264)
Bank faculty load time		(420,868)
Other long-term debt		(300,093,038)
Deferred outflows of resources		34,738,809
Deferred inflows of resources		<u>(5,040,985)</u>
Adjustments related to the Revenue Bond Construction Fund		<u>(8,610,082)</u>
Net Position Reported Within the Statements of Net Position		<u>\$ 119,195,218</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

District Organizational Structure

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

Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Antelope Valley Community College District, and is presented on the 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)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Schedule of State Financial Awards

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

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

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

Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 - PURPOSE OF SCHEDULES, continued

Details of the Education Protection Account

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS



INDEPENDENT AUDITORS' 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

The Board of Trustees
Antelope Valley Community College District
Lancaster, 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 Antelope Valley Community College District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Antelope Valley Community College District's basic financial statements, and have issued our report thereon dated December 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Antelope Valley Community College District 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 Antelope Valley Community College District internal control. Accordingly, we do not express an opinion on the effectiveness of the Antelope Valley Community College 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 entity'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 Antelope Valley Community College District's financial statements are free of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 17, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on Compliance for Each Major Federal Program

We have audited Antelope Valley Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Antelope Valley Community College District's major federal programs for the year ended June 30, 2019. Antelope Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Antelope Valley Community College 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 Antelope Valley Community College District 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 Antelope Valley Community College District compliance.

Opinion on Each Major Federal Program

In our opinion, Antelope Valley Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Antelope Valley Community College 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 Antelope Valley Community College 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 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 Antelope Valley Community College 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 17, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on State Compliance

We have audited Antelope Valley Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Antelope Valley Community College District's compliance with the 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 *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Antelope Valley Community College 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 with the requirements referred to above. However, our audit does not provide a legal determination of Antelope Valley Community College District's compliance with those requirements.

Opinion

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, 2019.

Other Matters

In connection with the audit referred to above, we selected and tested transactions and records to determine Antelope Valley Community College District's compliance with the state laws and regulations applicable to the following items:

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Activities Funded From Other Sources
- Section 424 – State General Apportionment Funding System
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment (CCAP and Non-CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 439 – Proposition 39 Clean Energy
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 479 – To Be Arranged Hours (TBA)
- Section 490 – Proposition 1D and 51 State Bond Funded Projects
- Section 491 – Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 17, 2019

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Aid Cluster</u>
<u>84.031S, 84.031C</u>	<u>Higher Education Institutional Aid, Title V Program</u>

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or questioned costs identified during 2018-19.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the *OMB Compliance Supplement* (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2018-19.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2018-19.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no audit findings reported for the year ended June 30, 2018.