ANTELOPE VALLEY
COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
June 30, 2016

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Antelope Valley Community College District
Lancaster, CA

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 10 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Employer Contributions, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 43 to 47 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2016

Antelope Valley College
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2016

This section of Antelope Valley College District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016.

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 $61,238,110 at June 30, 2016. This is a change from the total combined net position as of June 30, 2015, which reflected $34,543,285. The major difference is the increased investment in capital assets and increase in one-time funds.
- During the fiscal year, the District's total operating expenses, was $112,670,975. Combined operating, non-operating and capital revenues totaled $139,365,800. This produced an excess of revenues over expenses of $26,694,825.
- In November 2004, voters authorized the District to sell up to $139 million in bonds over the next several years. The first series of bonds was sold to private investors in 2007, with the District receiving $30 million to fund construction projects. In fiscal year 2007-2008, the District received the remaining $109 million from the sale of G.O. bond. In 2015-2016, all of the bond funds were expended.
- The general fund reported a fund balance this year of $23,636,907 which represents an overall 29.66 percent ending balance. The restricted reserve percentage is 26.18 percent and the unrestricted reserve percentage is 30.44 percent. The increase is due to one-time funds. 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.

Statement of Net Position

The Statement of Net Position (*see page 12, 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 2016. During the fiscal year ending June 30, 2016, the total net position changed, to include liabilities and deferred inflows, by $43,897,796, or about 15.2 percent, from the previous year. The major difference is the increased investment in capital assets and increase in one-time funds. Accounts receivable has increased by $707,318 or approximately 18.5 percent due to receiving current year 3rd and 4th quarter lottery payments in the following fiscal year. Current liabilities increased by $3,284,953 or by 18.3 percent mainly due to accrued salaries payable and revenues that are deferred from 2015 into 2016. The final paycheck for the fiscal year is booked in the current fiscal year and paid out of the following fiscal year. Unearned revenue occurs mainly occurs with restricted programs and grants or from Summer session. The revenues cannot be "earned" until they are expended.

Statement of Net Position				
ASSETS	2016	2015	Change	% Change
Current Assets				
Cash, investments and short-term receivables	$ 35,727,795	$ 21,800,722	$ 13,927,073	63.9%
Inventory and other assets	1,039,430	934,285	105,145	11.3%
Total Current Assets	36,767,225	22,735,007	14,032,218	61.7%
Noncurrent Assets				
Other noncurrent assets	27,500,386	15,371,576	12,128,810	78.9%
Capital Assets (net of depreciation)	247,342,313	230,389,621	16,952,692	7.4%
Total Non Current Assets	274,842,699	245,761,197	29,081,502	11.8%
Total Assets	311,609,924	268,496,204	43,113,720	16.1%
Deferred Outflows of Resources				
Deferred Amount on Refunding	15,039,156	16,047,730	(1,008,574)	-6.3%
Deferred Outflows - pension	5,560,733	3,768,083	1,792,650	47.6%
Total Deferred Outflows	20,599,889	19,815,813	784,076	4.0%
TOTAL ASSETS & DEFFERED OUTFLOWS	$ 332,209,813	$ 288,312,017	$ 43,897,796	15.2%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$ 10,464,926	$ 9,116,514	$ 1,348,412	14.8%
Deferred revenue	6,434,881	4,733,357	1,701,524	35.9%
Current portion of long-term obligations	4,355,481	4,120,464	235,017	5.7%
Total Current Liabilities	21,255,288	17,970,335	3,284,953	18.3%
Long-Term Obligations	244,414,415	223,165,147	21,249,268	9.5%
Total Liabilities	265,669,703	241,135,482	24,534,221	10.2%
Deferred Inflows of Resources	5,302,000	12,633,250	(7,331,250)	-58.0%
NET POSITION				
Invested in capital assets	89,581,190	75,628,690	13,952,500	18.4%
Restricted for capital projects and debt service	16,962,448	9,312,472	7,649,976	82.1%
Restricted for other special purposes	5,376,565	4,277,556	1,099,009	25.7%
Unrestricted	(50,682,093)	(54,675,433)	3,993,340	-7.3%
Total Net Position	61,238,110	34,543,285	26,694,825	77.3%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 332,209,813	$ 288,312,017	$ 43,897,796	15.2%

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (*see page 13, 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 has increased at the end of the year by $17,998,802 from June 30, 2015. Although the statement shows an operating loss of $72,476,945, that balance does not reflect the $90,243,215 in non-operating revenue and $8,928,555 in other revenues.

Statement of Revenues and Expenses				
Operating Revenues	2016	2015	Change	% Change
Tuition and fees	$ 2,927,365	$ 2,984,070	$ (56,705)	-1.9%
Grants and contracts	36,117,412	25,146,650	10,970,762	43.6%
Auxiliary enterprise sales and charges	1,149,253	3,095,356	(1,946,103)	-62.9%
Total Operating Revenues	40,194,030	31,226,076	8,967,954	28.7%
Operating Expenses				
Salaries and benefits	66,960,968	60,877,870	6,083,098	10.0%
Supplies and maintenance	4,641,041	15,467,352	(10,826,311)	-70.0%
Payments to Students	37,502,179	38,135,202	(633,023)	-1.7%
Depreciation	3,566,787	1,438,799	2,127,988	147.9%
Total Operating Expenses	112,670,975	115,919,223	(3,248,248)	-2.8%
Loss on Operations	(72,476,945)	(84,693,147)	12,216,202	-14.4%
Non-operating Revenues and (Expenses)				
State apportionment	56,272,521	50,283,602	5,988,919	11.9%
Property taxes	6,407,024	5,629,892	777,132	13.8%
State revenues	124,181	121,293	2,888	2.4%
Pell grants	26,855,838	28,469,318	(1,613,480)	-5.7%
Interest income	313,464	140,338	173,126	123.4%
Interest expense	(6,136,574)	(3,115,846)	(3,020,728)	96.9%
Loss on Disposal of Assets	1,479,464	(33,707)	1,513,171	-4489.2%
Other non-operating revenue	4,927,297	1,598,729	3,328,568	208.2%
Total Non-operating Revenue	90,243,215	83,093,619	7,149,596	8.6%
Other Revenues				
State, capital income	1,819,271	1,534,164	285,107	18.6%
Local revenues, capital	7,109,284	8,761,387	(1,652,103)	-18.9%
Total Other Revenues	8,928,555	10,295,551	(1,366,996)	-13.3%
Net Increase (Decrease) in Net Position	$ 26,694,825	$ 8,696,023	$ 17,998,802	207.0%

Statement of Cash Flows

The statement of cash flows (*see page 14, 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, 2016 was $68,000,327.

Statement of Cash Flow				
Cash Provided by (Used in)	2016	2015	Change	% Change
Operating activities	$ (68,000,327)	$ (79,260,709)	$ 11,260,382	-14.2%
Noncapital financing activities	94,880,932	94,794,017	86,915	0.1%
Capital financing activities	(1,845,504)	(4,255,502)	2,409,998	-56.6%
Investing activities	313,464	140,338	173,126	123.4%
Net Increase (Decrease) in Cash	25,348,565	11,418,144	13,930,421	122.0%
Cash, Beginning of Year	33,348,967	21,930,823	11,418,144	52.1%
Cash, End of Year	$ 58,697,532	$ 33,348,967	$ 25,348,565	76.0%

Capital Assets

The District's capital assets, net of accumulated depreciation at June 30, 2016 totaled $247,342,313. This represented an increase in capital assets of $16,952,692 from the prior year or a 7 percent increase from 2015 due to changes in construction in progress, building improvements and the acquisition of machinery & equipment. The District has continued its capital improvements as outlined and funded by Measure R, utilized redevelopment funding and has received State scheduled maintenance funds. Below is a summary of the District's capital assets.

Capital Assets:	2016	2015	Change	% Change
Land	$ 2,430,691	$ 2,430,691	$ -	0%
Construction in Process	107,914,443	198,291,950	(90,377,507)	-46%
Building improvements	155,737,325	45,598,788	110,138,537	242%
Machinery and equipment	12,198,995	11,545,415	653,580	6%
Total	278,281,454	257,866,844	20,414,610	8%
Accumulated depreciation				
Building improvements	(22,893,204)	(20,104,728)	(2,788,476)	14%
Machinery and equipment	(8,045,937)	(7,372,495)	(673,442)	9%
Capital Assets, net	$ 247,342,313	$ 230,389,621	$ 16,952,692	7%

Long Term Liabilities

The District's total liabilities at June 30, 2016 totaled $265,669,703 of which $248,769,896 are long term liabilities below; $4,355,481 of this amount is due in the upcoming fiscal year. Long term liabilities have increased by $21,484,285 or 9 percent mainly due to the issuance of lease revenue bonds for Palmdale & Foxfield expansion and an increase in net pension liability. Below is a summary of the District's long-term liabilities.

Long-Term Liabilities:	2016	2015	Change	% Change
General Obligation Bonds	$ 138,823,272	$ 141,011,767	$ (2,188,495)	-2%
Bond premium	$ 13,337,812	$ 14,019,531	$ (681,719)	-5%
Accreted interest	5,582,272	2,651,076	2,931,196	111%
Lease Revenue Bonds	13,000,000	-	13,000,000	0%
Certificates of participation	7,675,000	7,790,000	(115,000)	-1%
Capital lease	6,045,049	6,278,794	(233,745)	-4%
Net pension liability	53,211,000	44,883,000	8,328,000	19%
Banked faculty load time	290,296	240,396	49,900	21%
Compensated absences	1,682,067	1,559,830	122,237	8%
Other Postemployment Benefits	9,123,128	8,851,217	271,911	3%
Total Long Term Liabilities	$ 248,769,896	$ 227,285,611	21,484,285	9%

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.

Economic Factors That Will Affect the Future

The November 2016 election contained several measures designed to support education. Proposition 51 is a State initiative of $9 billion bond measure to aid in improving the construction of school facilities, which was passed by the voters. Proposition 55 extends a portion of Proposition 30 through 2030, which is also a State initiative designed to support education through the Education Protection Account (EPA). This, too, was passed by the voters. The passage of Proposition 30 in November 2012 created the EPA that is funded from a tax package that raised the state sales tax by 0.25% from January 1, 2013 through December 31, 2016 and increased personal income taxes to individuals making over $250K from 2012-2018. The EPA funds are not considered "new revenue", but prevented severe cuts to Higher Education. Proposition 55 will extend the personal income tax component of Proposition 30 until 2030. This is expected to increase state revenues by $4-9 billion each year in today's dollars.

The District also put Measure AV on the November 2016 ballot, which was passed by the local voters. Measure AV is for $350 million and will be used to upgrade math, engineering, aerospace/advanced manufacturing classrooms/labs, improve class availability and safety, update technology, repair, construct, acquire facilities, sites/equipment to maintain quality, affordable education for local students/returning veterans, and prepare students for jobs and transfer to four-year universities. $35 million of this measure will be endowed without touching the principal and the interest will be utilized each year to maintain, renovate and invest in capital projects. This will reduce the reliance on volatile State scheduled maintenance funds that sometimes are not provided in times of recession. During this last recession, for 5 years, the District received zero scheduled maintenance dollars from the State, adding pressure to the operating fund which is used to pay for classroom instructors, utilities and support staff.

Proposition 51, Public School Facilities Bond, was also passed in November 2016 by the voters. This will bring in $9 billion to the California's K-12 and community colleges; $2 billion specifically for community colleges. The District plans to leverage as much local Measure AV funds as possible by applying for some of these State bond funds with eligible projects.

For more than a decade, the state budget has often miscalculated property tax and student fee revenues by projecting above actual collections, thereby providing less than adequate state general funds for the general apportionment. Because the revenue shortfall is not discovered until the fiscal year has virtually closed, the shortfall can threaten year-end operations and adversely affect cash flow. The District has budgeted for an anticipated shortfall of 0.5 percent for 2016-2017. 87 percent of State total computational revenue for the District is tied to Full Time Equivalent Students (FTES). There was some positive economic growth and the backfill of EPA funds have resulted in some restoration of funds to the California Community College System. The Governor's proposal includes a restoration/growth amount of 2 percent. Because of the new revised growth formula from the Chancellor's Office, Antelope Valley College has a growth cap of 3.11 percent in 2016-2017. These adjustments reflect constrained growth for other Districts that cannot meet the 2 percent growth target. Those FTES were redistributed among the system. The District was unable to meet growth targets for 2015-2016 and had to borrow Summer 2016 FTES in the 2015-2016 fiscal year. This means that those borrowed FTES will need to be made up in the 2016-2017. It is anticipated that the District will not be able to reach any of the 3.11 percent growth in 2016-2017, so we are using the base FTES funding without growth of 11,626 FTES.

2015-2016 FTES	Attainment
2015-2016 Actual FTES at final report	11,031
2014-2015 Make up for Borrowing	-47
Total FTES towards 2015-2016	10,984
2015-2016 Potential Borrowing	672
Funded FTES	**11,626**

On June 28, 2012, the Supreme Court upheld the Patient Protection and Affordable Car Act (ACA) as constitutional. Although it was signed into law in 2010, the majority of the provisions went into effect in January 2015 and the remaining will be phased in by 2018. Most notably, the impact for employers not following the provisions could result in IRS penalties of $2,000 - $3,000 per impacted employee, depending upon the situation. The District has developed a contingency fund to address the financial liabilities associated with potential ACA penalties. Minimum wage is also increasing in California to $10.00 per hour beginning July 1, 2016. California Passed the Fair Wage Act of 2016, which phases in minimum wage by increasing it $1 each year until $15.00 per hour is reached. This has been included in the District's multi-year budget projections.

The CA State Legislature adopted a plan to address the unfunded liability for the California State Teachers Retirement System (CalSTRS) and California Public Employees Retirement System (CalPERS) over the next 30 years.

Benefits %	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
STRS	8.25%	10.48%	12.58%	14.43%	16.28%
PERS	11.70%	11.85%	13.05%	16.60%	18.20%

The proposed plan would share the responsibility of the unfunded liability by the state, employers, and the employees themselves. Antelope Valley College has included this information in the multi-year budget projections.

Governmental Accounting Standards Board (GASB) 67/68 revised the accounting requirements for pension liability obligations. The requirements now mandate that the liability be booked at the District's balance sheet showing the net pension liability (NPL). Pension expenses shall also be recognized on the income statement. The goal is to create transparency at the local level showing the pension liability. The District will be addressing this through the newly created retirement board of authority (RBA) in order to ensure compliance with the GASB standard.

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.

ASSETS	
Current assets:	
Cash and cash equivalents	$ 31,197,146
Receivables	4,530,649
Inventory	519,555
Prepaid expenses and other assets	519,875
Total current assets	36,767,225
Noncurrent assets:	
Restricted cash and investments	27,500,386
Non-depreciable capital assets	110,345,134
Depreciable capital assets, net	136,997,179
Total noncurrent assets	274,842,699
Total assets	311,609,924
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refundings of debt	15,039,156
Deferred outflow of resources - pension	5,560,733
Total deferred outflows of resources	20,599,889
Total assets and deferred outflows of resources	$ 332,209,813
LIABILITIES	
Current liabilities:	
Accounts payable	$ 10,464,926
Unearned revenue	6,434,881
Long-term debt - current portion	4,355,481
Total current liabilities	21,255,288
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion	1,682,067
Banked faculty load time - noncurrent portion	290,296
OPEB obligation	9,123,128
Long-term debt - noncurrent portion	233,318,924
Total noncurrent liabilities	244,414,415
Total liabilities	265,669,703
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	5,302,000
NET POSITION	
Net investment in capital assets	89,581,190
Restricted for capital projects	11,134,985
Restricted for debt service	5,827,463
Restricted for other special purposes	5,376,565
Unrestricted	(50,682,093)
Total net position	61,238,110
Total liabilities, deferred inflows of resources and net position	$ 332,209,813

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2016

Operating revenues:	
Tuition and fees	$ 8,922,481
Less: scholarship discounts and allowances	(5,995,116)
Net tuition and fees	2,927,365
Grants and contracts, non-capital:	
Federal	9,575,590
State	26,541,822
Auxiliary enterprise sales and charges:	1,149,253
Total operating revenues	40,194,030
Operating expenses:	
Salaries and benefits	66,960,968
Supplies, materials, and other operating expenses and services	4,641,041
Student financial aid	37,502,179
Depreciation	3,566,787
Total operating expenses	112,670,975
Loss from operations	(72,476,945)
Non-operating revenues (expenses):	
State apportionment, non-capital	56,272,521
Local property taxes	6,407,024
State taxes and other revenues	124,181
Pell grants	26,855,838
Investment income, noncapital	313,464
Interest expense	(6,136,574)
Gain on sale of capital assets, net	1,479,464
Other non-operating revenues	4,927,297
Total non-operating revenues (expenses)	90,243,215
Income before capital revenues	17,766,270
Capital revenues:	
Property taxes	7,109,284
Other local capital revenue	1,819,271
Total capital revenues	8,928,555
Change in net position	26,694,825
Net position, July 1, 2015	34,543,285
Net position, June 30, 2016	$ 61,238,110

See accompanying notes to financial statements.

Cash flows from operating activities:	
Tuition and fees	$ 1,796,431
Federal grants and contracts	9,555,905
State and local grants and contracts	27,710,857
Payments to employees	(67,312,820)
Payments to students, suppliers and vendors	(40,899,953)
Auxiliary enterprise sales and charges	1,149,253
Net cash used in operating activities	(68,000,327)
Cash flows from noncapital financing activities:	
State apportionments	56,746,432
Pell grants	26,855,838
Local property taxes	6,407,024
State taxes and other revenues	124,181
Other receipts	4,747,457
Net cash provided by noncapital financing activities	94,880,932
Cash flows from capital and related financing activities:	
Proceeds from capital debt	13,000,000
Principal paid on capital debt	(2,537,240)
Interest paid on capital debt, net	(6,658,711)
Purchases of capital assets	(16,068,603)
Local property taxes and other revenues, capital purposes	8,928,555
Proceeds from sale of capital asset	1,490,495
Net cash used in capital and related financing activities	(1,845,504)
Cash flows provided by investing activities:	
Interest income	313,464
Net increase in cash and investments	25,348,565
Cash and investments, beginning of year	33,348,967
Cash and investments, end of year	$ 58,697,532

(Continued)

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (72,476,945)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	3,566,787
Changes in assets and liabilities:	
Receivables, net	(1,683,108)
Prepaid expenses and other assets	(28,745)
Inventory	(76,400)
Deferred outflows of resources - pensions	(1,792,650)
Accounts payable	1,348,412
Unearned revenue	1,701,524
Net pension liability	8,328,000
Deferred inflows of resources - pensions	(7,331,250)
Compensated absences and banked faculty load time	172,137
Other postemployment benefits	271,911
Net cash used in operating activities	$ (68,000,327)
Supplemental disclosure of non-cash transactions:	
Accretion of interest	$ 3,832,701
Amortization of premiums	$ 681,719

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	OPEB Irrevocable Trust Fund	Associated Students
ASSETS		
Cash	$ 1,523	$ 533,860
Investments:		
Mutual funds - equity	415,784	-
Mutual funds - fixed income	294,503	-
Mutual funds - real estate	53,529	-
Total assets	$ 765,339	$ 533,860
LIABILITIES AND NET POSITION		
Accounts payable	$ 1,433	$ -
Due to student groups	-	533,860
Total liabilities	1,433	$ 533,860
Net position restricted for OPEB	763,906	
Total liabilities and net position	$ 765,339	

See accompanying notes to financial statements.

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2016

	OPEB Irrevocable Trust Fund
Additions:	
Employer contributions	$ 947,879
Net investment income:	
Dividends and other income	28,530
Realized and unrealized losses, net	(31,213)
Investment fees	(7,637)
Total additions	937,559
Deductions	
Retiree benefits	560,766
Net increase	376,793
Net position held in trust for other postemployment benefits:	
Net position held in trust for retiree benefits, July 1, 2015	387,113
Net position held in trust for retiree benefits, June 30, 2016	$ 763,906

See accompanying notes to financial statements.

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 and is therefore exempt from federal taxes.

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. 2100.101 as amended by GASB Cod. Sec. 2100.138. 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 Equivalents and Investments: 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 non current assets in the Statement of 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, 2016, management determined that no allowance was necessary.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest cost and interest capitalized totaled $10,598,481 and $4,461,907, respectively, during the year ended June 30, 2016.

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.

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. Other funds, including tuition and student fees, 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 amount on refunding reported which is 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, 2016, the District recognized $1,008,574 in amortization of the deferred loss on refundings. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position. Amortization for the year ended June 30, 2016 totaled $1,840,250.

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. Amortization for the year ended June 30, 2016 totaled $3,738,250.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 an 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 fair value.

	STRP	PERF B	Total
Deferred outflows of resources	$ 2,655,133	$ 2,905,600	$ 5,560,733
Deferred inflows of resources	$ 3,382,000	$ 1,920,000	$ 5,302,000
Net pension liability	$ 34,436,000	$ 18,775,000	$ 53,211,000
Pension expense	$ 3,969,644	$ 1,566,627	$ 5,536,271

Net Position: The District's net position is 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 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, 2016, there is no balance of nonexpendable restricted net position.

Unrestricted net position: Unrestricted net position represents 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 typically first applies the expense toward restricted resources, then to 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 the recalculation in will be recorded in the year completed by the State.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue and Expenses: The District has classified its revenues and expenses as either operating or nonoperating revenues and expenses. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. 2200.190-.191 including State appropriations, local property taxes, Pell grants 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 and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most Federal, State and local grants and contracts and Federal appropriations, and (3) interest on institutional student loans. All expenses are considered operating expenses except for interest expense on capital related debt.

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. 2200.190-.191, such as State appropriations, and investment income. Interest expense on capital related debt is the only nonoperating expense.

Scholarship Discounts and Allowances: Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and change in net position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state and nongovernmental programs, are recorded as 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: In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District’s fiscal year ending June 30, 2016. There is no material impact to the District’s financial statements as a whole.

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

District cash and cash equivalents at June 30, 2016, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	$ 44,588,594	$ -
Deposits:		
Cash on hand and in banks	2,093,150	535,383
Cash held by Fiscal Agent	12,015,788	-
Total cash and cash equivalents	58,697,532	535,383
Less: restricted cash and cash equivalents:		
Cash held by Fiscal Agent	(12,015,788)	-
Other restricted cash	(15,484,598)	-
Total restricted cash and cash equivalents	(27,500,386)	-
Net cash and cash equivalents	$ 31,197,146	$ 535,383

Mutual Funds: Investments held within the OPEB trust fund at June 30, 2016, consisted of the following:

Mutual funds - equity	$ 415,784
Mutual funds - fixed income	294,503
Mutual funds - real estate	53,529
Total investments	$ 763,816

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.

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.

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District and Fiduciary's accounts was $2,628,533 and the bank balance was $2,652,206 of which $953,672 was FDIC insured.

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

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, 2016, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2016, the District had no concentration of credit risk.

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.

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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, 2016:

	Total	Level 1	Level 2	Level 3
OPEB Trust investments:				
Mutual funds - equity	$ 415,784	$ 415,784	$ -	$ -
Mutual funds – fixed income	294,503	294,503	-	-
Mutual funds – real estate	53,529	53,529	-	-
Total	$ 763,816	$ 763,816	$ -	$ -

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

During the year ended June 30, 2016, 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, 2016.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016 are summarized as follows:

Federal	$ 1,136,145
State	1,805,860
Local and other	1,588,644
	$ 4,530,649

(Continued)

NOTE 5 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2015	Additions and Transfers	Deductions and Transfers	Balance June 30, 2016
Non-depreciable:				
Land	$ 2,430,691	$ -	$ -	$ 2,430,691
Construction in progress	198,291,950	19,459,452	(109,836,959)	107,914,443
Depreciable:				
Building improvements	45,598,788	110,138,537	-	155,737,325
Machinery and equipment	11,545,415	769,480	(115,900)	12,198,995
Total	257,866,844	130,367,469	(109,952,859)	278,281,454
Less accumulated depreciation:				
Building improvements	20,104,728	2,788,476	-	22,893,204
Machinery and equipment	7,372,495	778,311	(104,869)	8,045,937
Total	27,477,223	3,566,787	(104,869)	30,939,141
Capital assets, net	$ 230,389,621	$ 126,800,682	$ (109,847,990)	$ 247,342,313

NOTE 6 - UNEARNED REVENUE

Unearned revenue at June 30, 2016 is summarized as follows:

Unearned grant revenue	$ 4,928,577
Unearned tuition and student fee revenue	1,506,304
	$ 6,434,881

NOTE 7 - LONG-TERM LIABILITIES

General Obligation Bonds: In April 2005, the District issued General Obligation Bonds Series 2004A, in the amount of $30,000,000. The bonds were partially refunded during the year ended June 30, 2007 and the remaining bonds matured through August 2015.

In August 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of $24,336,792. The purpose of the bonds were to refund portions of the General Obligation Bonds Series 2004A. The bonds consisted of Capital Appreciation bonds totaling $6,801,792, maturing through August 2016 with interest accreting at rates ranging from 3.7% to 4.3% and Current Interest bonds totaling $17,535,000. The Current Interest bonds were refunded during the year ended June 30, 2014.

The annual payments required to amortize the 2006 General Obligation Refunding Bonds outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 659,590	$ 717,705	$ 1,377,295

(Continued)

NOTE 7 - LONG-TERM LIABILITIES (Continued)

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 annual payments required to amortize the General Obligation Bonds 2004C outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 935,000	$ 1,904,451	$ 2,839,451
2018	1,080,000	940,538	2,020,538
	$ 2,015,000	$ 2,844,989	$ 4,859,989

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, 2016, $58,036,459 of bonds outstanding are considered defeased.

The annual payments required to amortize the 2014 General Obligation Refunding Bonds Series A and Series B as of June 30, 2016, are as follows:

Series A:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 2,005,050	$ 2,005,050
2018	155,000	2,003,500	2,158,500
2019	1,410,000	1,987,850	3,397,850
2020	1,550,000	1,958,250	3,508,250
2021	1,700,000	1,900,250	3,600,250
2022-2026	22,380,000	7,227,375	29,607,375
2027-2028	15,250,000	779,000	16,029,000
	$ 42,445,000	$ 17,861,275	$ 60,306,275

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Series B:

Year Ending June 30,	Principal	Interest	Total
2017	$ 200,000	$ 412,279	$ 612,279
2018	2,195,000	394,892	2,589,892
2019	2,345,000	355,640	2,700,640
2020	2,520,000	302,691	2,822,691
2021	2,700,000	234,285	2,934,285
2022-2023	6,060,000	202,445	6,262,445
	$ 16,020,000	$ 1,902,232	$ 17,922,232

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. At June 30, 2016, $116,613,467 of bonds outstanding are considered defeased.

The annual payments required to amortize the 2015 General Obligation Refunding Bonds as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 2,037,250	$ 2,037,250
2018	-	2,037,250	2,037,250
2019	-	2,037,250	2,037,250
2020	-	2,037,250	2,037,250
2021	-	2,037,250	2,037,250
2022-2026	-	10,186,250	10,186,250
2027-2031	16,126,097	18,040,153	34,166,250
2032-2036	22,005,865	34,360,385	56,366,250
2037-2040	39,551,720	10,804,905	50,356,625
	$ 77,683,682	$ 83,577,943	$ 161,261,625

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Lease Revenue Bonds: In August 2015, the District issued 2015 Lease Revenue Bonds, Series A and Series B totaling $13,000,000. The bonds were issued for the purpose acquisition and improvement of District facilities. The bonds have a stated interest rate ranging from 2.1% to 5.0% and mature through June 1, 2035.

The maturity schedules for the 2015 Lease Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 583,152	$ 583,152
2018	515,000	583,152	1,098,152
2019	530,000	572,281	1,102,281
2020	540,000	558,008	1,098,008
2021	560,000	541,576	1,101,576
2022-2026	3,025,000	2,381,333	5,406,333
2027-2031	3,925,000	1,572,527	5,497,527
2032-2035	3,905,000	496,548	4,401,548
	$ 13,000,000	$ 7,288,577	$ 20,288,577

Certificates of Participation: In June 2010, the District entered into a lease agreement in the amount of $10,000,000 with Los Angeles County Schools Regionalized Business Services Corporation to finance the cost of construction of solar energy projects. The COPs with an interest rate ranging from 3.0% to 5.25% mature in varying amounts through 2035.

At June 30, 2016, the District's COPs obligations were as follows:

Year Ending June 30,	
2017	$ 516,418
2018	531,544
2019	550,544
2020	568,106
2021	584,106
2022-2026	3,128,500
2027-2031	3,413,750
2032-2036	3,432,114
	12,725,082
Less amounts representing interest	(5,050,082)
	$ 7,675,000

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Capital Lease: In November 2010, the District entered into a master equipment lease purchase agreement to provide tax-exempt financing for certain energy related projects. These projects consisted of the addition to the North Central utility plant, building lighting retrofits, exterior lighting upgrades, supervisory controls, re-commissioning, computer power management, variable speed pool pump and irrigation system controls upgrade. At June 30, 2016, the assets held under this agreement totaled $15,329,303 and are still in process of completion; as a result no accumulated depreciation has been recognized.

At June 30, 2016, the future minimum lease payments are as follows:

Year Ending June 30,	
2017	$ 646,472
2018	696,365
2019	749,206
2020	805,168
2021	864,438
2022-2026	4,315,639
	8,077,288
Less amounts representing interest	(2,032,239)
	$ 6,045,049

Changes in Long-Term Debt: A schedule of changes in long-term debt for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
General Obligation Bonds	$ 141,011,767	$ -	$ 2,188,495	$ 138,823,272	$ 1,794,590
Bond premium	14,019,531	-	681,719	13,337,812	699,116
Accreted interest	2,651,076	3,832,701	901,505	5,582,272	1,435,410
Lease revenue bonds	-	13,000,000	-	13,000,000	-
Certificates of participation	7,790,000	-	115,000	7,675,000	130,000
Capital lease	6,278,794	-	233,745	6,045,049	296,365
Banked faculty load time	240,396	49,900	-	290,296	-
Compensated absences	1,559,830	122,237	-	1,682,067	-
Net pension liability (Note 9 & 10)	44,883,000	8,328,000	-	53,211,000	-
Other postemployment benefits (Note 11)	8,851,217	1,219,790	947,879	9,123,128	-
	$ 227,285,611	$ 26,552,628	$ 5,068,343	$ 248,769,896	$ 4,355,481

(Continued)

NOTE 8 - 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.

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members – Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 10.73 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $2,655,133 to the plan for the fiscal year ended June 30, 2016.

State – 7.391 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-47.

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.517%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2016, 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:

District's proportionate share of the net pension liability	$ 34,436,000
State's proportionate share of the net pension liability associated with the District	18,213,000
Total	$ 52,649,000

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2015, the District's proportion was 0.051 percent, which was an decrease of 0.001 from its proportion measured as of June 30, 2014.

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

For the year ended June 30, 2016, the District recognized pension expense of $3,969,644 and revenue of $1,844,438 for support provided by the State. At June 30, 2016, 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 expected and actual experience	$ -	$ 575,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	2,807,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	2,655,133	-
Total	$ 2,655,133	$ 3,382,000

$2,655,133 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ (1,257,733)
2018	$ (1,257,733)
2019	$ (1,257,734)
2020	$ 582,200
2021	$ (96,000)
2022	$ (95,000)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

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

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash / Liquidity	1%	0.00%

* 10-year geometric average

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed 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 (7.60 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.

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 7.60 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 51,996,000	$ 34,436,000	$ 19,843,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers – The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed $1,832,600 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of $18,775,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2015, the District's proportion was 0.127 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2014.

(Continued)

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2016, the District recognized pension expense of $1,566,627. At June 30, 2016, 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 expected and actual experience	$ 1,073,000	$ -
Changes of assumptions	-	1,154,000
Net differences between projected and actual earnings on investments	-	643,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	123,000
Contributions made subsequent to measurement date	1,832,600	-
Total	$ 2,905,600	$ 1,920,000

$1,832,600 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ (218,500)
2018	$ (218,500)
2019	$ (218,500)
2020	$ (191,500)

Differences between expected and actual experience, changes in proportion and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(Continued)

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	51%	5.25%
Global Fixed Income	19%	0.99%
Inflation Insensitive	6%	0.45%
Private Equity	10%	6.83%
Real Estate	10%	4.50%
Infrastructure & Forestland	2%	4.50%
Liquidity	2%	(0.55)%

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 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 Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

The discount rate was 7.50 percent and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively.

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.

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 cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 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. 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.

(Continued)

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 30,558,000	$ 18,775,000	$ 8,977,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9 and 10, 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.

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual required contribution	$ 1,190,259
Interest on net OPEB obligation	575,329
Adjustment to annual required contribution	(545,798)
Annual OPEB cost (expense)	1,219,790
Contributions made	(947,879)
Increase in net OPEB obligation	271,911
Net OPEB obligation - beginning of year	8,851,217
Net OPEB obligation - end of year	$ 9,123,128

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 1,093,475	56.1%	$ 8,623,668
June 30, 2015	$ 1,176,253	47.7%	$ 8,851,217
June 30, 2016	$ 1,219,790	77.7%	$ 9,123,128

As of July 1, 2015, the most recent actuarial valuation date, the plan was partially funded. The actuarial accrued liability for benefits was $9,093,980, and the actuarial value of assets was $387,846, resulting in an unfunded actuarial accrued liability (UAAL) of $8,706,134. As of the latest actuarial, covered payroll (annual payroll of active employees covered by the Plan) was $28,900,000, and the ratio of the UAAL to the covered payroll was 30 percent. 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 the District.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as Required Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

In the July 1, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own assets calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates include a 2.75 percent inflation assumption. The District's obligation was fully amortized as of June 30, 2010.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

<u>Contingent Liabilities</u>: 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.

<u>Construction Commitments</u>: As of June 30, 2016, the District has approximately $2.8 million in outstanding commitments on construction contracts.

NOTE 13 - 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.

(Continued)

NOTE 13 - JOINT POWERS AGREEMENTS (Continued)

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 as follows:

	PIPS June 30, 2015	SIRMA June 30, 2016
Total assets	$ 109,911,317	$ 2,632,922
Total liabilities and deferred inflows of resources	$ 99,473,185	$ 1,302,734
Net position	$ 10,438,132	$ 1,330,188
Total revenues	$ 236,947,407	$ 3,277,562
Total expenses	$ 238,580,162	$ 3,270,113
Change in net position	$ (1,632,755)	$ 7,449

REQUIRED SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
For the Year Ended June 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Covered Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2006	$ -	$ 7,974,678	$ 7,974,678	0%	$ 46,200,000	17.26%
July 1, 2009	$ -	$ 7,848,063	$ 7,848,063	0%	$ 46,200,000	16.99%
March 1, 2011	$ -	$ 7,600,837	$ 7,600,837	0%	$ 29,338,000	25.94%
July 1, 2013	$ -	$ 8,143,893	$ 8,143,893	0%	$ 25,432,000	32.06%
July 1, 2015	$ 387,846	$ 9,093,980	$ 8,706,134	4%	$ 28,900,000	30.13%

See independent auditor's report on required supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2016

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.052%	0.051%
District's proportionate share of the net pension liability	$ 30,332,000	$ 34,436,000
State's proportionate share of the net pension liability associated with the District	18,316,000	18,213,000
Total net pension liability	$ 48,648,000	$ 52,649,000
District's covered-employee payroll	$ 23,119,000	$ 23,741,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.128%	0.127 %
District's proportionate share of the net pension liability	$ 14,551,000	$ 18,775,000
District's covered-employee payroll	$ 13,456,000	$ 14,101,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%	133.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 2,108,206	$ 2,655,133
Contributions in relation to the contractually required contribution	$ 2,108,206	$ 2,655,133
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 23,741,000	$ 24,745,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 1,659,877	$ 1,832,600
Contributions in relation to the contractually required contribution	$ 1,659,877	$ 1,832,600
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 14,101,000	$ 15,469,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

B - Schedule of Employer Contributions

The Schedule of Employer Contributions presents the actuarially determined annual required contribution (ARC) and the percentage of that ARC that was contributed by the District into the OPEB Trust fund.

C - Schedule of the District's 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.

D - Schedule of the District's Contributions

The Schedule of the District 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.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund was 7.50 percent and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

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, 2016 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Steve Buffalo	President	2017
Michael Adams	Vice President	2017
Barbara Gains	Clerk	2017
Lew Stults	Trustee	2019
Laura Herman	Trustee	2019

DISTRICT ADMINISTRATION

Edward Knudson
Superintendent/President

Bonnie Suderman
Vice President, Academic Affairs

Mark Bryant
Vice President, Human Resources

Dr. Erin Vines
Vice President, Student Services

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Supplementary Educational Opportunity Program (FSEOG)	84.007	$ 369,250
Federal College Work Study (FWS)	84.033	290,989
Federal Direct Loan Program	84.268	5,718,872
Federal Pell Grants (PELL)	84.063	26,855,838
Subtotal Financial Aid Cluster		33,234,949
TRIO - Student Support Services	84.042A	200,195
Higher Education Institutional Aid, Title V Program:		
Higher Education Institutional Aid, Title V	84.031S	369,329
Higher Education Institutional Aid, Title V, Co-Op	84.031C	1,948,575
Subtotal Higher Education Institutional Aid, Title V Program		2,317,904
Passed through California Community College Chancellor's Office:		
Career and Technical Education Program:		
Career and Technical Education - Basic Grants	84.048	543,326
Career and Technical Education - Transitions	84.048	45,119
Subtotal VATEA Program		588,445
Total U.S. Department of Education		36,341,493
U.S. Department of Health and Human Services		
Passed through California Community College Chancellor's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	74,429
U.S. Department of Veteran Affairs		
Veterans Information and Assistance	64.115	3,114
U.S. Department of Agriculture		
Passed through County of Los Angeles:		
Forest Reserve	10.665	12,392
Total Federal Programs		$ 36,431,428

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2016

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Income	Total	Total Program Expenditures
Administrative 2% Enrollment Fee Waivers	$ 214,873	$ -	$ -	$ 214,873	$ 177,178
AB86	2,776	-	-	2,776	3,585
AVAQMD	28,046	-	-	28,046	28,046
Bachelor Degree Program	350,000	-	-	350,000	6,674
Basic Skills	192,109	-	-	192,109	191,445
BFAP Administrative	624,568	-	-	624,568	607,373
Block Grant	470,001	-	-	470,001	71,302
CalWORKs	810,966	-	-	810,966	768,378
CARE	314,157	-	-	314,157	318,816
CSEC	-	3,750	-	3,750	3,762
CTE Pathways / Enhancements	2,360,945	-	1,707,441	653,504	638,288
Department of Corrections	315,124	89,900	-	405,024	315,529
DSS/CalWORKS	203,901	18,561	-	222,462	214,271
DSPS	885,243	-	-	885,243	871,265
EOPS	1,015,824	-	-	1,015,824	1,008,407
Foster Care Education	54,481	54,482	-	108,963	107,464
Equal Employment Opportunities	5,956	-	-	5,956	2,210
ETP	13,067	-	68,125	(55,058)	6,875
eTranscripts	12,500	-	-	12,500	-
Inmate Pilot Program	160,000	-	63,462	96,538	95,953
Kern CCD - Proposition 39	26,876	1,981	-	28,857	1,856
LAUP	252,299	97,701	-	350,000	334,837
Lottery - Proposition 20	56,722	550,486	-	607,208	322,208
Mandated Costs	316,133	-	-	316,133	290,445
Nursing Enrollment	119,220	10,367	-	129,587	125,693
Quality Improvement Grant	2,999	1,999	2,022	2,976	2,976
Ramp up	300,560	189,836	-	490,396	38,462
SSSP	3,741,295	-	1,088,437	2,652,858	2,635,895
Student Equity	2,644,945	-	1,719,854	925,091	895,013
TANF	75,589	-	-	75,589	73,110

See accompanying notes to supplementary information.

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	-	-	-
2. Credit	777	-	777
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	-	-	-
2. Credit	672	-	672
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	8,358	-	8,358
b. Daily Census Contact Hours	674	-	674
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	44	-	44
b. Credit	469	-	469
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	485	-	485
b. Daily Census Contact Hours	106	-	106
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	11,585	-	11,585
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	74	-	74
b. Credit	1,285	-	1,285
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
a. Noncredit	12	-	12
b. Credit	1,185	-	1,185

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2016

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 13,176,457	$ -	$ 13,176,457	$ 13,176,457	$ -	$ 13,176,457
Other	1300	11,417,847	-	11,417,847	11,417,847	-	11,417,847
Total instructional salaries		24,594,304	-	24,594,304	24,594,304	-	24,594,304
Non-instructional salaries:							
Contract or regular	1200	-	-	-	3,076,867	-	3,076,867
Other	1400	-	-	-	949,672	-	949,672
Total non-instructional salaries		-	-	-	4,026,539	-	4,026,539
Total academic salaries		24,594,304	-	24,594,304	28,620,843	-	28,620,843
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	10,430,682	-	10,430,682
Other	2300	-	-	-	1,349,814	-	1,349,814
Total non-instructional salaries		-	-	-	11,780,496	-	11,780,496
Instructional aides:							
Regular status	2200	1,095,095	-	1,095,095	1,095,095	-	1,095,095
Other	2400	144,654	-	144,654	144,654	-	144,654
Total instructional aides		1,239,749	-	1,239,749	1,239,749	-	1,239,749
Total classified salaries		1,239,749	-	1,239,749	13,020,245	-	13,020,245
Employee benefits	3000	5,385,130	-	5,385,130	11,786,686	-	11,786,686
Supplies and materials	4000	-	-	-	1,128,164	-	1,128,164
Other operating expenses	5000	-	-	-	4,995,479	-	4,995,479
Equipment replacement	6420	-	-	-	527,881	-	527,881
Total expenditures prior to exclusions		$ 31,219,183	$ -	$ 31,219,183	$ 60,079,298	$ -	$ 60,079,298

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2016

Exclusions	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	-	-	-
Objects to exclude:							
Rents and leases	5060	-	-	-	-	-	-
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	-	-	-
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ -	$ -	$ -	$ -	$ -	$ -
Total for ECS 84362, 50% Law		$ 31,219,183	$ -	$ 31,219,183	$ 60,079,298	$ -	$ 60,079,298
Percent of CEE (instructional salary cost /Total CEE)		51.96%	-	51.96%	100%	-	100%
50% of current expense of education					$ 30,039,649	$ -	$ 30,039,649

See accompanying notes to supplementary information.

There were no adjustments proposed to any funds of the District.

General fund		$ 23,636,907
Debt service fund		5,827,463
Capital projects funds		18,098,710
Enterprise funds		969,593
Fiduciary funds		1,544,797
Total fund balances - business-type activity funds		50,077,470
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		247,342,313
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	$ 5,560,733	
Deferred inflows of resources relating to pensions	(5,302,000)	
		258,733
Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(2,709,666)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of:		
General obligation bonds and bond premiums	$ (152,161,084)	
Accreted interest	(5,582,272)	
Lease revenue bonds	(13,000,000)	
Net pension liability	(53,211,000)	
Other postemployment benefits	(9,123,128)	
Compensated absences	(1,682,067)	
Banked faculty load time	(290,296)	
Other long-term liabilities	(13,720,049)	
		(248,769,896)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		15,039,156
Total net position - business-type activities		$ 61,238,110

EPA Proceeds: $ 10,176,101

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	-	$ 10,176,101	$ -	$ -	$ 10,176,101

See accompanying notes to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - 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.

B - 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.

C - Schedule of Workload Measures for State General Apportionment

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.

D - 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.

E - 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.

F - 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.

G - Proposition 30 Education Protection Account (EPA) Expenditure Report

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

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Antelope Valley Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2016:

- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Student Success and Support Program (SSSP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Student Fees Health Fees and Use of Health Fee Funds
- Proposition 39 Clean Energy
- Intersession Extension Program
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Antelope Valley Community College District's compliance with state laws and regulations as listed above 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 *California State Chancellor's Office's California Community College Contracted District Audit Manual* (Audit Manual). Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Antelope Valley Community College District's compliance with the state laws and regulations listed above occurred. 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.

(Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide legal determination of Antelope Valley Community College District's compliance with those requirements.

Opinion with State Laws and Regulations

In our opinion, Antelope Valley Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations for the year ended June 30, 2016.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2016

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

Board of Trustees
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 business-type activities and fiduciary activities of Antelope Valley Community College District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Antelope Valley Community College District's basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 over financial reporting 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2016

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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, 2016. 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 the Federal statues, 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Antelope Valley Community College District's 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, 2016.

(Continued)

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2016

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84,268, 84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,092,943	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented

No matters were reported.