ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

LANCASTER, CALIFORNIA

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2017

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

(858) 565-2700 | www.cwdlcpa.com

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
JUNE 30, 2017

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Antelope Valley Community College District, as of and for the year ended June 30, 2017, 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.

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

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, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 13 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Contributions, and note to the required supplementary information on pages 48 to 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Antelope Valley Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Member of AICPA

5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com

CalCPA

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of Antelope Valley Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Antelope Valley Community College District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
December 11, 2017

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Antelope Valley College District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2017.

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 $62,326,166 at June 30, 2017. This is a change from the total combined net position as of June 30, 2016, which reflected $61,238,110.
- During the fiscal year, the District's total operating expenses, was $147,485,523. Combined operating, non-operating and capital revenues totaled $149,441,352. This produced an excess of revenues over expenses of $1,955,829.
- In March 2017, the District issued $150 million in Series A and Series A-1 General Obligation Bonds. The Series A bonds mature through August 2046 and the Series A-1 mature through August 2028.
- The general fund reported a fund balance this year of $19,364,221, which represents an overall 11 percent of total ending balance. The restricted reserve percentage is 22 percent and the unrestricted reserve percentage is 21 percent. Although the Chancellor's Office recommends that the District maintain, at minimum, an unrestricted reserve percentage of approximately 5 percent, recent challenges with California State apportionment have indicated that greater reserve percentages are necessary to ensure that there is adequate cash on hand to pay obligations and to manage the risk associated with funding shortfalls from property taxes or enrollment fees that do not have automatic backfills. The Government Finance Officer's Organization (GFOA) released a recommended best practice on unrestricted reserve levels. http://www.gfoa.org/appropriate-level-unrestricted-fund-balance-general-fund. In summary, GFOA recommends no less than two months of reserves to assist in volatility, risk and cash flow. It is not a one-size fits all and several factors need to be assessed to see if a particular District needs to determine a higher level based on several factors; however, the minimum recommendation is 16.7 percent.

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 2017. During the fiscal year ending June 30, 2017, the total net position changed, to include liabilities and deferred inflows, by $1,088,056, or about 2 percent, from the previous year. The major difference is the increased investment in capital assets. Accounts receivable has decreased by $1,031,695 or approximately 29 percent. Current liabilities increased by $9,801,007 or by 46 percent mainly due to unearned revenues and vendor warrants outstanding as June 30, 2017. The final paycheck for the fiscal year is booked in the current fiscal year and paid out of the following fiscal year. Unearned revenue mainly occurs with restricted programs and grants or from Summer session. The revenues cannot be "earned" until they are expended.

	2017	2016	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Total assets	$ 480,373,454	$ 311,609,924	$ 168,763,530
Deferred outflow of resources	26,898,771	20,599,889	6,298,882
Total Assets and Deferred Outflows of Resources	507,272,225	332,209,813	175,062,412
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	31,056,295	21,255,288	9,801,007
Non-current liabilities	410,116,328	244,414,415	165,701,913
Deferred inflows of resources	3,773,436	5,302,000	(1,528,564)
Total Liabilities and Deferred Inflows of Resources	444,946,059	270,971,703	173,974,356
NET POSITION			
Invested in capital assets, net of related debt	97,867,507	89,581,190	8,286,317
Restricted	16,695,002	22,339,013	(5,644,011)
Unrestricted	(52,236,343)	(50,682,093)	(1,554,250)
Total Net Position	$ 62,326,166	$ 61,238,110	$ 1,088,056

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.

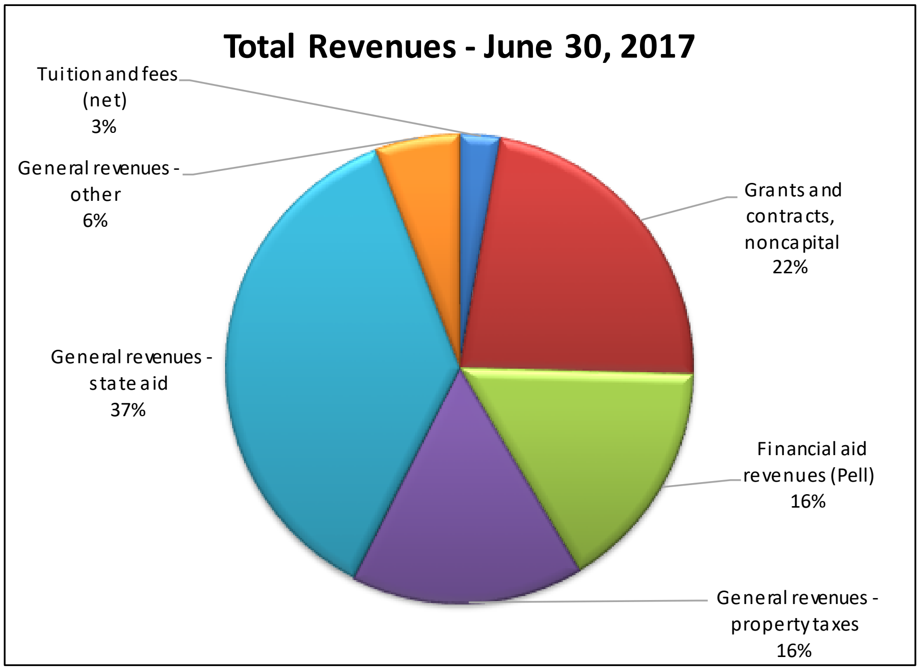
Changes in total net position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Generally speaking, operating revenues are received for those expenses paid to acquire or produce the goods and services provided in 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 at June 30, 2017 has decreased at the end of the year by $24,738,996 from June 30, 2016. Below is a summary of changes in revenues and expenses for the year ending June 30, 2017:

	2017	2016	Change
REVENUES			
Tuition and fees (net)	$ 4,199,714	$ 8,922,481	$ (4,722,767)
Grants and contracts, noncapital	33,835,261	31,271,549	2,563,712
Financial aid revenues (Pell)	23,950,641	26,855,838	(2,905,197)
General revenues - property taxes	23,976,798	13,516,308	10,460,490
General revenues - state aid	54,860,997	56,396,702	(1,535,705)
General revenues - other	8,617,941	8,539,496	78,445
Total Revenues	149,441,352	145,502,374	3,938,978
EXPENSES			
Operating expenses	142,198,192	112,670,975	29,527,217
Interest	5,287,331	6,136,574	(849,243)
Total Expenses	147,485,523	118,807,549	28,677,974
Change in Net Position	$ 1,955,829	$ 26,694,825	$ (24,738,996)

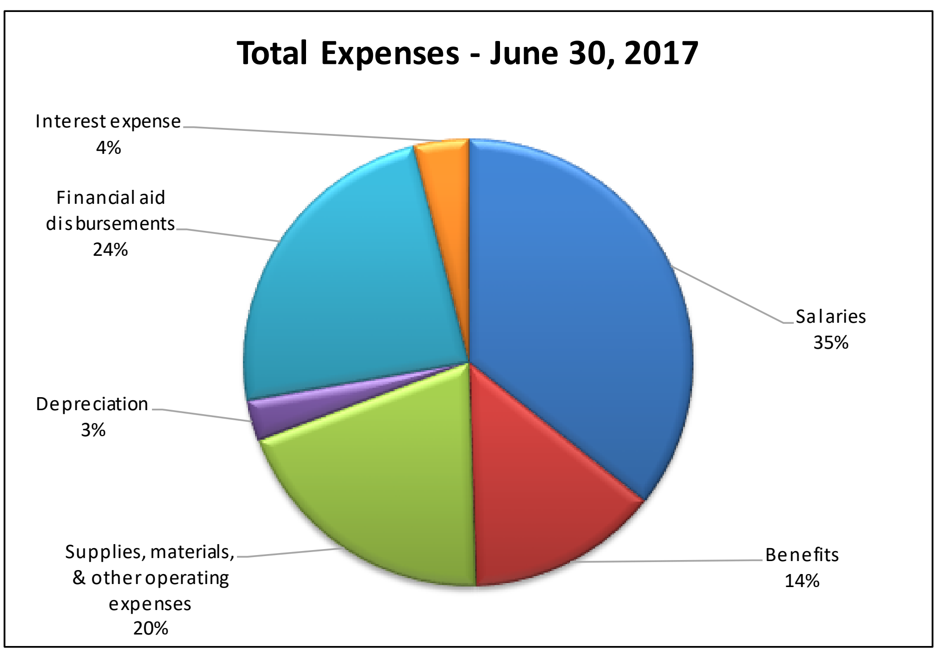
Total Revenue for the Year Ended June 30, 2017

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



Total Operating Expenses for the Year Ended June 30, 2017

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



Statement of Cash Flows

The statement of cash flows (see page 16, 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, 2017 was $90,401,467.

Capital Assets

The District's capital assets, net of accumulated depreciation at June 30, 2017 totaled $283,292,237. This represented an increase in capital assets of $35,949,924 from the prior year or a 15 percent increase from 2016 due to changes in construction in progress, building improvements and the acquisition of machinery & equipment. The District has continued its capital improvements, utilized redevelopment funding and has received State scheduled maintenance funds. Below is a summary of the District's capital assets.

	2017	2016	Change
Capital Assets not being depreciated	$ 148,036,479	$ 110,345,134	$ 37,691,345
Capital Assets being depreciated	169,462,542	167,936,320	1,526,222
Accumulated depreciation	(34,206,784)	(30,939,141)	(3,267,643)
Total Capital Assets	$ 283,292,237	$ 247,342,313	$ 35,949,924

Long-Term Liabilities

The District's total liabilities at June 30, 2017 totaled $414,061,328 of which $410,116,328 are long term liabilities below; $3,945,000 of this amount is due in the upcoming fiscal year. Long term liabilities have increased by $165,291,432 or 66 percent mainly due to the issuance of the 2016 Series A and Series A-1 General Obligation Bonds and an increase in net pension liability. Below is a summary of the District's long-term liabilities.

	2017	2016	Change
General obligation and revenue bonds	$ 325,470,987	$ 170,743,356	$ 154,727,631
Compensated absences	1,748,577	1,682,067	66,510
Net OPEB liability	9,421,334	9,123,128	298,206
Net pension liability	63,960,830	53,211,000	10,749,830
Other long-term liabilities	13,459,600	14,010,345	(550,745)
Total Long-term Liabilities	$ 414,061,328	$ 248,769,896	$ 165,291,432

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of the students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Unrestricted General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures. The Board of Trustees adopted the fiscal year 2017-2018 budget on September 11, 2017.

Economic Factors Affecting the Future of the Antelope Valley Community College District

The State of California approved its 2017-2018 budget on June 15, 2017. The budget continues to increase the state's Rainy-Day Fund and pay down liabilities. Below is the California Community College budget[1] and changes through the legislative process.

Item	2016-17 Enacted Totals	2017-18 Governor's January Proposal	2017-18 May Revision	Conference Committee	Notes
			Ongoing Funds		
Cost of Living Adjustment (COLA)	0%	$94.1 M (1.48%)	$97 M (1.56%)	$97 M (1.56%)	
Enrollment Growth	2%	$79.3 M (1.34%)	$57.8 M (1%)	$57.8 M (1%)	Allows the system to serve around 24,000 more students.
Base Augmentation	$75 M	$23.6 M	$183.6 M	$183.6 M	
Student Success and Support Program (SSSP)	No Augmentation	No Augmentation	No Augmentation	No Augmentation	
SSSP - Equity	No Augmentation	No Augmentation	No Augmentation	No Augmentation	
Workforce & CTE Pathways	$248 M	No Augmentation	No Augmentation	No Augmentation	
Basic Skills	$30M	No Augmentation	No Augmentation	No Augmentation	
Part-Time Faculty Office Hours	$3.6 M	No Augmentation	No Augmentation	$5 M	
COLA for EOPS, DSPS, Cal Works, Childcare Tax Bailout	0%	$5.6 M (1.48%)	$5.6 M (1.56%)	$5.6 M (1.56%)	
Full-Time Student Success Grants	$41.2 M	No Augmentation	$5 M	$25 M	Full-time, Cal Grant B recipients
Completion Incentive Grants				$25 M	For students who complete Education Plan and take 15 units.
Financial Aid Administration				$1 M	
Online Education	No Augmentation	$10 M	$10 M	$10 M	

Economic Factors Affecting the Future of the Antelope Valley Community College District, continued

Item	2016-17 Enacted Totals	2017-18 Governor's January Proposal	2017-18 May Revision	Conference Committee	Notes
			One-Time Funds		
Guided Pathways		$150 M	$150 M	$150 M	Amends trailer bill language: (1) clarify the Guided Pathways four pillar framework; (2) clarify the funds will be used for release time, professional development, and technology solutions; (3) CO authority to require program criteria, qualitative and quantitative indicators; and (4) requires annual report. More TBL details to come.
Integrated Library Systems		$6 M	$6 M	$6 M	
Deferred Maintenance & Instructional Equipment		$43.7 M	$135.8 M	$76.8 M	Will be released in 2017-2018
COLA Mandates Block Grant				$0.5 M	One-Time
Prop 39 Clean Energy Job Creation Fund		$52.3 M	$46.5 M	$46.5 M	
EEO Program		None	$1.82 M	$1.82 M	One-time from FON penalties
Veterans Resource Center				$7 M	$5 M one-time, including $2 M one- time for Norco, plus $5 M ongoing with TBL.
Campus Sexual				$2.5 M	One-time
Academic Senate				$1 M	One-time for the development of C-ID system
Hunger Free				$2.5 M	One-time
Economic Workforce Development Grants				$8 M	Workforce incentive grants for regions with high unemployment (one-time)
Umoja				$2.5 M	
Mental Health				$4.5 M	One-time
Compton College				$11.3 M	
Innovation Awards		$20 M	$20 M	$20 M	Focus areas to be determined by CCC Chancellor, TBL with criteria.

State Initiatives

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 was also passed by 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.

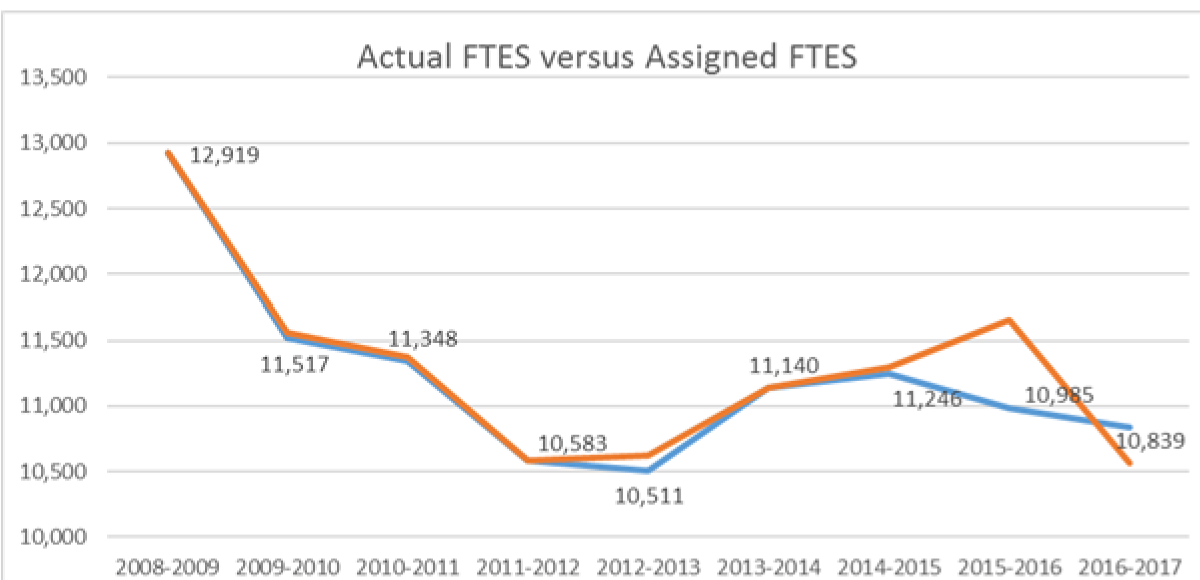
Local initiatives

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 principle 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.

District Budget

The District receives approximately *96%* of its unrestricted general funding from State apportionment directly linked to student attendance or FTES. The District will be entering into Year 2 of stability. The District is hiring/replacing 16 full time faculty members, hiring 2 classified, management & supervisory staff and 4 classified staff for the general unrestricted fund. There are other staffing decisions that are being made for the restricted programs and to support Measure AV.



2017-2018 FTES (Year 2 of Stability)	Actuals
FTES Target	
2017-2018 FTES Base	10,567
2016-2017 FTES Needed to make up from reassigning Summer 2017	400
Total FTES Actuals minus Summer 2016 reassigned FTES	**10,967**
2% Enrollment growth target above base	219
2017-2018 Target Base	**11,186**

Multi-Year Budget Assumptions

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 new 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.

GASB 74 became effective July 1, 2016 & GASB 75 will be effective July 1, 2017. This replaces the Other Post Employment Benefit (OPEB) GASB 43 & 45. It will change the way that the OPEB liability is calculated by considering COLA changes, taxes, Cadillac plan taxes and other penalties. It will also require amortization to be not more than 30 years. The major change is that even though an actuarial study is required every two years, the report must contain the in-between years in the report, which will mean additional scenarios.

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.

FINANCIAL SECTION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS		
Current Assets:		
Cash and cash equivalents	$	37,490,909
Accounts receivable, net		3,498,954
Inventory		677,284
Prepaid expenditures and other assets		697,134
Total Current Assets		42,364,281
Noncurrent Assets:		
Restricted cash and cash equivalents		154,716,936
Capital assets, net		283,292,237
Total Noncurrent Assets		438,009,173
TOTAL ASSETS		480,373,454
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding		14,030,582
Deferred outflows - pensions		12,868,189
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	$	507,272,225
LIABILITIES		
Current Liabilities:		
Accounts payable & accrued expenses	$	18,902,485
Unearned revenue		8,208,810
Long-term debt, current portion		3,945,000
Total Current Liabilities		31,056,295
Noncurrent Liabilities:		
Compensated absences		1,748,577
Net pension liability		63,960,830
Net OPEBlLiability		9,421,334
Bank faculty load time		165,916
Long-term debt, non-current portion		334,819,671
Total Noncurrent Liabilities		410,116,328
TOTAL LIABILITIES		441,172,623
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions		3,773,436
NET POSITION		
Net investment in capital assets		97,867,507
Restricted for:		
Debt service		15,407,577
Capital projects		(2,733,916)
Other special purpose		4,021,341
Unrestricted		(52,236,343)
TOTAL NET POSITION		62,326,166
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	507,272,225

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Tuition and fees (gross)	$ 14,312,824
Less: Scholarship discounts and allowances	(10,113,110)
Net tuition and fees	4,199,714
Grants and contracts, noncapital:	
Federal	12,371,879
State	18,066,503
Local	10,000
Other operating activity	3,386,879
TOTAL OPERATING REVENUES	38,034,975
OPERATING EXPENSES	
Salaries	52,904,628
Employee benefits	20,992,122
Supplies, materials, and other operating expenses and services	28,962,285
Student aid	35,642,725
Depreciation	3,696,432
TOTAL OPERATING EXPENSES	142,198,192
OPERATING INCOME (LOSS)	(104,163,217)
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	51,835,126
Local property taxes	6,677,283
State taxes and other revenues	3,025,871
Pell grants	23,950,641
Investment income - noncapital	496,769
Interest expense on capital asset-related debt	(5,287,331)
Other non-operating revenues	5,752,125
TOTAL NON-OPERATING REVENUES (EXPENSES)	86,450,484
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(17,712,733)
State apportionments, capital	2,369,047
Local property taxes and revenues, capital	17,299,515
INCREASE IN NET POSITION	1,955,829
NET POSITION -- BEGINNING OF YEAR	61,238,110
PRIOR YEAR ADJUSTMENT (SEE NOTE 12)	(867,773)
NET POSITION -- END OF YEAR	$ 62,326,166

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 4,199,714
Grants and contracts	32,222,311
Payments to or on behalf of employees	(71,742,604)
Payments to vendors for supplies and services	(58,467,767)
Other operating cash flows	3,386,879
Net Cash Used by Operating Activities	(90,401,467)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	51,835,126
Property taxes	6,677,283
State taxes and other revenues	3,025,871
Financial aid revenues	23,950,641
Other nonoperating cash flows	4,884,352
Net Cash Provided by Non-capital Financing Activities	90,373,273
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(39,646,356)
Local property taxes and other revenues, capital purpose	19,668,562
Principal paid on capital debt	154,301,266
Interest paid on capital debt	(1,281,734)
Net Cash Used by Capital Financing Activities	133,041,738
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	496,769
Net Cash Provided/(Used) by Investing Activities	496,769
NET DECREASE IN CASH & CASH EQUIVALENTS	133,510,313
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	58,697,532
CASH & CASH EQUIVALENTS, END OF YEAR	$ 192,207,845

	Primary Institution
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income	$ (104,163,217)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	3,696,432
Changes in Assets and Liabilities:	
Receivables, net	1,031,695
Inventory	(157,729)
Prepaid items	(177,259)
Deferred outflows of resources	(7,307,456)
Accounts payable and accrued liabilities	5,440,536
Deferred revenue	1,773,929
Compensated absences	66,510
Bank faculty load time	(124,380)
Net pension liability	10,749,830
Net OPEB liability	298,206
Deferred inflows of resources	(1,528,564)
Total Adjustments	13,761,750
Net Cash Flows From Operating Activities	$ (90,401,467)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Associated Students Trust Fund	Student Representation Fee Trust Fund	Scholarship and Loan Agency Fund	OPEB Irrevocable Trust Fund	District Auxiliary Trust Fund	Total
ASSETS						
Cash and equivalents	$ 529,083	$ 305,482	$ 6,846	$ 447,654	$ 524,142	$ 1,813,207
Investments	-	-	-	1,265,662	-	1,265,662
Accounts receivable	-	8,455	(477)	-	-	7,978
Total Assets	529,083	313,937	6,369	1,713,316	524,142	3,086,847
LIABILITIES						
Accounts Payable	-	248	-	445,499	-	445,747
Deferred revenue	-	15,156	-	-	-	15,156
Total Liabilities	-	15,404	-	445,499	-	460,903
NET POSITION						
Net position restricted for OPEB	-	-	-	1,267,817	-	1,267,817
Held in trust for others	529,083	298,533	6,369	-	524,142	1,358,127
Total Net Position	$ 529,083	$ 298,533	$ 6,369	$ 1,267,817	$ 524,142	$ 2,625,944

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Associated Students Trust Fund	Student Representation Fee Trust Fund	Scholarship and Loan Agency Fund	OPEB Irrevocable Trust Fund	District Auxiliary Trust Fund	Total
OPERATING REVENUES:						
Contributions	$ -	$ -	$ -	$ 387,113		$ 387,113
Investment income	-	1,476	214	114,643	-	116,333
Other local revenue	167,664	35,395	296,345	2,155	353,941	855,500
Total Operating Revenues	167,664	36,871	296,559	503,911	353,941	1,358,946
OPERATING EXPENSES:						
Supplies, materials, and other outgo	126,563	8,664	290,190	-	296,097	721,514
Total Operating Expenses	126,563	8,664	290,190	-	296,097	721,514
Net Change in Net Position	41,101	28,207	6,369	503,911	57,844	637,432
NET POSITION:						
Beginning of Year	487,982	270,326	-	763,906	466,298	1,988,512
End of Year	$ 529,083	$ 298,533	$ 6,369	$ 1,267,817	$ 524,142	$ 2,625,944

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

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

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District maintains an allowance for doubtful accounts at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of other receivable balances. At June 30, 2017, management determined that no allowance was necessary.

Capital Assets

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

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

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest cost and interest capitalized totaled $7,263,295 and $1,975,964, respectively, during the year ended June 30, 2017.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Banked Faculty Load

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

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. During the year ended June 30, 2017, the District recognized $1,008,574 in amortization of the deferred loss on refunding's. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

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

Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

The District's net position are classified as follows:

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

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2017, there is no balance of nonexpendable restricted net position.

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

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

State Apportionments

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

Classification of Revenue and Expenses

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Revenue and Expenses, continued

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

Scholarship Discounts and Allowances

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

Estimates

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

New Accounting Pronouncements

In November 2013, the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2016. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the statement of net position and the changes in proportion and differences between District contributions and proportionate share of contributions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

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.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of Statements No. 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criterion (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The GASB Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. The District has implemented GASB Statement No. 74 as of the year ending June 30, 2017.

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No.45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. The District has not yet determined the impact on the financial statements.

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. In connection with Statement 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. The District has implemented GASB Statement No. 76 for the year ended June 30, 2017.

In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement is effective for the District's fiscal year ending June 30, 2017. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2017, consisted of the following:

Governmental Funds:		
County treasurer's investment pool	$	173,650,829
Cash on hand and in banks		8,104,153
Cash with fiscal agents		10,452,863
Total cash and investments - Governmental Funds	$	192,207,845
Fiduciary Funds:		
County treasurer's investment pool	$	672,551
Cash on hand and in banks		1,140,656
Cash with fiscal agents		1,265,662
Total cash and investments - Fiduciary Funds	$	3,078,869

Mutual Funds: Investments held within the OPEB trust fund at June 30, 2017, consisted of the following:

Mutual funds - equity	$	667,275
Mutual funds - fixed income		485,971
Mutual funds - real estate		112,416
Total investments	$	1,265,662

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasurer's Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Custodial Credit Risk

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

NOTE 2 - CASH AND INVESTMENTS, continued

Custodial Credit Risk, continued

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. As of June 30, 2017, the District's bank balance was fully collateralized with eligible collateral in accordance with California Government Code Section 53651.

Cash with Fiscal Agent

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

Interest Rate Risk

The District investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

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

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

Concentration of Credit Risk

The District does not place limits on the amount they may invest in any one issuer. At June 30, 2017, 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.

Fair Value Hierarchy, continued

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

Assets Recorded at Fair Value

The following table presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2017:

OPEB Trust Investments	Total	Level 1	Level 2	Level 3
Mutual funds - equity	$ 667,275	$ 667,275	$ -	$ -
Mutual funds - fixed income	485,971	485,971	-	-
Mutual funds - real estate	112,416	112,416	-	-
Total investments	$ 1,265,662	$ 1,265,662	$ -	$ -

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

During the year ended June 30, 2017, 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, 2017.

NOTE 4 - RECEIVABLES

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest and other local sources. As of June 30, 2017, accounts receivable amounted to $3,498,954. The District believes all receivables accrued at June 30, 2017 are collectable.

NOTE 5 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets not being Depreciated				
Land	$ 2,430,691	$ -	$ -	$ 2,430,691
Construction in progress	107,914,443	37,735,871	44,526	145,605,788
Total Capital Assets not being Depreciated	110,345,134	37,735,871	44,526	148,036,479
Capital Assets being Depreciated				
Buildings & improvements	155,737,325	-	-	155,737,325
Machinery & equipment	12,198,995	1,962,509	436,287	13,725,217
Total Capital Assets being Depreciated	167,936,320	1,962,509	436,287	169,462,542
Total Capital Assets	278,281,454	39,698,380	480,813	317,499,021
Less Accumulated Depreciation				
Buildings & improvements	22,893,204	2,788,475		25,681,679
Machinery & equipment	8,045,937	907,957	428,789	8,525,105
Accumulated Depreciation	30,939,141	3,696,432	428,789	34,206,784
Net Capital Assets	$ 247,342,313	$ 36,001,948	$ 52,024	$ 283,292,237

NOTE 6 - LONG TERM LIABILITIES

General Obligation Bonds

n 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.

As of June 30, 2017, the 2006 General Obligation Refunding Bonds had been paid in full. There is no remaining balance.

NOTE 6 - 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, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 1,080,000	$ 940,538	$ 2,020,538
	$ 1,080,000	$ 940,538	$ 2,020,538

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, 2017, $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, 2017, are as follows:

Series A:

Fiscal Year	Principal	Interest	Total
2018	$ 155,000	$ 2,005,050	$ 2,160,050
2019	1,410,000	2,001,950	3,411,950
2020	1,550,000	1,973,750	3,523,750
2021	1,700,000	1,942,750	3,642,750
2022	1,905,000	1,857,750	3,762,750
2023-2027	27,770,000	6,679,750	34,449,750
2028	7,955,000	397,750	8,352,750
	$ 42,445,000	$ 16,858,750	$ 59,303,750

NOTE 6 - LONG TERM LIABILITIES, continued

Series B:

Fiscal Year	Principal	Interest	Total
2018	$ 2,195,000	$ 411,233	$ 2,606,233
2019	2,345,000	378,550	2,723,550
2020	2,520,000	332,729	2,852,729
2021	2,700,000	272,652	2,972,652
2022	2,910,000	195,918	3,105,918
2023-2027	3,150,000	104,486	3,254,486
	$ 15,820,000	$ 1,695,568	$ 17,515,568

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, 2017, $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, 2017, are as follows:

Fiscal Year	Principal	Interest	Accreted Interest	Total
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	-	2,037,250	-	2,037,250
2023-2027	-	10,186,250	-	10,186,250
2028-2032	20,663,618	9,376,250	12,866,382	42,906,250
2033-2037	21,675,064	8,836,250	27,479,936	57,991,250
2038-2040	35,345,000	3,628,000	-	38,973,000
Accretion	3,787,677	-	(3,787,677)	-
	$ 81,471,359	$ 42,213,000	$ 36,558,641	$ 160,243,000

NOTE 6 - LONG TERM LIABILITIES, continued

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

The 2016 Series A Bonds mature through August 1, 2046. The annual payments required to amortize the 2016 Series A Bonds as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ -	$ 1,798,783	$ 1,798,783
2019	-	5,351,750	5,351,750
2020	-	5,351,750	5,351,750
2021	-	5,351,750	5,351,750
2022	-	5,351,750	5,351,750
2023-2027	-	26,758,750	26,758,750
2028-2032	6,865,000	26,467,000	33,332,000
2033-2037	21,690,000	23,181,750	44,871,750
2038-2042	33,570,000	16,941,050	50,511,050
2043-2047	54,260,000	6,988,400	61,248,400
	$ 116,385,000	$ 123,542,733	$ 239,927,733

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

The 2016 Series A-1 Bonds mature through August 1, 2028. The annual payments required to amortize the 2016 Series A-1 Bonds as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ -	$ -	$ -
2019	6,400,000	1,137,681	7,537,681
2020	4,270,000	760,607	5,030,607
2021	2,550,000	689,298	3,239,298
2022	1,500,000	636,869	2,136,869
2023-2027	11,750,000	2,431,347	14,181,347
2028-2029	7,145,000	377,322	7,522,322
	$ 33,615,000	$ 6,033,124	$ 39,648,124

NOTE 6 - 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:

Fiscal Year	Principal	Interest	Total
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	$ 6,705,425	$ 19,705,425

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, 2017, the District's COPs obligations were as follows:

Fiscal Year	COP Payments
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
Total	12,208,664
Less: Amount representing Interest	(4,663,664)
Present Value of Net Minimum Lease Payments	$ 7,545,000

NOTE 6 - 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, 2017, 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, 2017, the future minimum lease payments are as follows:

Fiscal Year	Lease Payments
2018	$ 696,365
2019	749,206
2020	805,168
2021	864,438
2022-2026	4,315,639
Total	7,430,816
Less: Amount representing Interest	(1,682,132)
Present Value of Net Minimum Lease Payments	$ 5,748,684

Change in Long-Term Liabilities:

A schedule of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Beginning Balance July 1, 2016	Additions	Payments and Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
General obligation bonds	$ 144,405,544	$ 150,118,577	$ 3,707,762	$ 290,816,359	$ 3,430,000
Bond premium	13,337,812	9,796,167	1,479,351	21,654,628	-
Lease revenue bonds	13,000,000	-	-	13,000,000	515,000
Certificates of participation	7,675,000	-	130,000	7,545,000	-
Capital lease	6,045,049	-	296,365	5,748,684	-
Banked faculity load time	290,296	-	124,380	165,916	-
Compensated absences	1,682,067	66,510	-	1,748,577	-
Net pension liability	53,211,000	10,749,830	-	63,960,830	-
Other postemployment benefits	9,123,128	298,206	-	9,421,334	-
Total Long Term Debt	$ 248,769,896	$ 171,029,290	$ 5,737,858	$ 414,061,328	$ 3,945,000

NOTE 7 - PROPERTY TAXES

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

NOTE 8 - NET PENSION LIABILITY

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are member of the California State Teachers' Retirement System (CalSTRS), and Classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 38,781,724	$ 5,921,348	$ 2,925,905	$ 4,024,265
CalPERS	25,179,106	6,946,841	847,531	3,530,416
Total	$ 63,960,830	$ 12,868,189	$ 3,773,436	$ 7,554,681

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

General Information about the Pension Plan

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

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

NOTE 8 - NET PENSION LIABILITY, continued

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

General Information about the Pension Plan, continued

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.85%	11.85%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $2,240,020.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $25,179,106. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.1275 percent and 0.1265 percent, resulting in a net decrease in the proportionate share of 0.001 percent.

NOTE 8 - NET PENSION LIABILITY, continued

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

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

For the year ended June 30, 2017, the District recognized pension expense of $3,530,416. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ 3,596,508	$ -
Differences between expected and actual experience	1,082,295	-
Changes in assumptions	-	756,069
Net changes in proportionate share of net pension liability	28,018	91,462
District contributions subsequent to the measurement date	2,240,020	-
Total	$ 6,946,841	$ 847,531

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 1,369,392	$ 429,469
2019	1,332,392	389,676
2020	985,346	28,386
2021	1,019,691	-
	$ 4,706,821	$ 847,531

Actuarial assumptions. For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and the June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.65%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

NOTE 8 - NET PENSION LIABILITY, continued

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

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	100%		

*An expected inflation of 2.5% used for this period
**An expected inflation of 3.0% used for this period

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 Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), 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 in the following table:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Plan's net pension liability	$ 37,423,347	$ 25,179,106	$ 14,806,460

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

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

General Information about the Pension Plan

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

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

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

NOTE 8 - NET PENSION LIABILITY, continued

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

General Information about the Pension Plan, continued

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2017 are summarized as follows:

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

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

Contributions - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $3,400,851.

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately $1,459,692.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

NOTE 8 - NET PENSION LIABILITY, continued

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

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

Total net pension liability, including state share:

District's proportionate share of the net pension liability	$	38,781,724
State's proportionate share of the net pension liability associated with the District		22,080,994
Total	$	60,862,718

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.048 percent and 0.051 percent, resulting in a net decrease in the proportionate share of 0.003 percent.

For the year ended June 30, 2017, the District recognized pension expense of $4,024,265. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ 2,520,497	$ -
Differences between expected and actual experience	-	976,057
Net changes in proportionate share of net pension liability	-	1,949,848
District contributions subsequent to the measurement date	3,400,851	-
Total	$ 5,921,348	$ 2,925,905

NOTE 8 - NET PENSION LIABILITY, continued

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 454,687	$ 503,623
2019	454,687	503,623
2020	454,687	503,623
2021	1,156,436	503,623
2022	-	503,625
Thereafter	-	407,788
	$ 2,520,497	$ 2,925,905

Actuarial Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns.

NOTE 8 - NET PENSION LIABILITY, continued

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

The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table**:**

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

*20-year geometric average

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%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Plan's net pension liability	$ 55,874,880	$ 38,781,724	$ 24,660,480

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

n 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.

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	593,003
Adjustment to annual required contribution	(562,565)
Annual OPEB cost	1,220,697
Contributions made	922,491
Increase in net OPEB liability	298,206
Net OPEB liability - July 1, 2016	9,123,128
Net OPEB liability - June 30, 2017	$ 9,421,334

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, 2017 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Asset (Obligation)
2017	$ 1,220,697	75.6%	$ 9,421,334
2016	$ 1,219,790	77.7%	$ 9,123,128
2015	$ 1,176,253	47.7%	$ 8,851,217

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.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS, continued

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.

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 10 - COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2017, the District has approximately $6.5 million in outstanding commitments on construction contracts.

NOTE 11 - JOINT POWERS AGREEMENTS

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

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

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

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

NOTE 12 – ADJUSTMENTS FOR RESTATEMENT

During the year ended June 30, 2017, the District restated beginning balance by $867,773. The net effect was an overall decrease to the beginning net position of the District. Of the total amount restated, $736,624 related to reclassifying trust fund revenues from the District’s Net Position to the Fiduciary Net Position. The remaining amount of $131,149 related to District identified adjustments.

REQUIRED SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL Percentage of Covered Payroll
7/1/2015	$ 387,846	$ 9,093,980	$ 8,706,134	4%	$ 28,900,000	30%
7/1/2013	$ -	$ 8,143,893	$ 8,143,893	0%	$ 25,432,000	32%
3/1/2011	$ -	$ 7,600,837	$ 7,600,837	0%	$ 29,338,000	26%
7/1/2009	$ -	$ 7,848,063	$ 7,848,063	0%	$ 46,200,000	17%
5/1/2006	$ -	$ 7,974,678	$ 7,974,678	0%	$ 46,200,000	17%

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

CalSTRS	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.048%	0.051%	0.052%
District's proportionate share of the net pension liability	$ 38,781,724	$ 34,436,000	$ 30,332,000
State's proportionate share of the net penesion liability associated with the District	22,080,994	18,213,000	18,316,000
Total	$ 60,862,718	$ 52,649,000	$ 48,648,000
District's covered - employee payroll	$ 27,033,792	$ 23,741,000	$ 23,119,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	143.46%	145.05%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	70.04%	74.02%	76.52%

CalPERS	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.127%	0.127%	0.128%
District's proportionate share of the net pension liability	$ 25,179,106	$ 18,775,000	$ 14,551,000
District's covered - employee payroll	$ 16,126,854	$ 14,101,000	$ 13,456,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	156.13%	133.15%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	Reporting Fiscal Year		
CalSTRS	**2017**	**2016**	**2015**
Statutorily required contribution	$ 3,400,851	$ 2,655,133	$ 2,108,206
District's contributions in relation to the statutorily required contribution	3,400,851	2,655,133	2,108,206
District's contribution deficiency (excess)	-	-	-
District's covered-employee payroll	$ 27,033,792	$ 24,745,000	$ 23,741,000
District's contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%

	Reporting Fiscal Year		
CalPERS	**2017**	**2016**	**2015**
Statutorily required contribution	$ 2,240,020	$ 1,832,600	$ 1,659,877
District's contributions in relation to the statutorily required contribution	2,240,020	1,832,600	1,659,877
District's contribution deficiency (excess)	-	-	-
District's covered-employee payroll	$ 16,126,854	15,469,000	14,101,000
District's contributions as a percentage of covered-employee payroll	13.89%	11.85%	11.77%

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits (OPEB) 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.

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.

Schedule of the District's Contributions

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

Changes of Benefit Terms

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

Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

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, 2017 were composed of the following members:

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Michael Adams	President	2018
Barbara Gains	Vice President	2018
Lew Stults	Clerk	2019
Laura Herman	Trustee	2019
Steve Buffalo	Trustee	2018

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

Diana Keelen
Executive Director of Business Services, Chief Business Official

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Programs			
Financial Aid Cluster			
Federal Supplemental Education Opportunity Grants (FESOG)	*	84.007	$ 374,558
Federal Work Study Program (FWS)	*	84.033	292,735
Federal Direct Student Loans	*	84.268	8,411,801
Federal Pell Grant Program (PELL)	*	84.063	18,007
Federal Pell Grant Program - Administrative Allowance	*	84.063	24,010,265
Total Financial Aid Cluster			33,107,366
TRIO - Student Support Services	*	84.042A	270,000
Higher Education Institutional Aid, Title V Program			
Higher Education Institutional Aid, Title V	*	84.031A	584,904
Higher Education Institutional Aid, Title V, Co-Op	*	84.031C	1,683,435
Total Higher Educational Aid, Title V Program			2,268,339
Passed Through California Community College Chancellor's Office			
Career and Technical Education Program			
Career and Technical Education - Basic Grants	*	84.048	512,057
Career and Technical Education - Transitions	*	84.048A	43,737
Total Career and Technical Education Program			555,794
Total U.S. Department of Education			36,201,499
U.S. DEPARTMENT HEALTH AND HUMAN SERVICES			
Passed Through California Community College Chancellor's Office			
Child and Adult Care Food Program	*	10.558	87,269
Total U.S. Department of Agriculture			87,269
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Information and Assistance	*	64.115	5,292
Total U.S. Department of Veterans Affairs			5,292
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 36,294,060

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
AB86 Adult Education	$ -	$ 52,050	$ -	$ 52,050	$ 52,050
Antelope Valley Air Quality	80,000	-	-	80,000	-
Baccalaureate Degree Program	-	-	-	-	34,793
Basic Skills	195,856	-	-	195,856	198,179
BFAP	567,880	-	-	567,880	525,850
BOG Fee Waiver 2%	218,491	-	-	218,491	194,531
CA Career Pathways Trust	2,041,413	-	1,331,728	709,685	796,357
Cal Grants	2,314,907	-	-	2,314,907	2,314,500
CalWorks	992,263	-	-	992,263	1,018,256
CARE	291,402	-	-	291,402	291,402
Commercial Sexual	7,800	971	-	8,771	5,471
CTE Data Unlock Initiative	50,000	-	48,769	1,231	1,231
CTE Enhancment	71,327	-	-	71,327	67,297
Department of Corrections	(26,106)	-	-	(26,106)	-
DHH Deaf & Hard of Hearing	10,296	-	-	10,296	10,296
Disable Student Services	797,467	-	-	797,467	796,328
DSS/CalWorks	202,517	20,911	-	223,428	223,428
Employee Training Panel	73,149	6,149	-	79,298	11,173
EOPS	965,033	-	-	965,033	965,033
Equal Employment	60,567	-	-	60,567	7,668
Foster Parenting	56,857	52,427	-	109,284	109,284
FT Student Success Grant	607,429	614	-	608,043	531,600
Inmate Education	303,462	-	-	303,462	303,462
Instructional Block Grant	884,334	-	-	884,334	203,595
KERN CCD Clean Energy	29,267	-	-	29,267	29,267
KERN CCD CLN Energy Prop 39	707	2,930	-	3,637	707
LA Universal Preschool	-	-	-	-	(1,909)
Mandated Costs	326,395	-	-	326,395	-
Nursing Growth	141,680	12,320	-	154,000	153,937
Print & Electronic Info	10,864	-	-	10,864	10,866
Prop 20	331,065	234,589	-	565,654	508,711
Quality Improvement	10,822	-	-	10,822	9,327
RAMP UP VVC	76,331	-	257,514	(181,183)	270,751
SSSP Credit	4,499,626	-	1,864,789	2,634,837	2,634,837
SSSP NonCredit	28,944	-	-	28,944	-
Strong Workforce 40%	348,015	-	92,593	255,422	255,422
Strong Workforce 60%	1,171,947	-	609,453	562,494	562,494
Student Equity	3,862,725	-	1,541,028	2,321,697	2,321,697
TANF - State	87,269	-	-	87,269	87,268
Total State District Funding	$ 21,692,001	$ 382,961	$ 5,745,874	$ 16,329,088	$ 15,505,159

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT – ANNUAL/ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit	2.82	-	2.82
2. Credit	207.27	-	207.27
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit	-	-	-
2. Credit	400.10	-	400.10
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,913.83	-	7,913.83
(b) Daily Census Contact Hours	726.42	-	726.42
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	40.96	-	40.96
(b) Credit	569.78	-	569.78
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	580.89	-	580.89
(b) Daily Census Contact Hours	125.16	-	125.16
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	10,567.23	-	10,567.23
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	1,172.00	-	1,172.00
2. Noncredit	93.06	-	93.06
Total Basic Skills FTES	1,265.06	-	1,265.06

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			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	13,701,135	-	13,701,135	13,701,135	-	13,701,135
Other	1300	12,392,682	-	12,392,682	12,392,682	-	12,392,682
Total Instructional Salaries		26,093,817	-	26,093,817	26,093,817	-	26,093,817
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	3,613,088	-	3,613,088
Other	1400	-	-	-	856,465	-	856,465
Total Non-Instructional Salaries		-	-	-	4,469,553	-	4,469,553
Total Academic Salaries		26,093,817	-	26,093,817	30,563,370	-	30,563,370
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	11,900,612	-	11,900,612
Other	2300	-	-	-	1,450,506	-	1,450,506
Total Non-Instructional Salaries		-	-	-	13,351,118	-	13,351,118
Instructional Aides							
Regular Status	2200	995,008	-	995,008	995,008	-	995,008
Other	2400	162,719	-	162,719	162,719	-	162,719
Total Instructional Aides		1,157,727	-	1,157,727	1,157,727	-	1,157,727
Total Classsified Salaries		1,157,727	-	1,157,727	14,508,845	-	14,508,845
Employee Benefits	3000	5,842,914	-	5,842,914	13,332,038	-	13,332,038
Supplies and Materials	4000	-	-	-	1,307,495	-	1,307,495
Other Operating Expenses	5000	-	-	-	4,806,564	-	4,806,564
Equipment Replacement	6420	-	-	-	473,476	-	473,476
Total Expenditures Prior to Exclusions		33,094,458	-	33,094,458	64,991,788	-	64,991,788
Exclusions							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	-	-	-
Std. Health Srvcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object 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 & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & 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		$ 33,094,458	$ -	$ 33,094,458	$ 64,991,788	$ -	$ 64,991,788
Percent of CEE (Instructional Salary Cost/Total CEE)		50.92%	0.00%	50.92%	100.00%	0.00%	100.00%
50% of Current Expense of Education					$ 32,495,894	$ -	$ 32,495,894

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
DETAILS OF THE EDUCATION PROTECTION ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

EPA Revenue	9,422,498

Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	9,422,498	-	-	9,422,498
Total		9,422,498	-	-	9,422,498

Total Fund Equity - District Funds Included in the Reporting Entity		$ 173,098,094
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	$ 148,036,479	
Depreciable capital assets	169,462,542	
Accumulated depreciation	(34,206,784)	283,292,237
Accrued interest		(2,997,023)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(63,960,830)
Compensated absences		(1,748,577)
OPEB liability		(9,421,334)
Bank faculty load time		(165,916)
Capital lease		
Other long-term debt		(338,764,671)
Deferred outflows of resources		26,898,771
Deferred inflows of resources		(3,773,436)
Adjustments related to bookstore & cafeteria funds		(131,149)
Net Position Reported Within the Statements of Net Position		$ 62,326,166

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Antelope Valley Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Schedule of State Financial Awards

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

Schedule of Workload Measures for State General Apportionment

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

Reconciliation of 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.

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.

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.

Reconciliation of Governmental Funds to the Statement of Net Position

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

OTHER INDEPENDENT AUDITORS REPORTS

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Antelope Valley Community College District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Antelope Valley Community College District's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies (Funding #2017-1).

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

Compliance and Other Matters

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

Purpose of this Report

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

CWDL, Certified Public Accountants

San Diego, California
December 11, 2017

Member of AICPA

5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com

CalCPA

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

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

Report on Compliance for Each Major Federal Program

We have audited Antelope Valley Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Antelope Valley Community College District's major federal programs for the year ended June 30, 2017. Antelope Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

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, 2017.

Report on Internal Control Over Compliance

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

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

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

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

CWDL, Certified Public Accountants

San Diego, California
December 11, 2017

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited Antelope Valley Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2016-17*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Antelope Valley Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2016-17*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Antelope Valley Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Modified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the Annual CCFS-311 Reporting #2017-2. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the program.

Modified Opinion

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Audit Findings and Questioned Costs.

Other Matters

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

Section 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Instructional Service Agreements/Contracts
Section 424 – State General Apportionment Funding System
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428 – Student Equity
Section 429 – Student Success and Support Program (SSSP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 435 – Open Enrollment
Section 439 – Proposition 39 Clean Energy
Section 440 – Intersession Extension Program
Section 475 – Disabled Student Programs and Services (DSPS)
Section 479 – To Be Arranged Hours (TBA)
Section 490 – Proposition 1D State Bond Funded Projects
Section 491 – Proposition 55 Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2016-17*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 11, 2017

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Numbers	Name of Federal Program of Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Modified

Section II – Financial Statement Findings

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

FINDING #2017-1 – COLLEGE CASHIER'S OFFICE SEGREGATION OF DUTIES

Criteria – District internal control procedures over cash receipts require that only personnel involved with the cash collection process should have access to the cashier's office. All equipment located within the cashier's office should have access codes and updated annually to ensure proper personnel have access.

Condition – In our testing over cash receipts, we noted all current and past employees who worked in the cashier's office had the combination code to the safe. In addition, it was noted that the alarm system only sounds in the room and provides no breach to other departments. Finally, it was noted that there are no security cameras located in the cashier's office to provide an added level of controls over cash.

Fiscal Impact – No direct fiscal impact.

Effect – Non-compliance with District procedures could create an increased risk of fraud/asset misappropriation.

Cause – The District has not updated the access to the cashier's office and has continued to use the same access codes for both the room and safe.

Recommendation - We recommend the District ensure that only personnel who directly work with the cashier's office have access to both the cashier's room and safe. The District should ensure that all security measures in place provide notification to other departments should a breach take place. Finally, we recommend the District install security cameras to help deter any potential security threats in the future.

District Response – The room that houses the safes requires prox card access. When an employee is no longer working in the office, facilities is contacted to remove access to the cashier's office. We have modified the process so that those who have access have their own unique code to access the safe. Once the employee leaves, the fiscal services manager ensures that the unique code on the safe is no longer valid.

Section III – Federal Award Findings and Questioned Costs

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

There were no federal award findings or questioned costs identified during 2016-17.

Section IV – State Award Findings and Questioned Costs

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

FINDING #2017-2 – ANNUAL CCFS-311 REPORTING

Criteria – The California Community Colleges Chancellor's Office requires that each community college district report the financial activity of the General Fund on a quarterly basis via the CCFS-311Q report and the districts' total revenues and expenditures for the fiscal year via the CCFS-311 by October 10 of each year. This report is also required to include the adopted budget for the subsequent fiscal year.

Condition – In our testing of the District annual CCFS-311 for the fiscal year 2016-17 we noted that the certification and filing did not occur by October 10, 2017.

Questioned Costs – No questioned costs noted.

Effect – Noncompliance with submission requirements for the annual CCFS-311.

Cause – The annual revised CCFS-311 report was certified to the State Chancellor's Office on November 20, 2017.

Recommendation – We recommend that in accordance with the instructions of the State Chancellor's Office for the Annual Financial and Budget Report requirements, the annual activity of all funds of the District be made available to the public on or before September 30 of each year and be submitted to the Chancellor's Office no later than October 10 of each year.

District Response – Due to this being the first reporting year under fiscal independence, the information required validation for accuracy prior to submittal. It was discovered that there were several miscoded positions and so manual work was required to report the information accurately. A week prior to the CCFS311 deadline, the District requested an extension, which was granted. The District has been meeting to resolve the miscoding of positions. Future annual CCFS311 reports are expected to be submitted timely.

There were no audit findings identified during 2015-16.