

**ANTELOPE VALLEY
COMMUNITY COLLEGE DISTRICT**

FINANCIAL STATEMENTS
June 30, 2015

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2015

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Antelope Valley Community College District
Lancaster, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Antelope Valley Community College District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Antelope Valley Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of Antelope Valley Community College District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 7 and 8, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures". GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to period of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 11 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 48 to 52 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 on our consideration of Antelope Valley Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Antelope Valley Community College District's internal control over financial reporting and compliance.


Crowe Horwath LLP

Sacramento, California
December 18, 2015

Antelope Valley College

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2015

This section of Antelope Valley College District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015.

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 inclusive of the foundation, were \$34,543,285 at June 30, 2015. This is a change from the total combined net position as of June 30, 2014, which reflected \$79,500,345. The major difference is the adjustment to pension accounting due to the implementation of Governmental Accounting Standards Board (GASB) 68.
- During the fiscal year, the District's total operating expenses, inclusive of the foundation, were \$115,919,223. Combined operating, non-operating and capital revenues totaled \$124,615,246. This produced an excess of revenues over expenses of \$8,696,023.
- In November 2004, voters authorized the District to sell up to \$139 million in bonds over the next several years. The first series of bonds was sold to private investors in 2007, with the district receiving \$30 million to fund construction projects. In fiscal year 2007-2008, the district received the remaining \$109 million from the sale of G.O. bond.
- The general fund reported a fund balance this year of \$13,801,807 which represents an overall 19.17 percent ending balance. The restricted reserve percentage is 27.69 percent and the unrestricted reserve percentage is 17.54 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.

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 consist 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 2015. During the fiscal year ending June 30, 2015, the total net position changed, to include liabilities and deferred inflows, by \$25,473,966, or about 9.7% percent, from the previous year. The significant change is due to the pension reporting requirement of GASB 68, which affected the net position. Accounts receivable has decreased by \$6,593,898 or approximately 63 percent due to receiving Education Account Protection funds, which eliminated deferrals (general fund apportionment). Current liabilities increased by \$5,081,534 or by 39.4 percent mainly due to revenues that are deferred from 2015 into 2016. Unearned revenue occurs mainly occurs with restricted programs and grants or from summer session. The revenues cannot be "earned" until they are expended. It is important to note that the district did not need to borrow temporary funds in 2015 since State apportionment deferrals were eliminated.

Statement of Net Position

ASSETS	2015	2014	Change	% Change
Current Assets				
Cash, investments and short-term receivables	\$ 21,800,722	\$ 19,445,404	\$ 2,355,318	12.1%
Inventory and other assets	934,285	870,311	63,974	7.4%
Total Current Assets	22,735,007	20,315,715	2,419,292	11.9%
Noncurrent Assets				
Other noncurrent assets	15,371,576	12,902,648	2,468,928	19.1%
Capital Assets (net of depreciation)	230,389,621	221,990,626	8,398,995	3.8%
Total Non Current Assets	245,761,197	234,893,274	10,867,923	4.6%
Total Assets	268,496,204	255,208,989	13,287,215	5.2%
Deferred Outflows of Resources				
Deferred Amount on Refunding	16,047,730	7,629,062	8,418,668	110.3%
Deferred Outflows - pension	3,768,083	-	3,768,083	N/A
Total Deferred Outflows	19,815,813	7,629,062	12,186,751	159.7%
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 288,312,017	\$ 262,838,051	\$ 25,473,966	9.7%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 9,116,514	\$ 6,012,432	\$ 3,104,082	51.6%
Deferred revenue	4,733,357	2,666,785	2,066,572	77.5%
TRANS payable	-	-	-	#DIV/0!
Current portion of long-term obligations	4,120,464	4,209,584	(89,120)	-2.1%
Total Current Liabilities	17,970,335	12,888,801	5,081,534	39.4%
Long-Term Obligations	223,165,147	170,448,905	52,716,242	30.9%
Deferred Inflows of Resources	12,633,250	-	12,633,250	N/A
NET POSITION				
Invested in capital assets	75,628,690	67,304,938	8,323,752	12.4%
Restricted for capital projects and debt service	9,312,472	10,677,429	(1,364,957)	-12.8%
Restricted for other special purposes	4,277,556	3,141,081	1,136,475	36.2%
Unrestricted	(54,675,433)	(1,623,103)	(53,052,330)	3268.6%
Total Net Position	34,543,285	79,500,345	(44,957,060)	-56.5%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 288,312,017	\$ 262,838,051	\$ 25,473,966	9.7%

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (see page 13, *Basic Financial Statements section*) presents the operating results of the district. The purpose of the statement is to present the revenues received by the district, both operating and non-operating, and the expenses paid by the district, operating and non-operating, and any other revenues, expenses, gains and losses received or spend by the district. State general apportionment funds, which budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

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

The Statement of Revenues, Expenses, and Changes in Net Position reflects a positive year due to an increase in other revenue and state apportionments. The change in net position has increased at the end of the year by \$4,846,574 from June 30, 2014. Although the statement shows an operating loss of \$84,693,147, that balance does not reflect the \$83,093,619 in non-operating revenue and \$10,295,551 in other revenues.

Statement of Revenues and Expenses

	2015	2014	Change	% Change
Operating Revenues				
Tuition and fees	\$ 2,984,070	\$ 3,078,338	\$ (94,268)	-3.1%
Grants and contracts	25,146,650	28,719,458	(3,572,808)	-12.4%
Auxiliary enterprise sales and charges	3,095,356	3,538,684	(443,328)	-12.5%
Total Operating Revenues	31,226,076	35,336,480	(4,110,404)	-11.6%
Operating Expenses				
Salaries and benefits	60,877,870	57,131,401	3,746,469	6.6%
Supplies and maintenance	15,467,352	16,248,392	(781,040)	-4.8%
Payments to Students	38,135,202	49,956,610	(11,821,408)	-23.7%
Depreciation	1,438,799	1,520,272	(81,473)	-5.4%
Total Operating Expenses	115,919,223	124,856,675	(8,937,452)	-7.2%
Loss on Operations	(84,693,147)	(89,520,195)	4,827,048	-5.4%
Non-operating Revenues and (Expenses)				
State apportionment	50,283,602	48,026,364	2,257,238	4.7%
Property taxes	5,629,892	5,574,810	55,082	1.0%
State revenues	121,293	247,101	(125,808)	-50.9%
Pell grants	28,469,318	31,588,411	(3,119,093)	-9.9%
Interest income	140,338	127,864	12,474	9.8%
Interest expense	(3,115,846)	(2,219,322)	(896,524)	40.4%
Loss on Disposal of Assets	(33,707)	(19,737)	(13,970)	70.8%
Other non-operating revenue	1,598,729	554,045	1,044,684	188.6%
Total Non-operating Revenue	83,093,619	83,879,536	(785,917)	-0.9%
Other Revenues				
State, capital income	1,534,164	383,730	1,150,434	299.8%
Local revenues, capital	8,761,387	9,106,378	(344,991)	-3.8%
Total Other Revenues	10,295,551	9,490,108	805,443	8.5%
Net Increase (Decrease) in Net Position	\$ 8,696,023	\$ 3,849,449	\$ 4,846,574	125.9%

Statement of Cash Flows

The statement of cash flows (see page 14, *Basic Financial Statements section*) provides additional information about the district's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the district's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first part deals with operating cash flows and show the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments. The net cash used by the district for operating activities for period ending June 30, 2015 was \$79,260,709.

Statement of Cash Flow				
Cash Provided by (Used in)	2015	2014	Change	% Change
Operating activities	\$ (79,260,709)	\$ (84,918,900)	\$ 5,658,191	-6.7%
Noncapital financing activities	94,794,017	94,258,680	535,337	0.6%
Capital financing activities	(4,255,502)	(24,131,707)	19,876,205	-82.4%
Investing activities	140,338	127,864	12,474	9.8%
Net Increase (Decrease) in Cash	11,418,144	(14,664,063)	26,082,207	-177.9%
Cash, Beginning of Year	21,930,823	36,594,886	(14,664,063)	-40.1%
Cash, End of Year	\$ 33,348,967	\$ 21,930,823	\$ 11,418,144	52.1%

Capital Assets

The District's capital assets, net of accumulated depreciation at June 30, 2015 totaled \$230,389,621. This represented an increase in capital assets of \$8,398,995 from the prior year or a 4% increase from 2014 due to changes in construction in progress, building improvements & the acquisition of machinery & equipment. The District has continued its capital improvements as outlined and funded by Measure R, utilized redevelopment funding & has received a State scheduled maintenance funds. Below is a summary of the District's capital assets.

Capital Assets				
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ 2,430,691	\$ -	\$ -	\$ 2,430,691
Construction in Process	190,938,535	7,353,415	0	198,291,950
Building improvements	44,646,896	951,892	0	45,598,788
Machinery and equipment	10,223,678	1,566,194	(244,457)	11,545,415
Total	248,239,800	9,871,501	(244,457)	257,866,844
Accumulated depreciation				
Building improvements	19,308,052	796,676	0	20,104,728
Machinery and equipment	6,941,122	642,123	(210,750)	7,372,495
Capital Assets, net	\$ 221,990,626	\$ 8,432,702	\$ (33,707)	\$ 230,389,621

Long Term Liabilities

The District's total liabilities at June 30, 2015 totaled \$241,135,482 of which \$227,285,611 are long term liabilities below; \$4,120,464 of this amount is due in the upcoming fiscal year. This represented a decrease from the prior year liabilities of \$4,472,878 or 2%. Below is a summary of the District's long-term liabilities.

Long-Term Liabilities					
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
General Obligation Bonds	\$ 129,451,901	\$ 77,818,682	\$ 66,258,816	\$ 141,011,767	\$ 2,188,495
Bond premium	6,791,403	7,675,246	447,118	14,019,531	681,719
Accreted interest	13,349,378	2,333,586	13,031,888	\$ 2,651,076	901,505
Certificates of participation	8,295,000	0	505,000	\$ 7,790,000	115,000
Capital Lease (Central Plant)	6,454,388	0	175,594	\$ 6,278,794	233,745
Banked faculty load time	289,866	0	49,470	\$ 240,396	0
Compensated absences	1,402,885	156,945	0	\$ 1,559,830	0
Net Pension liability	57,100,000	0	12,217,000	\$ 44,883,000	0
Other Postemployment Benefits	8,623,668	1,176,253	948,704	\$ 8,851,217	0
	<u>\$ 231,758,489</u>	<u>\$ 89,160,712</u>	<u>\$ 93,633,590</u>	<u>\$ 227,285,611</u>	<u>\$ 4,120,464</u>

District's Fiduciary Responsibility

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

Economic Factors That Will Affect the Future

The District's economic strength is directly affected by the economic well being of the State of California. The California State 2015-2016 Budget was adopted with funding from the passage of Proposition 30 in November 2014: Public Schools and Safety Act. Proposition 30 increases the state sales tax by 0.25% from January 1, 2015 through December 31, 2016. This proposition also progressively increases the tax obligation by those making over \$250K from anywhere between 1% and 3% from tax years 2014-2016. These taxes are temporary and do not address the State of California structural funding issues for the California Community Colleges.

For more than a decade, the state budget has often miscalculated property tax and student fee revenues by projecting above actual collections, thereby providing less than adequate state general funds for the general apportionment. Because the revenue shortfall is not discovered until the fiscal year has virtually closed, the shortfall can threaten year-end operations and adversely affect cash flow. The District has budgeted for an anticipated shortfall of 0.5% for 2015-2016.

In 2015-2016, the deferrals were eliminated. In 2011-2012, the deferrals to community colleges reached a staggering \$991 million of inter and intra year deferrals.

For revenue, some positive economic growth and the backfill of EPA funds have resulted in some restoration of funds to the California Community College System. The Governor's proposal includes a restoration/growth amount of 2%. Because of the new revised growth formula from the Chancellor's Office, Antelope Valley College has a growth cap of 3.28%. These adjustments reflect constrained growth for other districts that cannot meet the 2% growth target. Those FTES were redistributed among the system. It is anticipated that growth will be minimal or flat in the out years. For Antelope Valley College, the funded and target FTES for 2015-2016 is as follows:

2015-2016 Adopted Budget	
<u>FTES Target</u>	
2014-2015 Base FTES	11,293
2011-2012 Restoration FTES	79
Growth FTES	284.24
Potential Funded FTES	11,657
2014-2015 estimated borrowing needed to make base	47
2% Above Funded Target	11,890
Total FTES Target to including making up borrowing	11,937

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 from \$8.00 per hour to \$9.00 per hour on July 1, 2015 and then again to \$10.00 per hour beginning July 1, 2016. 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 over the next 30 years. This is different from the Governor's January 2015 Budget, which deferred addressing STRS underfunding until 2015-16.

STRS Contribution Rates				
<i>Adopted Budget</i>				
	Employer	Employee (pre-2013 hire date)	Employee (post-2013 hire date)	State
2013-14	8.25%	8%	8%	3.04%
2014-2015	8.88%	8.15	8.15	3.45
2015-2016	10.73%	9.2	8.56	4.89
2016-2017	12.58%	10.25	9.205	6.33
2017-2018	14.43%	10.25	9.205	6.33
2018-2019	16.28%	10.25	9.205	6.33
2019-2020	18.13%	10.25	9.205	6.33
2020-2021	19.10%	10.25	9.205	6.33

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.

Contacting the Antelope Valley College's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

ASSETS

Current assets:	
Cash and investments	\$ 17,977,391
Receivables	3,823,331
Inventory	443,155
Prepaid expenses and other assets	<u>491,130</u>
Total current assets	<u>22,735,007</u>
Noncurrent assets:	
Restricted cash and investments	15,371,576
Non-depreciable capital assets	200,722,641
Depreciable capital assets, net	<u>29,666,980</u>
Total noncurrent assets	<u>245,761,197</u>
Total assets	<u>268,496,204</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding of debt	16,047,730
Deferred outflow of resources - pension	<u>3,768,083</u>
Total deferred outflows of resources	<u>19,815,813</u>
Total assets and deferred outflows of resources	<u>\$ 288,312,017</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 9,116,514
Unearned revenue	4,733,357
Long-term debt - current portion	<u>4,120,464</u>
Total current liabilities	<u>17,970,335</u>
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion	1,559,830
Banked faculty load time - noncurrent portion	240,396
OPEB obligation	8,851,217
Long-term debt - noncurrent portion	<u>212,513,704</u>
Total noncurrent liabilities	<u>223,165,147</u>
Total liabilities	<u>241,135,482</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions	<u>12,633,250</u>
--	-------------------

NET POSITION

Net investment in capital assets	75,628,690
Restricted for capital projects and debt service	9,312,472
Restricted for other special purposes	4,277,556
Unrestricted	<u>(54,675,433)</u>
Total net position	<u>34,543,285</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 288,312,017</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2015

Operating revenues:	
Tuition and fees	\$ 17,605,181
Less: scholarship discounts and allowances	<u>(14,621,111)</u>
Net tuition and fees	<u>2,984,070</u>
Grants and contracts, non-capital:	
Federal	11,592,149
State	13,554,501
Auxiliary enterprise sales and charges:	<u>3,095,356</u>
Total operating revenues	<u>31,226,076</u>
Operating expenses:	
Salaries and benefits	60,877,870
Supplies, materials, and other operating expenses and services	15,467,352
Student financial aid	38,135,202
Depreciation	<u>1,438,799</u>
Total operating expenses	<u>115,919,223</u>
Loss from operations	<u>(84,693,147)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	50,283,602
Local property taxes	5,629,892
State taxes and other revenues	121,293
Pell grants	28,469,318
Investment income, noncapital	140,338
Interest expense on capital asset-related debt, net	(3,115,846)
Loss on disposal of capital assets	(33,707)
Other non-operating revenues	<u>1,598,729</u>
Total non-operating revenues (expenses)	<u>83,093,619</u>
Loss before capital revenues	<u>(1,599,528)</u>
Capital revenues:	
Grants and gifts, capital	1,534,164
Property taxes	7,059,993
Other local capital revenue	<u>1,701,394</u>
Total capital revenues	<u>10,295,551</u>
Change in net position	8,696,023
Net position, July 1, 2014	79,500,345
Cumulative effect of GASB 68 implementation	<u>(53,653,083)</u>
Net position, July 1, 2014, as restated	<u>25,847,262</u>
Net position, June 30, 2015	<u>\$ 34,543,285</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

Cash flows from operating activities:	
Tuition and fees	\$ 3,085,557
Federal grants and contracts	12,159,134
State and local grants and contracts	17,039,753
Payments to employees	(60,492,596)
Payments to students, suppliers and vendors	(54,147,913)
Auxiliary enterprise sales and charges	<u>3,095,356</u>
Net cash used in operating activities	<u>(79,260,709)</u>
Cash flows from noncapital financing activities:	
State appropriations	58,420,649
Local property taxes	5,629,892
State taxes and other revenues	121,293
Pell grants	28,469,318
Other receipts	<u>2,152,865</u>
Net cash provided by noncapital financing activities	<u>94,794,017</u>
Cash flows from capital and related financing activities:	
State apportionment for capital purposes	1,534,164
Local property taxes and other revenues, capital purposes	8,761,387
Principal paid on capital debt	(3,002,192)
Purchases of capital assets	(4,870,422)
Interest paid on capital debt, net	<u>(6,678,439)</u>
Net cash used in capital and related financing activities	<u>(4,255,502)</u>
Cash flows provided by investing activities:	
Interest income	<u>140,338</u>
Net increase in cash and investments	11,418,144
Cash and investments, beginning of year	<u>21,930,823</u>
Cash and investments, end of year	<u>\$ 33,348,967</u>

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2015

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (84,693,147)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	1,438,799
Changes in assets and liabilities:	
Receivables, net	(1,543,149)
Prepaid expenses and other assets	(44,834)
Inventory	(19,140)
Deferred outflows of resources - pensions	(321,166)
Accounts payable	3,104,082
Unearned revenue	2,066,572
Net pension liability	(12,217,000)
Deferred inflows of resources - pensions	12,633,250
Compensated absences and banked faculty load time	107,475
Other postemployment benefits	<u>227,549</u>
Net cash used in operating activities	<u>\$ (79,260,709)</u>
Supplemental disclosure of non-cash transactions:	
Accretion of interest	\$ 2,333,587

During the year ended June 30, 2015, the District issued general obligation refunding bonds to refund existing debt outstanding. The proceeds from the refunding issuance totaled \$85,493,927 for the future defeasance of \$75,902,334 of previously outstanding general obligation bonds.

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	OPEB Irrevocable Trust Fund	Associated Students
ASSETS		
Cash and cash equivalents	\$ -	\$ 492,019
Investments: mutual funds	<u>387,113</u>	<u>-</u>
Cash and investments	<u>\$ 387,113</u>	<u>\$ 492,019</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>492,019</u>
NET POSITION		
Restricted Net Position Held in Trust	<u>\$ 387,113</u>	<u>\$ -</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2015

	OPEB Irrevocable Trust <u>Fund</u>
Additions:	
Employer contribution	\$ 387,113
Net position held in trust for retiree benefits, July 1, 2014	<hr style="width: 100%;"/> -
Net position held in trust for retiree benefits, June 30, 2015	<hr style="width: 100%;"/> <u>\$ 387,113</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District has no component units.

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Restricted Cash, Cash Equivalents and Investments

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

Fair Value of Investments

The District records its investment in Los Angeles County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Position. The fair value of investments, including the Los Angeles County Treasury external investment pool, at June 30, 2015 approximated their carrying value.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, management determined that no allowance was necessary.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair 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 \$8,116,925 and \$5,001,079, respectively, during the year ended June 30, 2015.

Compensated Absences

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

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and PERS employees, when the employee retires.

Banked Faculty Load

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

Unearned Revenue

Revenue from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Other funds, including tuition and student fees, received but not earned are recorded as unearned revenue until earned.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred amount on refunding reported which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Due to the refunding of general obligation bonds during the year ended June 30, 2015, a \$9,037,457 deferred loss on refunding was recognized. During the year ended June 30, 2015, the District recognized \$618,789 in amortization of the deferred loss on refunding. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

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.

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 2,108,206	\$ 1,659,877	\$ 3,768,083
Deferred inflows of resources	\$ 7,469,000	\$ 5,164,250	\$ 12,633,250
Net pension liability	\$ 30,332,000	\$ 14,551,000	\$ 44,883,000
Pension expense	\$ 4,190,321	\$ 1,235,846	\$ 5,426,167

Net Position

The District's net position is classified as follows:

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2015, there is no balance of nonexpendable restricted net position.

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District typically first applies the expense toward restricted resources, then to unrestricted resources.

State Apportionments

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

Classification of Revenue and Expenses

The District has classified its revenues and expenses as either operating or nonoperating revenues and expenses. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. 2200.190-.191 including State appropriations, local property taxes, Pell grants and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

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

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. 2200.190-.191, such as State appropriations, and investment income. Interest expense on capital related debt is the only nonoperating expense.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and change in net position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state and nongovernmental programs, are recorded as revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

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

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 net position was restated by \$53,653,083 because of the recognition of the net pension liability and deferred outflows of resources.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013 GASB issued 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, 2015. 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.

In February 2015, the GASB has issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

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 GASB Statements No. 67 and 68, completes the suite of pension standards. GASB Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and 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. Management has not determined what impact this GASB statement will have on its financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

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 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. Management has not determined what impact this GASB statement will have on its financial statements.

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 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. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. 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. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

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. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 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. Management has not determined what impact this GASB statement will have on its financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

District cash and investments at June 30, 2015, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Funds:		
Cash in County Treasury	\$ 21,675,839	\$ -
Deposits:		
Cash on hand and in banks	3,001,890	492,019
Cash held by Fiscal Agent	<u>8,671,238</u>	<u>-</u>
Total cash and investments	<u>33,348,967</u>	<u>492,019</u>
Less: restricted cash and investments:		
Cash held by Fiscal Agent	(8,671,238)	-
Other restricted cash	<u>(6,700,338)</u>	<u>-</u>
Total restricted cash and investments	<u>(15,371,576)</u>	<u>-</u>
Net cash and investments	<u>\$ 17,977,391</u>	<u>\$ 492,019</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Mutual funds

Investments held within the OPEB trust fund at June 30, 2015, consisted of the following:

Mutual funds - equities	\$	190,192
Mutual funds - fixed income		118,162
Mutual funds - balanced		65,179
Mutual funds - real estate		<u>13,580</u>
	\$	<u>387,113</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury. The County pools and invests the cash. Those pooled funds are carried at fair value, which approximates cost.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Los Angeles County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2015.

Cash with Fiscal Agent

Cash with Fiscal Agent of \$8,671,238 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

Custodial Credit Risk

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

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2015, the carrying amount of the District's accounts was \$3,493,909 and the bank balance was \$4,735,698 of which \$451,851 was FDIC insured.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

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

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

Interest Rate Risk

The District investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2015, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District does not place limits on the amount they may invest in any one issuer. At June 30, 2015, the District had no concentration of credit risk.

3. RECEIVABLES

Receivables at June 30, 2015 are summarized as follows:

Federal	\$ 1,135,074
State	1,755,546
Local and other	<u>932,711</u>
	<u><u>\$ 3,823,331</u></u>

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
Non-depreciable:				
Land	\$ 2,430,691	\$ -	\$ -	\$ 2,430,691
Construction in progress	190,938,535	7,353,415	-	198,291,950
Depreciable:				
Building improvements	44,646,896	951,892	-	45,598,788
Machinery and equipment	<u>10,223,678</u>	<u>1,566,194</u>	<u>(244,457)</u>	<u>11,545,415</u>
Total	<u>248,239,800</u>	<u>9,871,501</u>	<u>(244,457)</u>	<u>257,866,844</u>
Less accumulated depreciation:				
Building improvements	19,308,052	796,676	-	20,104,728
Machinery and equipment	<u>6,941,122</u>	<u>642,123</u>	<u>(210,750)</u>	<u>7,372,495</u>
Total	<u>26,249,174</u>	<u>1,438,799</u>	<u>(210,750)</u>	<u>27,477,223</u>
Capital assets, net	<u><u>\$ 221,990,626</u></u>	<u><u>\$ 8,432,702</u></u>	<u><u>\$ (33,707)</u></u>	<u><u>\$ 230,389,621</u></u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. UNEARNED REVENUE

Unearned revenue at June 30, 2015 is summarized as follows:

Unearned grant revenue	\$ 3,310,975
Unearned tuition and student fee revenue	<u>1,422,382</u>
	<u>\$ 4,733,357</u>

6. LONG-TERM LIABILITIES

General Obligation Bonds

In April 2005, the District issued Series A, 2004 General Obligation Bonds aggregating \$30,000,000. The bonds mature through 2016 and bear interest at rates ranging from 3% to 5%.

The annual payments required to amortize the Series A, 2004 General Obligation Bonds outstanding as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 550,000</u>	<u>\$ 10,656</u>	<u>\$ 560,656</u>

In August 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$24,336,792. The purpose of the bond was to refund portions of the Series A, 2004 General Obligation bonds. The bonds consisted of Capital Appreciation bonds totaling \$6,801,792, maturing through August 2016 bearing an interest rate ranging from 3.65% to 4.25% and Current Interest Bonds totaling \$17,535,000. The current interest bonds were refunded during the year ended June 30, 2014.

The annual payments required to amortize the 2006 Capital Appreciation General Obligation Refunding Bonds outstanding as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 493,495	\$ 1,168,457	\$ 1,661,952
2017	<u>659,590</u>	<u>717,705</u>	<u>1,377,295</u>
	<u>\$ 1,153,085</u>	<u>\$ 1,886,162</u>	<u>\$ 3,039,247</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In August 2007, the District issued the Series B and C, 2004 General Obligation Bonds in the amount of \$52,536,256 and \$56,460,276, respectively. The Series B bonds consisted of Capital Appreciation bonds totaling \$12,231,256, maturing through August 2036 bearing an interest rate ranging from 5.63% to 5.67% and Current Interest Bonds totaling \$40,305,000, maturing through August 2039 with an interest rate of 4.9%. The Series C bonds were partially refunded during the year ended June 30, 2014. The Series B Current Interest and Capital Appreciation bonds and the Series C Capital Appreciation bonds were refunded during the year ended June 30, 2015.

The annual payments required to amortize the Series C, 2004 Current Interest General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 810,000	\$ 1,945,038	\$ 2,755,038
2017	935,000	1,904,451	2,839,451
2018	<u>1,080,000</u>	<u>940,538</u>	<u>2,020,538</u>
	<u>\$ 2,825,000</u>	<u>\$ 4,790,027</u>	<u>\$ 7,615,027</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In April 2014, the District issued \$42,845,000 and \$16,465,000 of 2014 General Obligation Refunding Bonds as Series A and Series B. The proceeds from the sale of the bonds were used to advance refund the District's outstanding 2004 General Obligation Bonds, Series C and 2006 General Obligation Bonds, Series C and to pay the costs of issuing the Refunding Bonds. The Series A and Series B Bonds mature through August 1, 2027 and August 1, 2022, respectively, with interest rates ranging from 0.5% to 5.0%. At June 30, 2015, \$56,754,315 of bonds outstanding are considered defeased.

The general long-term liabilities maturity schedules for the 2014 General Obligation Refunding Bonds Series A and B are as follows:

Series A:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 2,005,050	\$ 2,005,050
2017	155,000	2,005,050	2,160,050
2018	1,410,000	2,003,500	3,413,500
2019	1,550,000	1,987,850	3,537,850
2020	1,700,000	1,958,250	3,658,250
2021-2025	22,380,000	8,198,125	30,578,125
2026-2030	<u>15,250,000</u>	<u>1,708,500</u>	<u>16,958,500</u>
	<u>\$ 42,445,000</u>	<u>\$ 19,866,325</u>	<u>\$ 62,311,325</u>

Series B:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 200,000	\$ 414,021	\$ 614,021
2017	200,000	412,279	612,279
2018	2,195,000	394,892	2,589,892
2019	2,345,000	355,640	2,700,640
2020	2,520,000	302,691	2,822,691
2021-2024	<u>8,760,000</u>	<u>436,730</u>	<u>9,196,730</u>
	<u>\$ 16,220,000</u>	<u>\$ 2,316,253</u>	<u>\$ 18,536,253</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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 2004 General Obligation Bonds, Series B and 2004 General Obligation Bonds, Series C and to pay the costs of issuing the Refunding Bonds. The Refunding Bonds mature through August 1, 2039 with interest rates ranging from 2.0% to 5.0%. At June 30, 2015, \$75,902,334 of bonds outstanding are considered defeased.

The general long-term liabilities maturity schedules for the 2015 General Obligation Refunding Bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 135,000	\$ 1,936,602	\$ 2,071,602
2017	-	2,037,250	2,037,250
2018	-	2,037,250	2,037,250
2019	-	2,037,250	2,037,250
2020	-	2,037,250	2,037,250
2021-2025	-	10,186,250	10,186,250
2026-2030	11,524,752	14,336,498	25,861,250
2031-2035	22,344,446	32,441,804	54,786,250
2036-2040	<u>43,814,484</u>	<u>18,464,391</u>	<u>62,278,875</u>
	<u>\$ 77,818,682</u>	<u>\$ 85,514,545</u>	<u>\$ 163,333,227</u>

The calculation of the difference in cash flow requirements and economic gain of the 2015 General Obligation Refunding Bonds is as follows:

Cash Flow Difference

Old debt service cash flows	\$ 184,296,794
New debt service cash flows	<u>163,333,227</u>
	<u>\$ 20,963,567</u>

Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate is \$10,725,573.

There was no accrued interest or sinking fund resources related to the new debt proceeds.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

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, 2015, the District's COPs obligations were as follows:

Year Ending <u>June 30,</u>	
2016	\$ 505,444
2017	516,418
2018	531,544
2019	550,544
2020	568,106
2021-2025	3,125,406
2026-2030	3,248,000
2031-2035	<u>4,185,064</u>
	13,230,526
Less amount representing interest	<u>(5,440,526)</u>
	<u><u>\$ 7,790,000</u></u>

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, 2015, 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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES (Continued)

Capital Lease (Continued)

At June 30, 2015, the future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	
2016	\$ 599,360
2017	646,472
2018	696,366
2019	749,206
2020	805,168
2021-2025	4,988,199
2026-2028	<u>191,877</u>
	8,676,648
Less amount representing interest	<u>(2,397,854)</u>
	<u><u>\$ 6,278,794</u></u>

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014, <u>as Restated</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2015	Amounts Due Within <u>One Year</u>
General Obligation Bonds	\$ 129,451,901	\$ 77,818,682	\$ 66,258,816	\$ 141,011,767	\$ 2,188,495
Bond premium	6,791,403	7,675,246	447,118	14,019,531	681,719
Accreted interest	13,349,378	2,333,586	13,031,888	2,651,076	901,505
Certificates of participation	8,295,000	-	505,000	7,790,000	115,000
Capital lease	6,454,388	-	175,594	6,278,794	233,745
Banked faculty load time	289,866	-	49,470	240,396	-
Compensated absences	1,402,885	156,945	-	1,559,830	-
Net pension liability (Note 8 & 9)	57,100,000	-	12,217,000	44,883,000	-
Other postemployment benefits (Note 10)	<u>8,623,668</u>	<u>1,176,253</u>	<u>948,704</u>	<u>8,851,217</u>	<u>-</u>
	<u><u>\$ 231,758,489</u></u>	<u><u>\$ 89,160,712</u></u>	<u><u>\$ 93,633,590</u></u>	<u><u>\$ 227,285,611</u></u>	<u><u>\$ 4,120,464</u></u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS

General Information about the State Teachers' Retirement Plan

Plan Description

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

Benefits Provided

The STRP Defined Benefit Program has two benefit formulas:

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

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

CalSTRS 2% at 60

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

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Benefits Provided (Continued)

CalSTRS 2% at 62

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

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

Contributions

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

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

Members – Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

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

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

Employers – 8.88 percent of applicable member earnings.

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$2,108,206 to the plan for the fiscal year ended June 30, 2015.

State – 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

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

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions (Continued)

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

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

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 30,332,000
State's proportionate share of the net pension liability associated with the District	<u>18,316,000</u>
Total	<u>\$ 48,648,000</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was 0.052 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2015, the District recognized pension expense of \$4,190,321 and revenue of \$1,563,000 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	7,469,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>2,108,206</u>	<u>-</u>
Total	<u>\$ 2,108,206</u>	<u>\$ 7,469,000</u>

\$2,108,206 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 1,867,250
2017	\$ 1,867,250
2018	\$ 1,867,250
2019	\$ 1,867,250

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

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

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

* 10-year geometric average

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District's proportionate share of the net pension liability	<u>\$ 47,280,000</u>	<u>\$ 30,332,000</u>	<u>\$ 16,201,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf>.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

General Information about the Public Employer’s Retirement Fund B (Continued)

Benefits Provided

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

Contributions

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers – The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed \$1,659,877 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$14,551,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The *District’s* proportion of the net pension liability was based on a projection of the *District’s* share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the *District’s* proportion was 0.128 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2013.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

For the year ended June 30, 2015, the District recognized pension expense of \$1,235,846. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	5,000,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	164,250
Contributions made subsequent to measurement date	<u>1,659,877</u>	<u>-</u>
Total	<u>\$ 1,659,877</u>	<u>\$ 5,164,250</u>

\$1,659,877 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 1,304,750
2017	\$ 1,304,750
2018	\$ 1,304,750
2019	\$ 1,250,000

Actuarial Methods and Assumptions

The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

Actuarial Methods and Assumptions (Continued)

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Insensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

Discount Rate (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	<u>\$ 25,455,000</u>	<u>\$ 14,551,000</u>	<u>\$ 5,305,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8 and 9, 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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Annual required contribution	\$ 889,069
Interest on net OPEB obligation	388,065
Adjustment to annual required contribution	<u>(100,881)</u>
Annual OPEB cost (expense)	1,176,253
Contributions made	<u>(948,704)</u>
Increase in net OPEB obligation	227,549
Net OPEB obligation - beginning of year	<u>8,623,668</u>
Net OPEB obligation - end of year	<u>\$ 8,851,217</u>

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, 2015 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ (3,454,015)	-11.7%	\$ 8,143,893
June 30, 2014	\$ 1,093,475	56.1%	\$ 8,623,668
June 30, 2015	\$ 1,176,253	80.7%	\$ 8,851,217

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$8,143,893, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,143,893. As of the latest actuarial, covered payroll (annual payroll of active employees covered by the Plan) was \$25,432,000, and the ratio of the UAAL to the covered payroll was 32.0 percent. The single-employer OPEB plan is currently operated as a pay-as-you-go-plan. The District makes discretionary, periodic contributions to the plan through an irrevocable trust. The OPEB trust is included in the District's financial report and separately presented as a fiduciary fund. Separate audited financial statements are also available through the District.

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

In the July 1, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 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 3 percent inflation assumption. The District's obligation was fully amortized as of June 30, 2010.

11. 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, 2015, the District has approximately \$1.5 million in outstanding commitments on construction contracts.

12. 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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

12. JOINT POWERS AGREEMENTS (Continued)

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

Condensed financial information of the JPAs for the most current year for which audited information is available, is as follows:

	<u>PIPS</u> <u>June 30, 2014</u>	<u>SIRMA</u> <u>June 30, 2015</u>
Total assets	\$ 101,635,390	\$ 2,419,737
Total liabilities	\$ 89,564,503	\$ 1,096,998
Net position	\$ 12,070,887	\$ 1,322,739
Total revenues	\$ 18,271,889	\$ 2,845,631
Total expenses	\$ 22,602,717	\$ 2,773,654
Change in net position	\$ (4,330,828)	\$ 71,977

13. SUBSEQUENT EVENTS

In August 2015, the District issued 2015 Lease Revenue Bonds, Series A and 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, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2015

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Covered Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2006	\$ -	\$ 7,974,678	\$ 7,974,678	0%	\$ 46,200,000	17.26%
March 1, 2009	\$ -	\$ 7,848,063	\$ 7,848,063	0%	\$ 46,200,000	17.26%
March 1, 2011	\$ -	\$ 7,600,837	\$ 7,600,837	0%	\$ 29,338,000	25.91%
July 1, 2013	\$ -	\$ 8,143,893	\$ 8,143,893	0%	\$ 25,432,000	32.02%

See independent auditor's report on required supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

For the Year Ended June 30, 2015

State Teacher's Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	.052%
District's proportionate share of the net pension liability	\$ 30,332,000
State's proportionate share of the net pension liability associated with the District	<u>18,316,000</u>
Total net pension liability	<u>\$ 48,648,000</u>
District's covered-employee payroll	\$ 23,119,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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

All years prior to 2015 are not available.

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

(Continued)

For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	.128%
District's proportionate share of the net pension liability	\$ 14,551,000
District's covered-employee payroll	\$ 13,456,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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

All years prior to 2015 are not available.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 2,108,206
Contributions in relation to the contractually required contribution	\$ 2,108,206
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 23,741,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

(Continued)

For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 1,659,877
Contributions in relation to the contractually required contribution	\$ 1,659,877
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 14,101,000
Contributions as a percentage of covered-employee payroll	11.77%
All years prior to 2015 are not available.	

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

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

B - Schedule of 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.

C - Schedule of the District's Contributions

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

D - Changes of Benefit Terms

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

E - Changes of Assumptions

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

SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2015

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, 2015 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Lew Stults	President	2015
Steve Buffalo	Vice President	2017
Michael Adams	Clerk	2017
Barbara Gains	Trustee	2017
Jack Seefus	Trustee	2015

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
<i>Direct Programs:</i>		
Student Financial Aid Cluster:		
Federal Supplementary Educational Opportunity Program (FSEOG)	84.007	\$ 329,922
Federal College Work Study (FWS)	84.033	291,645
Federal Direct Loan Program	84.268	7,459,402
Federal Pell Grants (PELL)	84.063	<u>28,469,318</u>
Subtotal Financial Aid Cluster		<u>36,550,287</u>
TRIO - Student Support Services	84.042A	249,085
Higher Education Institutional Aid, Title V Cluster:		
Higher Education Institutional Aid, Title V	84.031S	491,141
Higher Education Institutional Aid, Title V, Co-Op	84.031C	<u>2,121,826</u>
Subtotal Higher Education Institutional Aid, Title V Cluster		<u>2,612,967</u>
<i>Passed through California Community College Chancellor's Office:</i>		
VATEA Cluster:		
Vocational and Applied Technology Educational Act (VATEA) - Opportunities	84.048	496,075
Career and Technical Education - Transitions	84.048A	<u>57,209</u>
Subtotal VATEA Cluster		<u>553,284</u>
Total U.S. Department of Education		<u>39,965,623</u>
<u>U.S. Department of Health and Human Services</u>		
<i>Passed through California Community College Chancellor's Office:</i>		
Temporary Assistant to Needy Families (TANF)	93.558	<u>95,844</u>
Total Federal Programs		<u>\$ 40,061,467</u>

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2015

	<u>Program Revenues</u>			<u>Total</u>	<u>Total Program Expenditures</u>
	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Income</u>		
Administrative 2% Enrollment	\$ 200,859	\$ -	\$ -	\$ 200,859	\$ 151,043
Fee Waivers	42,452	35,123	-	77,575	77,575
AB86	213,882	-	-	213,882	205,637
Basic Skills	561,322	-	-	561,322	561,322
BFAP Administrative	293,003	-	-	293,003	250,666
Block Grant	813,096	49,308	-	862,404	873,089
CalWORKS	187,822	-	16,438	171,384	171,384
CARE	1,760,440	153,557	1,165,442	748,555	619,668
CTE Pathways / Enhancements	266,381	22,512	-	288,893	288,893
Department of Corrections	127,670	11,607	-	139,277	139,265
DSS/CalWORKS	987,928	-	-	987,928	987,928
DSPS	748,721	-	-	748,721	748,721
EOPS	54,482	54,481	-	108,963	108,963
Foster Care Education	5,956	-	-	5,956	6,108
Equal Employment Opportunities	56,459	361,697	-	418,156	212,733
Lottery - Proposition 20	891,879	-	-	891,879	400,159
Mandated Costs	1,945,001	-	991,051	953,950	954,258
SSSP	869,063	-	809,846	59,217	59,217
Student Equity	129,587	-	-	129,587	129,587
Nursing Enrollment	93,269	-	-	93,269	94,854
TANF	163,000	168,847	-	331,847	331,847
LAUP					

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT**

Annual Attendance as of June 30, 2015

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	-	-	-
2. Credit	724	-	724
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	-	-	-
2. Credit	47	-	47
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	8,720	-	8,720
b. Daily Census Contact Hours	642	-	642
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	-	-	-
b. Credit	490	-	490
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	531	-	531
b. Daily Census Contact Hours	71	-	71
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
	<hr/>	<hr/>	<hr/>
D. Total FTES	<u>11,225</u>	<u>-</u>	<u>11,225</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	-	-	-
b. Credit	1,457	-	1,457
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	1,215	-	1,215

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2015

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110		Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799			
	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
<u>Academic Salaries</u>						
Instructional salaries:						
Contract or regular	\$ 13,021,424	\$ -	\$ 13,021,424	\$ 13,021,424	\$ -	\$ 13,021,424
Other	<u>10,295,692</u>	<u>-</u>	<u>10,295,692</u>	<u>10,295,692</u>	<u>-</u>	<u>10,295,692</u>
Total instructional salaries	<u>23,317,116</u>	<u>-</u>	<u>23,317,116</u>	<u>23,317,116</u>	<u>-</u>	<u>23,317,116</u>
Non-instructional salaries:						
Contract or regular	-	-	-	3,790,390	-	3,790,390
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>722,932</u>	<u>-</u>	<u>722,932</u>
Total non-instructional salaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,513,322</u>	<u>-</u>	<u>4,513,322</u>
Total academic salaries	<u>23,317,116</u>	<u>-</u>	<u>23,317,116</u>	<u>27,830,438</u>	<u>-</u>	<u>27,830,438</u>
<u>Classified Salaries</u>						
Non-instructional salaries:						
Regular status	-	-	-	9,542,044	-	9,542,044
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,018,421</u>	<u>-</u>	<u>1,018,421</u>
Total non-instructional salaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,560,465</u>	<u>-</u>	<u>10,560,465</u>
Instructional aides:						
Regular status	953,726	-	953,726	953,726	-	953,726
Other	<u>159,863</u>	<u>-</u>	<u>159,863</u>	<u>159,863</u>	<u>-</u>	<u>159,863</u>
Total instructional aides	<u>1,113,589</u>	<u>-</u>	<u>1,113,589</u>	<u>1,113,589</u>	<u>-</u>	<u>1,113,589</u>
Total classified salaries	<u>1,113,589</u>	<u>-</u>	<u>1,113,589</u>	<u>11,674,054</u>	<u>-</u>	<u>11,674,054</u>
Employee benefits	4,770,888	-	4,770,888	11,126,876	-	11,126,876
Supplies and materials	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,017,067</u>	<u>-</u>	<u>1,017,067</u>
Other operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,895,359</u>	<u>-</u>	<u>3,895,359</u>
Equipment replacement	<u>-</u>	<u>-</u>	<u>-</u>	<u>498,045</u>	<u>-</u>	<u>498,045</u>
Total expenditures prior to exclusions	<u>\$ 29,201,593</u>	<u>\$ -</u>	<u>\$ 29,201,593</u>	<u>\$ 56,041,839</u>	<u>\$ -</u>	<u>\$ 56,041,839</u>

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH AUDITED BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT

For the Year Ended June 30, 2015

EPA Proceeds: \$ 10,793,468

<u>Activity Classification</u>	<u>Activity Code (0100-5900)</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities	-	\$ 10,793,468	\$ -	\$ -	\$ 10,793,468

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

The accompanying Schedule of Expenditure of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

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

D - Reconciliation of ECS 84362 (50 Percent Law) Calculation

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

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

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

F - Prop 30 EPA Expenditure Report

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

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Antelope Valley Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2015:

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above of Antelope Valley Community College District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the California State Chancellor's Office's California Community College District Audit Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Antelope Valley Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Unmodified Opinion with State Laws and Regulations

In our opinion, Antelope Valley Community College District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Antelope Valley Community College District had not complied with the state laws and regulations.

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 18, 2015

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

Board of Trustees
Antelope Valley Community College District
Lancaster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Antelope Valley Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Antelope Valley Community College District's basic financial statements, and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 18, 2015

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

Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on Compliance for Each Major Federal Program

We have audited Antelope Valley Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. Antelope Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Antelope Valley Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Antelope Valley Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Antelope Valley Community College District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 18, 2015

FINDINGS AND RECOMMENDATIONS

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	___X___ None reported

Noncompliance material to financial statements noted? _____ Yes ___X___ No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	___X___ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes ___X___ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.268, 84.063 84.048, 84.048A 84.031S, 84.031C	Student Financial Aid Cluster VATEA Cluster Higher Education Institutional Aid, Title V Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

STATE AWARDS

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented
2014-001			
<p>Proceeds from the issuance of COPs were not recorded in the District's capital projects fund. When the COPs were issued for the solar project in 2011, the entry was an adjustment to the District's financial statements. The adjustment has been reflected in the financial statements in prior years; however, the entry was not initially made by the District for the fiscal year ended June 30, 2014.</p>	<p>The District should implement controls to ensure all cash balances are recorded properly in the financial statements.</p>	<p>Implemented.</p>	
2014-002			
<p>Sample selections were made from the detailed listing of students receiving DSPS support and services for the 2013-2014 academic year.</p> <p>We noted 2 out of 25 students selected for testing did not have documentation on file.</p>	<p>The District should develop a formal policy and implement controls to ensure records are properly updated and maintained.</p>	<p>Implemented.</p>	