

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

LANCASTER, CALIFORNIA

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2020**



ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
JUNE 30, 2020

Independent Auditors' Report	1
Management's Discussion and Analysis	4

FINANCIAL SECTION

Basic Financial Statements:

Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Net Position	16
Statement of Cash Flows	17
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net OPEB Liability and Related Ratios	48
Schedule of Contributions - OPEB	49
Schedule of Proportionate Share of the Net Pension Liability	50
Schedule of Contributions - Pensions	51
Note to Required Supplementary Information	52

SUPPLEMENTARY INFORMATION

District Organizational Structure	53
Schedule of Expenditure of Federal Awards	54
Schedule of State Financial Awards	55
Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance	56
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements	57
Reconciliation of ECS 84362 (50 Percent Law) Calculation	58
Details of the Education Protection Account	59
Reconciliation of Governmental Funds to the Statement of Net Position	60
Note to Supplementary Information	61

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
JUNE 30, 2020

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Independent Auditors' Report on Compliance For Each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance	65
Independent Auditors' Report on State Compliance	67

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule of Audit Findings and Questioned Costs	69
Summary Schedule of Prior Year Audit Findings	73



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Antelope Valley Community College District, as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021 on our consideration of Antelope Valley Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Antelope Valley Community College District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
February 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

This section of Antelope Valley College District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2020.

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

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

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

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

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$116,083,713 at June 30, 2020. This is a change from the total combined net position as of June 30, 2019, which reflected \$119,613,747.
- During the fiscal year, the District's total operating expenses, were \$155,745,248. There was an excess of revenues over expenses of \$9,019,131.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Statement of Net Position

The Statement of Net Position (see page 15, 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, is one way to measure the financial health of the District. The data allows readers to determine the assets available to continue the operations of the District. The net position of the District consists of three major categories.

- Net investment in capital assets – The District’s equity in property, plant and equipment.
- Restricted net position (either expendable or nonexpendable.) – The District 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 remained positive in fiscal year 2020. Accounts receivable increased by \$3,178,124 or approximately 68 percent. Current liabilities increased by \$14,339,500 or by 56 percent mainly due to the current portion of long-term debt. The final paycheck for the fiscal year is accrued in the current fiscal year and paid out of the following fiscal year. Unearned revenue mainly occurs with restricted programs and grants or from the summer session. The revenues cannot be “earned” until they are expended.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Total assets	\$ 606,887,463	\$ 498,330,048	\$ 108,557,415
Deferred outflows of resources	41,817,738	34,738,809	7,078,929
Total Assets and Deferred Outflows of Resources	<u>648,705,201</u>	<u>533,068,857</u>	<u>115,636,344</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	40,138,895	25,799,395	14,339,500
Non-current liabilities	488,654,806	382,614,730	106,040,076
Deferred inflows of resources	3,545,656	4,941,345	(1,395,689)
Total Liabilities and Deferred Inflows of Resources	<u>532,339,357</u>	<u>413,355,470</u>	<u>118,983,887</u>
NET POSITION			
Invested in capital assets, net of related debt	151,001,066	173,550,871	(22,549,805)
Restricted	19,903,311	14,046,212	5,857,099
Unrestricted	(54,820,664)	(67,983,336)	13,162,672
Total Net Position	<u>\$ 116,083,713</u>	<u>\$ 119,613,747</u>	<u>\$ (3,530,034)</u>

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (see page 16, Basic Financial Statements section) presents the operating results of the District. The purpose of the statement is to present the revenues received and expensed 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, 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. Operating revenues are received for those expenses paid to acquire or produce the goods and services provided in the course of carrying out the mission of the District.

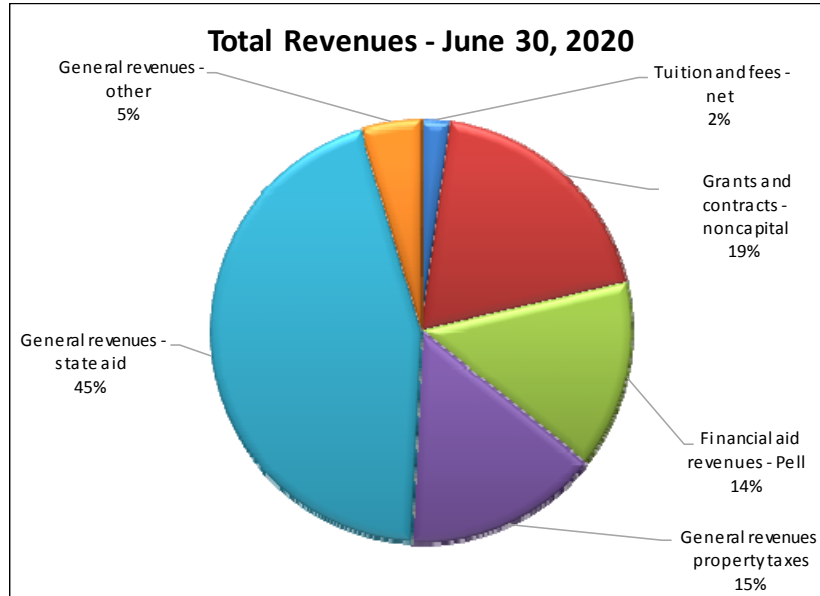
The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in state apportionment, grants and contracts, and state aid. The change in net position at June 30, 2020 has increased at the end of the year by \$8,045,859 from June 30, 2019. Because of an adjustment to the prior period, the District reports a decrease in its Net Position of \$3.5 million for this fiscal year. Below is a summary of changes in revenues and expenses for the years ending June 30, 2020 and June 30, 2019:

	2020	2019	Change
REVENUES			
Tuition and fees - net	\$ 3,890,090	\$ 4,061,899	\$ (171,809)
Grants and contracts - noncapital	34,007,763	28,470,108	5,537,655
Financial aid revenues - Pell	25,541,619	24,701,993	839,626
General revenues - property taxes	26,565,845	24,094,088	2,471,757
General revenues - state aid	79,393,253	69,921,346	9,471,907
General revenues - other	8,102,331	9,595,953	(1,493,622)
Total Revenues	177,500,901	160,845,387	16,655,514
EXPENSES			
Operating expenses	155,745,248	146,342,616	9,402,632
Interest and other	12,736,522	13,529,499	(792,977)
Total Expenses	168,481,770	159,872,115	8,609,655
Change in Net Position	\$ 9,019,131	\$ 973,272	\$ 8,045,859

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

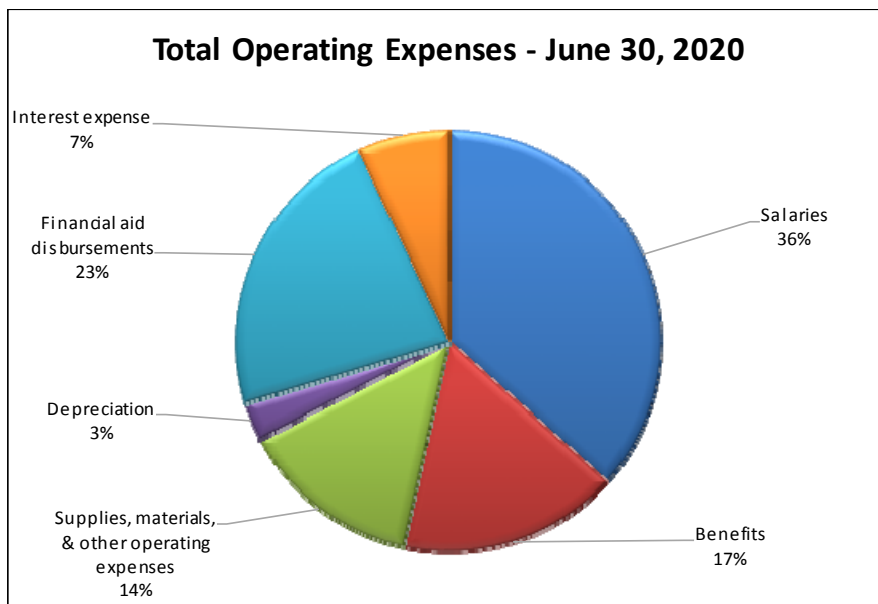
Total Revenues for the Year Ended June 30, 2020

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



Total Operating Expenses for the Year Ended June 30, 2020

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



**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Statement of Cash Flows

The statement of cash flows (see page 17 and 18, 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, 2020 was \$107,043,841.

Capital Assets

The District's capital assets, net of accumulated depreciation at June 30, 2020 totaled \$379,208,723. This represented an increase in capital assets of \$24,142,126 from the prior year or a 6.8 percent increase from 2019 due to changes in construction in progress, building improvements and restatement to buildings and improvements. The District construction and improvements were primarily funded by utilized redevelopment funding and has received State scheduled maintenance funds. Below is a summary of the District's capital assets.

	2020	2019	Change
Capital Assets not being depreciated	\$ 56,073,438	\$ 65,122,638	\$ (9,049,200)
Capital Assets being depreciated	369,482,661	331,819,870	37,662,791
Accumulated depreciation	(46,347,376)	(41,875,911)	(4,471,465)
Total Capital Assets	\$ 379,208,723	\$ 355,066,597	\$ 24,142,126

Long-Term Liabilities

The District's total liabilities at June 30, 2020 totaled \$497,574,796 of which \$491,200,424 are long term liabilities as listed below; \$8,919,990 of this amount is due in the upcoming fiscal year. Long term liabilities have increased by \$109,009,174 or 28.1 percent mainly due to issuance of two new bonds. Below is a summary of the District's long-term liabilities.

	2020	2019	Change
General obligation and revenue bonds	\$ 405,832,232	\$ 300,093,038	\$ 105,739,194
Compensated absences	2,179,183	2,098,730	80,453
Net OPEB liability	6,374,372	6,350,264	24,108
Net pension liability	82,739,688	79,602,722	3,136,966
Other long-term liabilities	449,321	420,868	28,453
Total Long-term Liabilities	\$ 497,574,796	\$ 388,565,622	\$ 109,009,174

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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 AFFECTING THE FUTURE OF THE ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

2020-2021 Adopted Budget¹ for Community Colleges (In Millions)

The State of California approved its 2020-21 budget on June 30, 2020. Below is the California Community College budget (in millions) and changes made through the legislative process.

Program	2019-20 Revised	2020-21 Enacted	Change from 2019-20	Percent Change	Explanation of Change
Student Centered Funding Formula	\$7,430	\$7,435	\$5	0.10%	Minor technical adjustments
Deferrals--Student Centered Funding Formula	-330	-1,123	-793	240%	Shift payments to next fiscal year; 2020-21 amount reflects new deferral of \$1,453 less repayment of 2019-20 deferral
Student Equity and Achievement Program	475	475	0	-	
CCC Strong Workforce Program	248	248	0	-	
Student Success Completion Grant	150	159	9	6%	Adjust for revised estimates of recipients
Disabled Students Programs and Services (DSPS)	124	124	0	-	
COVID-19 Response Block Grant (one-time)	-	120	120	N/A	Includes \$66 million in Proposition 98 funds and \$54 million in federal funds
Extended Opportunity Programs and Services (EOPS)	116	116	0	-	

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Program	2019-20 Revised	2020-21 Enacted	Change from 2019-20	Percent Change	Explanation of Change
California College Promise (AB 19)	85	81	-4	-4%	Adjust for revised estimates of first-time, full-time students
Financial aid administration	76	76	-0.4	-1%	Adjust for revised estimates of fee waivers
Adult Education Program - CCC Districts	62	62	0	-	
Full-time faculty hiring	50	50	0	-	
CalWORKs student services	47	47	0	-	
Apprenticeship (CCC districts)	44	44	0	-0.10%	Adjust for revised estimate of related supplemental instruction hours
Integrated technology	42	42	0	-	
Mandates Block Grant and reimbursements	34	33	-0.5	-1%	Revised enrollment estimates; funded at \$30.16 per 2019-20 P2 FTEs
Institutional effectiveness initiative	28	28	0	-	
Part-time faculty compensation	25	25	0	-	
Online education initiative	23	23	0	-	
Economic and Workforce Development	23	23	0	-	
Next Up (foster youth program)	20	20	0	-	
Cooperative Agencies Resources for Education (CARE)	17	17	0	-	
California Online Community College (Calbright College)	20	15	-5	-25%	Reduce program funding, ongoing
Lease revenue bond payments	16	13	-4	-22%	Adjust for actual obligations

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Program	2019-20 Revised	2020-21 Enacted	Change from 2019-20	Percent Change	Explanation of Change
Nursing grants	13	13	0	-	
Part-time faculty office hours	12	12	0	-	
Immigrant legal services through CDSS	0	10	10	N/A	Make funding ongoing
Veterans Resource Centers	10	10	0	-	
Student Housing Program	9	9	0	-	
Dreamer Resource Liaisons	0	6	6	N/A	Funding for new program
Foster Parent Education Program	6	6	0	-	
Equal Employment Opportunity Program	3	4	1	52%	Adds available EEO fund resources
Childcare tax bailout	4	4	0	-	
Other	4	4	0	-	
Umoja	3	3	0	-	
Mathematics, Engineering, Science Achievement (MESA)	3	3	0	-	
Puente Project	2	2	0	-	
Middle College High School Program	2	2	0	-	
One-time program funding ^a	9	0	-9	-100%	Remove one-time funding
Deferred maint. and instructional equip. (one-time)	13	0	-13	-100%	Remove one-time funding
College-specific allocations	11	0	-11	-100%	Remove one-time funding
K-12 passthroughs (adult ed, K-12 apprenticeship, workforce)	680	680	-0.1	-0.01%	Remove one-time funding
Total	\$9,609	\$8,920	(\$689)	-7.20%	

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

^b Amounts represent share ultimately received by CCC districts. For the overall adult education program in 2020-21 (excluding \$5 million to develop a unified data set), \$422 million (77%) is distributed through school district fiscal agents or funded directly to school districts and K-12 agencies, and \$121 million (23%) is distributed by community college district fiscal agents or funded directly to community college districts.

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

^d 2019-20 includes one-time allocations for hunger-free campus, mental health services and training, re-entry grant program, and open educational resources.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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

COVID-19 Block Grant

One-time funding in the amount of \$120M was issued to districts to assist with the impact of COVID-19 Coronavirus. Of the \$120M, \$66.3M is through Proposition 98 and \$53.4M is federally funded. The Antelope Valley College federal allocation is \$538K and the state allocation is \$661K. The COVID-19 Block Grant funds are geared towards underrepresented students. "Allowable activities include re-engaging students who left college in Spring 2020; developing online, accelerated learning modules to reduce the need for these students to repeat Spring 2020 courses; funding professional development for faculty and student service professionals; and providing resources to close the digital divide. Funds can also be used to mitigate other barriers to learning related to the pandemic, such as addressing mental health needs and food and housing insecurity. Additionally, districts can use funds for cleaning supplies and personal protective equipment."¹

Deferrals

The State is deferring \$1.5B in community college payments in 2020-21 of which Antelope Valley College's portion is \$18.9M. The District is monitoring cash flow projections and is recommending a portion of unrestricted reserve be set aside for cash flow shortfalls. By doing this, it is expected that temporary borrowing will not be needed in 2020-21.

Pension

Funding was allocated to buy down the employer obligation of CalPERS and CalSTRS. CalPERS is reduced from 22.67% to 20.7% in 2020-21 and then from 24.6% to 23% in 2021-22. CalSTRS is reduced from 18.41% to 16.15% in 2020-21 and then from 17.9% to 15.92% in 2021-22.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

OTHER ECONOMIC FACTORS

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Antelope Valley College received additional federal funds from the CARES Act that passed in March of 2020. The Office of Postsecondary Education received \$14B as the Higher Education Emergency Relief Fund (HEERF). Antelope Valley College was awarded \$10.2M for student emergency financial aid grants and to cover costs associated with significant changes to the delivery of instruction due to the coronavirus along with a Minority Serving Institution grant of \$642K.

District Budget

The Board of Trustees adopted the fiscal year 2020-21 budget on October 12, 2020. Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures.

Antelope Valley College's 2020-21 budget includes an estimated Total Computation Revenue (TCR) reduction of 10%. The District's Full Time Equivalent Students (FTES) for fall 2020 was down 569 when compared to fall 2019. Additionally, property valuations were reduced in anticipation of home foreclosures, so there is a high probability for a property tax shortfall. Unlike the K-12 districts, there are no automatic backfills for property tax shortfalls for community colleges. Additionally, in the District's multi-year projections, additional TCR is being reduced by 5% in years 2021-22 and 2022-23. The COVID-19 pandemic has led to a recession with an uneven and unequitable recovery. The timeframe for full economic recovery is unknown at this time. No resource allocation funding is estimated until there is a better state funding picture.

Long-term Capital Outlay Funding

On February 12, 2018, the Board of Trustees approved Resolution 17-18/10 to commit \$35M in proceeds from Measure AV into an endowment account maintained through the Los Angeles County Treasurer and Tax Collector's Office. The \$35M will continue to be maintained after the Measure AV program is complete with the interest earnings being used annually for future district small capital repair, instructional equipment, and technology projects.

Minimum Wage

The Fair Wage Act of 2016 was passed increasing the minimum wage per hour over four years starting at \$10.50 effective January 1, 2017 and then increasing to \$15 per hour on January 1, 2022. Effective January 1, 2021, the rate is \$14 per hour.

Other Post-Employment Benefits

The District has established a trust for Other Post-Employment Benefits (OPEB) for retiree health and welfare benefits. Priority should be given in completely funding the District's OPEB. The District is investing \$387K annually into the trust. The District also has a pay-as-you-go of \$400K-\$500K. Investing fully into the trust would free up these amounts in the general unrestricted fund. The trust would pay the annual cost of the retiree benefits.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

OTHER ECONOMIC FACTORS, continued

Pension Stabilization

The District is committed to addressing its long-term liabilities. In accordance with revised BP 6250 Budget Management, approved on 11/09/2020, which states revenues accruing to the District in excess of amounts budgeted shall be added to a pension stabilization trust fund, so long as it can be supported in the multi-year budget projections and within the Board goal of 15% reserve levels. The intent of the pension stabilization fund is to ensure that the District can meet its current and future employer-funded pension obligations. Additionally, half of all new one-time funding will be directed to the pension stabilization fund until that fund is self-supporting. Any additional revenues above expenditures shall be added to the District's reserves for contingency. These funds are available for appropriation only upon a resolution of the Board of Trustees that sets forth the need according to major budget classifications in accordance with applicable law.

Reserves

The Board of Trustees had established a minimum reserve of the unrestricted fund of 12% in BP 6200 Budget Preparation. Additionally, AP 6305 Reserves, approved on 5/11/2020, establishes a budgeted reserve goal of 15% with an additional goal of 3% for contingency reserves.

Contacting the Antelope Valley College's Financial Management

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

¹ *Association of California Community College Administrators, the Association of Chief Business Officials, and the Community College League of California Update on Enacted 2020-2021 Budget, June 30, 2020.

FINANCIAL SECTION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 37,523,555
Accounts receivable, net	7,873,621
Inventory	554,039
Due from other funds	402,025
Prepaid expenditures and other assets	1,928,410
Total Current Assets	48,281,650

Noncurrent Assets:

Restricted cash and cash equivalents	179,397,090
Capital assets, net	379,208,723
Total Noncurrent Assets	558,605,813

TOTAL ASSETS

606,887,463

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding	21,183,773
Deferred outflows - OPEB	561,858
Deferred outflows - pensions	20,072,107
	21,717,738

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES

\$ 648,705,201

LIABILITIES

Current Liabilities:

Accounts payable & accrued expenses	\$ 16,632,063
Unearned revenue	14,586,842
Long-term debt, current portion	8,919,990
Total Current Liabilities	40,138,895

Noncurrent Liabilities:

Compensated absences	2,179,183
Net pension liability	82,739,688
Net OPEB Liability	6,374,372
Banked faculty load time	449,321
Long-term debt, non-current portion	396,912,242
Total Noncurrent Liabilities	488,654,806

TOTAL LIABILITIES

528,793,701

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - OPEB	282,131
Deferred inflows - pensions	3,545,656

NET POSITION

Net investment in capital assets	151,001,066
Restricted for:	
Debt service	22,956,288
Capital projects	(4,653,270)
Other special purpose	1,600,293
Unrestricted	(54,820,664)
Total Net Position	116,083,713

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 648,705,201

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

OPERATING REVENUES

Tuition and fees (gross)	\$ 13,971,175
Less: Scholarship discounts and allowances	(10,081,085)
Net tuition and fees	<u>3,890,090</u>
Grants and contracts, noncapital:	
Federal	13,020,986
State	21,225,227
Local	(238,450)
TOTAL OPERATING REVENUES	<u>37,897,853</u>

OPERATING EXPENSES

Salaries	61,643,903
Employee benefits	28,190,084
Supplies, materials, and other operating expenses and services	23,573,854
Student aid	38,035,693
Depreciation	4,301,714
TOTAL OPERATING EXPENSES	<u>155,745,248</u>

OPERATING (LOSS)

(117,847,395)

NON-OPERATING REVENUES (EXPENSES)

State apportionments, noncapital	75,364,397
Local property taxes	7,913,377
State taxes and other revenues	4,028,856
Pell grants	25,541,619
Investment income - noncapital	532,324
Interest expense on capital asset-related debt	(12,345,435)
Transfer to trust fund	(391,087)
Other non-operating revenues	5,251,245
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>105,895,296</u>

INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

(11,952,099)

State apportionments, capital	2,318,762
Local property taxes and revenues, capital	<u>18,652,468</u>

INCREASE IN NET POSITION

9,019,131

NET POSITION -- BEGINNING OF YEAR

119,613,747

PRIOR YEAR ADJUSTMENT (SEE NOTE 12)

(12,549,165)

NET POSITION -- END OF YEAR

\$ 116,083,713

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 3,890,090
Grants and contracts	37,680,470
Payments to or on behalf of employees	(85,685,795)
Payments to vendors for supplies and services	<u>(62,928,606)</u>
Net Cash Used by Operating Activities	<u>(107,043,841)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	75,364,397
Property taxes	7,913,377
State taxes and other revenues	4,028,856
Financial aid revenues	25,541,619
Transfer to trust fund	(391,087)
Other nonoperating cash flows	<u>5,251,245</u>
Net Cash Provided by Non-capital Financing Activities	<u>117,708,407</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(41,692,284)
Local property taxes and other revenues, capital purpose	20,971,230
Principal paid on capital debt	105,739,194
Interest paid on capital debt	<u>(16,197,103)</u>
Net Cash Provided by Capital Financing Activities	<u>68,821,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>532,324</u>
Net Cash Provided by Investing Activities	<u>532,324</u>
NET INCREASE IN CASH & CASH EQUIVALENTS	80,017,927
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>136,902,718</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 216,920,645</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

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

Operating income	\$ (117,847,395)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	4,301,714
Changes in Assets and Liabilities:	
Receivables, net	(2,880,870)
Inventory	(82,877)
Prepaid items	(734,336)
Deferred outflows of resources	2,091,410
Accounts payable and accrued liabilities	2,379,024
Deferred revenue	3,672,707
Compensated absences	80,453
Bank faculty load time	28,453
Net pension liability	3,136,966
Net OPEB liability	24,108
Deferred inflows of resources	(1,213,198)
Total Adjustments	<u>10,803,554</u>
Net Cash Flows From Operating Activities	<u>\$ (107,043,841)</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	Associated Students Trust Fund	Student Representation Fee Trust Fund	Scholarship and Loan Agency Fund	OPEB Irrevocable Trust Fund	District Auxiliary Trust Fund	Total
ASSETS						
Cash and equivalents	\$ 528,218	\$ 396,414	\$ 33,586	\$ 709,362	\$ 615,196	\$ 2,282,776
Investments	-	-	-	2,687,132	-	2,687,132
Accounts receivable	-	6,194	(505)	-	-	5,689
Total Assets	528,218	402,608	33,081	3,396,494	615,196	4,975,597
LIABILITIES						
Accounts Payable	-	4,127	-	707,207	35	711,369
Deferred revenue	-	28,180	-	-	-	28,180
Total Liabilities	-	32,307	-	707,207	35	739,549
NET POSITION						
Net position restricted for OPEB	-	-	-	2,689,287	-	2,689,287
Held in trust for others	528,218	370,301	33,081	-	615,161	1,546,761
Total Net Position	\$ 528,218	\$ 370,301	\$ 33,081	\$ 2,689,287	\$ 615,161	\$ 4,236,048

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

	Associated Students Trust Fund	Student Representation Fee Trust Fund	Scholarship and Loan Agency Fund	OPEB Irrevocable Trust Fund	District Auxiliary Trust Fund	Total
OPERATING REVENUES:						
Contributions	\$ -	\$ -	\$ -	\$ 387,113	\$ -	\$ 387,113
Investment income	-	3,400	13	89,238	-	92,651
Other local revenue	170,881	36,232	422,912	-	447,211	1,077,236
Total Operating Revenues	170,881	39,632	422,925	476,351	447,211	1,557,000
OPERATING EXPENSES:						
Supplies, materials, and other outgo	114,289	11,858	420,956	-	439,000	986,103
Total Operating Expenses	114,289	11,858	420,956	-	439,000	986,103
Net Change in Net Position	56,592	27,774	1,969	476,351	8,211	570,897
NET POSITION:						
Beginning of Year	471,626	342,527	31,112	2,212,936	606,950	3,665,151
End of Year	\$ 528,218	\$ 370,301	\$ 33,081	\$ 2,689,287	\$ 615,161	\$ 4,236,048

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

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

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District maintains an allowance for doubtful accounts at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of other receivable balances. At June 30, 2020, management determined that no allowance was necessary.

Capital Assets

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

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

Compensated Absences

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

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Banked Faculty Load

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

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. During the year ended June 30, 2020, the District recognized \$1,008,574 in amortization of the deferred loss on refunding. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions and OPEB.

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

Pensions

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

The District's net position are classified as follows:

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

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2020, there is no balance of nonexpendable restricted net position.

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

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

State Apportionments

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

Classification of Revenue and Expenses

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

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Revenue and Expenses, continued

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

Scholarship Discounts and Allowances

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

Estimates

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

New Accounting Pronouncements

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

GASB Statement No. 84 – Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for periods beginning after December 15, 2019.

GASB Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement is effective for periods beginning after December 15, 2021.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2020, consisted of the following:

Governmental Funds:

County treasurer's investment pool	\$ 207,994,267
Cash on hand and in banks	8,926,378
Total cash and investments - Governmental Funds	<u>\$ 216,920,645</u>

Fiduciary Funds:

County treasurer's investment pool	\$ 900,624
Cash on hand and in banks	1,382,152
Cash with fiscal agents	2,687,132
Total cash and investments - Fiduciary Funds	<u>\$ 4,969,908</u>

Mutual Funds: Investments held within the OPEB trust fund at June 30, 2020, consisted of the following:

Mutual funds - equity	\$ 1,281,399
Mutual funds - fixed income	1,185,251
Mutual funds - real estate	220,482
Total investments	<u>\$ 2,687,132</u>

Cash in County Treasury

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

Custodial Credit Risk

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 - CASH AND INVESTMENTS, continued

Custodial Credit Risk, continued

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. As of June 30, 2020, the District's bank balance was fully collateralized with eligible collateral in accordance with California Government Code Section 53651.

Cash with Fiscal Agent

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

Interest Rate Risk

The District investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2020, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

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

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

Concentration of Credit Risk

The District does not place limits on the amount they may invest in any one issuer. At June 30, 2020, the District had no concentration of credit risk.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

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

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

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

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

Assets Recorded at Fair Value

The following table presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2020:

OPEB Trust Investments	Total	Level 1	Level 2	Level 3
Mutual funds - equity	\$ 1,281,399	\$ 1,281,399	\$ -	\$ -
Mutual funds - fixed income	1,185,251	1,185,251	-	-
Mutual funds - real estate	220,482	220,482	-	-
Total investments	\$ 2,687,132	\$ 2,687,132	\$ -	\$ -

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

During the year ended June 30, 2020, there were no significant transfers in or out of Level 1.

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2020.

NOTE 4 - RECEIVABLES

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest and other local sources. As of June 30, 2020, accounts receivable amounted to \$7,873,621. The District believes all receivables accrued at June 30, 2020 are collectable.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 - CAPITAL ASSETS

Capital asset activity consists of the following

	Balance July 1, 2019	Adjustment for Restatement	Additions	Deductions	Balance June 30, 2020
Capital Assets not being Depreciated					
Land	\$ 2,430,691	\$ 2,300	\$ -	\$ -	\$ 2,432,991
Construction in progress	62,691,947	(39,718,417)	40,133,778	9,466,861	53,640,447
Total Capital Assets not being Depreciated	65,122,638	(39,716,117)	40,133,778	9,466,861	56,073,438
Capital Assets being Depreciated					
Buildings & improvements	311,132,256	28,851,999	9,466,861	40,830	349,410,286
Machinery & equipment	20,687,614	(2,024,002)	1,641,381	232,618	20,072,375
Total Capital Assets being Depreciated	331,819,870	26,827,997	11,108,242	273,448	369,482,661
Total Capital Assets	396,942,508	(12,888,120)	51,242,020	9,740,309	425,556,099
Less Accumulated Depreciation					
Buildings & improvements	31,350,413	549,855	3,189,845	32,256	35,057,857
Machinery & equipment	10,525,498	(189,531)	1,111,869	158,317	11,289,519
Accumulated Depreciation	41,875,911	360,324	4,301,714	190,573	46,347,376
Net Capital Assets	\$355,066,597	\$ (13,248,444)	\$46,940,306	\$9,549,736	\$379,208,723

NOTE 6 - LONG TERM LIABILITIES

General Obligation Bonds

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

In April 2014, the District issued \$42,845,000 and \$16,465,000 of 2014 General Obligation Refunding Bonds Series A and Series B, respectively. The proceeds from the sale of the bonds were used to advance refund the District's outstanding General Obligation Bonds Series 2004C and 2006 General Obligation Refunding Bonds, and to pay the costs of issuing the 2014 Refunding Bonds. The 2014 Refunding Bonds Series A and Series B mature through August 1, 2024 and August 1, 2022, respectively, with interest rates ranging from 0.5% to 5.0%. At June 30, 2019, \$58,036,459 of bonds outstanding are considered defeased.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - LONG TERM LIABILITIES, continued

The annual payments required to amortize the 2014 General Obligation Refunding Bonds Series A and Series B as of June 30, 2020, are as follows:

Series A:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,700,000	\$ 1,900,250	\$ 3,600,250
2022	1,905,000	1,810,125	3,715,125
2023	2,115,000	1,709,625	3,824,625
2024	5,580,000	1,529,125	7,109,125
2025	6,100,000	1,249,000	7,349,000
	<u>\$ 17,400,000</u>	<u>\$ 8,198,125</u>	<u>\$ 25,598,125</u>

Series B:

Fiscal Year	Principal	Interest	Total
2021	\$ 2,700,000	\$ 272,652	\$ 2,972,652
2022	2,910,000	195,918	3,105,918
2023	3,150,000	104,486	3,254,486
	<u>\$ 8,760,000</u>	<u>\$ 573,056</u>	<u>\$ 9,333,056</u>

In January 2015, the District issued \$77,818,682 of 2015 General Obligation Refunding Bonds. The proceeds from the sale of the bonds were used to advance refund the District's outstanding General Obligation Bonds Series 2004B and Series 2004C, and to pay the costs of issuing the 2015 Refunding Bonds. The 2015 Refunding Bonds were issued as \$40,880,000 in current interest bonds with interest rates ranging from 2.0% to 5.0% and \$36,938,682 in Capital Appreciation bonds with interest accreting at rates ranging from 3.9% to 4.1%. The 2015 Refunding Bonds mature through August 1, 2039. The 2015 GO Refunding bond was refinanced during fiscal year 19-20 and final payment was made.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - LONG TERM LIABILITIES, continued

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

The 2016 Series A Bonds mature through August 1, 2046. The annual payments required to amortize the 2016 Series A Bonds as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ -	\$ 5,351,750	\$ 5,351,750
2022	-	5,351,750	5,351,750
2023	-	5,351,750	5,351,750
2024	-	5,351,750	5,351,750
2025	-	5,351,750	5,351,750
2026-2030	-	26,711,375	26,711,375
2031-2035	18,595,000	24,570,750	43,165,750
2036-2040	27,970,000	19,072,300	47,042,300
2041-2045	45,380,000	10,254,400	55,634,400
2046-2047	24,440,000	997,000	25,437,000
	<u>\$ 116,385,000</u>	<u>\$ 108,364,575</u>	<u>\$ 224,749,575</u>

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

The 2016 Series A-1 Bonds mature through August 1, 2028. The annual payments required to amortize the 2016 Series A-1 Bonds as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 2,550,000	\$ 663,084	\$ 3,213,084
2022	1,500,000	619,185	2,119,185
2023	1,705,000	579,266	2,284,266
2024	2,045,000	528,137	2,573,137
2025	2,310,000	464,291	2,774,291
2026-2029	12,835,000	936,225	13,771,225
	<u>\$ 22,945,000</u>	<u>\$ 3,790,188</u>	<u>\$ 26,735,188</u>

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - LONG TERM LIABILITIES, continued

In February 2020, the District issued \$95,000,000 of 2020 Series B General Obligation Bond. The 2020 Series B Bonds were issued as \$95,000,000 of Serial Bond with interest rates from 4.00%.

The 2020 Series B Bonds mature through August 1, 2050. The annual payments required to amortize the 2020 Series B Bonds as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ -	\$ 1,235,556	\$ 1,235,556
2022	1,600,000	3,200,000	4,800,000
2023	1,850,000	3,136,000	4,986,000
2024	200,000	3,062,000	3,262,000
2025	-	3,054,000	3,054,000
2026-2030	800,000	15,270,000	16,070,000
2031-2035	5,550,000	14,698,000	20,248,000
2036-2040	7,185,000	13,456,000	20,641,000
2041-2045	13,910,000	11,587,400	25,497,400
2046-2050	48,905,000	7,626,200	56,531,200
2051	15,000,000	450,000	15,450,000
	<u>\$ 95,000,000</u>	<u>\$ 76,775,156</u>	<u>\$ 171,775,156</u>

In February 2020, the District issued \$125,295,000 of 2020 General Obligation Refunding Bond. The 2020 General Obligation Refunding were issued as Refunding Bonds with interest rates from 1.492% to 2.818%.

The 2020 Refunding mature through August 1, 2038. The annual payments required to the 2020 Refunding June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 390,000	\$ 1,173,738	\$ 1,563,738
2022	-	3,034,078	3,034,078
2023	-	3,034,078	3,034,078
2024	-	3,034,078	3,034,078
2025	-	3,034,078	3,034,078
2026-2030	35,460,000	13,852,561	49,312,561
2031-2035	44,155,000	9,682,810	53,837,810
2036-2039	45,680,000	3,256,926	48,936,926
	<u>\$ 125,685,000</u>	<u>\$ 40,102,347</u>	<u>\$ 165,787,347</u>

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 - LONG TERM LIABILITIES, continued

Change in Long-Term Liabilities:

A schedule of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Payments and Reductions	Balance June 30, 2020	Amounts Due Within One Year
General obligation bonds	\$ 280,725,874	\$ 220,685,000	\$ 115,235,874	\$ 386,175,000	\$ 7,340,000
Bond premium	19,367,164	9,688,161	9,398,093	19,657,232	1,579,990
Banked faculty load time	420,868	28,453	-	449,321	-
Compensated absences	2,098,730	80,453	-	2,179,183	-
Net pension liability	79,602,722	3,136,966	-	82,739,688	-
Other postemployment benefits	6,350,264	24,108	-	6,374,372	-
Total Long Term Debt	\$ 388,565,622	\$ 233,643,141	\$ 124,633,967	\$ 497,574,796	\$ 8,919,990

NOTE 7 - PROPERTY TAXES

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 43,890,350	\$ 11,344,364	\$ 3,038,222	\$ 3,959,813
CalPERS	38,849,338	8,727,743	507,434	8,463,457
Total	\$ 82,739,688	\$ 20,072,107	\$ 3,545,656	\$ 12,423,270

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

General Information about the Pension Plan

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2015. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY, continued

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

General Information about the Pension Plan, continued

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.500%
Required employer contribution rate	19.721%	19.721%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$3,922,162.

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalPERS for community college education. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$38,849,338. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.133 percent and 0.134 percent, resulting in a net decrease in the proportionate share of 0.001 percent.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY, continued

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

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

For the year ended June 30, 2020, the District recognized pension expense of \$8,463,457. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 360,333
Differences between expected and actual experience	2,822,021	-
Changes in assumptions	1,849,349	-
Net changes in proportionate share of net pension liability	134,211	147,101
District contributions subsequent to the measurement date	3,922,162	-
Total	\$ 8,727,743	\$ 507,434

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	3,295,118
2022	502,323
2023	353,108
Thereafter	-
	\$ 4,298,147

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY, continued

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

Actuarial assumptions. For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018 and the June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY, continued

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

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	\$ 55,998,766	\$ 38,849,338	\$ 24,622,702

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

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

General Information about the Pension Plan

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

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY, continued

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

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

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

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2020 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

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

Contributions - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$4,664,461.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY, continued

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

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately \$3,340,111.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

District's proportionate share of the net pension liability	\$ 43,890,350
State's proportionate share of the net pension liability associated with the District	23,945,309
Total	\$ 67,835,659

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0486 percent and 0.0478 percent, resulting in a net increase in the proportionate share of 0.0008 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$3,959,813. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 1,690,281
Differences between expected and actual experience	110,800	1,235,947
Changes in assumptions	5,550,544	-
Net changes in proportionate share of net pension liability	1,018,559	111,994
District contributions subsequent to the measurement date	4,664,461	-
Total	\$ 11,344,364	\$ 3,038,222

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY, continued

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

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,159,251
2022	(18,916)
2023	1,191,552
2024	1,572,770
2025	(134,751)
Thereafter	(128,225)
	\$ 3,641,681

Actuarial Assumptions - The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY, continued

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

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

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

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

*20-year geometric average

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 - NET PENSION LIABILITY, continued

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 65,356,364	\$ 43,890,350	\$ 26,090,936

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

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

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

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

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

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020**

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

Employees Covered by Benefit Term

The following is a table of plan participants as of the June 30, 2019 measurement date:

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

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

Actuarial Assumptions - The District’s total OPEB liability of \$8,585,152 was measured as of June 30, 2019. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	6.50%
Discount rate	6.50%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance July 1, 2018	\$ 8,095,148	\$ 1,744,884	\$ 6,350,264
Changes for the year:			
Service cost	734,818	-	734,818
Interest	499,172	-	499,172
Employer contributions	-	919,070	(919,070)
Changes of assumptions	(212,029)	-	(212,029)
Expected investment income	-	125,302	(125,302)
Investment gains/losses	-	(25,090)	25,090
Administrative expense	-	(21,429)	21,429
Expected benefit payments	(531,957)	(531,957)	-
Net change	490,004	465,896	24,108
Balance June 30, 2019	\$ 8,585,152	\$ 2,210,780	\$ 6,374,372

Fiduciary Net Position as a percentage of the Total OPEB Liability as June 30, 2019 measurement date was 26 percent.

Sensitivity of the net pension liability to assumptions - The following presents the net OPEB liability calculated using the discount rate of 6.50 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (5.50 percent) and 1 percent higher (7.50 percent):

	Discount Rate 1% Lower (5.50%)	Current Discount Rate (6.50%)	Discount Rate 1% Higher (7.50%)
Net OPEB liability	\$ 6,933,726	\$ 6,374,372	\$ 5,907,253

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

	Trend Rate 1% Lower (3.00%)	Current Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 5,793,055	\$ 6,374,372	\$ 6,971,967

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2020, the District has approximately \$95.7 million in outstanding commitments on construction contracts.

NOTE 11 - JOINT POWERS AGREEMENTS

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

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

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

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The beginning net position decreased by \$12,549,165. This was due to adjustments to capital assets and long-term debt.

NOTE 13 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2020 through February 24, 2021, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 734,818	\$ 633,392	\$ 599,942
Interest	499,172	485,046	448,398
Changes of assumptions	(212,029)	186,897	-
Experience gains/losses	-	(95,983)	-
Benefit payments	(531,957)	(519,493)	(499,512)
Net change in total OPEB liability	490,004	689,859	548,828
Total OPEB liability, beginning of year	8,095,148	7,405,289	6,856,461
Total OPEB liability, end of year (a)	\$ 8,585,152	\$ 8,095,148	\$ 7,405,289
Plan fiduciary net position			
Employer contributions	\$ 919,070	\$ 906,606	\$ 886,626
Investment income	125,302	94,293	125,965
Investment gains/losses	(25,090)	14,916	-
Administrative expense	(21,429)	(17,100)	(11,322)
Expected benefit payments	(531,957)	(519,493)	(499,512)
Change in plan fiduciary net position	465,896	479,222	501,757
Fiduciary trust net position, beginning of year	1,744,884	1,265,662	763,905
Fiduciary trust net position, end of year (b)	\$ 2,210,780	\$ 1,744,884	\$ 1,265,662
Net OPEB liability(asset), ending (a) - (b)	\$ 6,374,372	\$ 6,350,264	\$ 6,139,627
Covered payroll	\$38,990,890	\$ 30,618,236	\$ 28,900,000
Plan fiduciary net position as a percentage of the total OPEB liability(asset)	26%	22%	17%
Net OPEB liability(asset) as a percentage of covered payroll	16%	21%	21%

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019	2018
Actuarially determined contribution	\$ 523,296	\$ 531,957	\$ 519,493
Contributions in relations to the actuarially determined contribution	919,070	906,606	886,626
Contribution deficiency (excess)	<u>\$ (395,774)</u>	<u>\$ (374,649)</u>	<u>\$ (367,133)</u>
Covered-employee payroll	\$ 38,990,890	\$ 30,618,236	\$ 28,900,000
Contribution as a percentage of covered-employee payroll	2.36%	2.96%	3.07%

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020**

CalSTRS	Measurement Year					
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.049%	0.048%	0.046%	0.048%	0.051%	0.051%
District's proportionate share of the net pension liability	\$ 43,890,350	\$ 43,901,240	\$ 42,212,558	\$ 38,781,724	\$ 34,436,000	\$ 30,332,000
State's proportionate share of the net pension liability associated with the District	23,945,309	25,136,722	24,972,796	22,080,994	18,213,000	18,316,000
Total	<u>\$ 67,835,659</u>	<u>\$ 69,037,962</u>	<u>\$ 67,185,354</u>	<u>\$ 60,862,718</u>	<u>\$ 52,649,000</u>	<u>\$ 48,648,000</u>
District's covered - employee payroll	\$ 27,809,855	\$ 27,360,527	\$ 27,033,792	\$ 24,745,000	\$ 23,741,000	\$ 23,119,042
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	158%	160%	156%	157%	145%	131%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
 CalPERS	 Measurement Year					
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.133%	0.134%	0.128%	0.127%	0.127%	0.128%
District's proportionate share of the net pension liability	\$ 38,849,338	\$ 35,701,482	\$ 30,513,962	\$ 25,179,106	\$ 18,775,000	\$ 14,551,000
District's covered - employee payroll	\$ 18,120,443	\$ 19,243,916	\$ 16,126,854	\$ 15,469,000	\$ 14,101,000	\$ 13,456,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	214%	197%	159%	156%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSIONS
FOR THE YEAR ENDED JUNE 30, 2020**

CalSTRS	Reporting Fiscal Year					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 4,664,461	\$ 4,527,444	\$ 3,948,124	\$ 3,400,851	\$ 2,655,133	\$ 2,108,206
District's contributions in relation to the statutorily required contribution	4,664,461	4,527,444	3,948,124	3,400,851	2,655,133	2,108,206
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 27,277,550	\$ 27,809,855	\$ 27,360,527	\$ 27,033,792	\$ 24,745,000	\$ 23,741,000
District's contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%

CalPERS	Reporting Fiscal Year					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 3,922,162	\$ 3,272,914	\$ 2,672,980	\$ 2,240,020	\$ 1,832,600	\$ 1,659,877
District's contributions in relation to the statutorily required contribution	3,922,162	3,272,914	2,672,980	2,240,020	1,832,600	1,659,877
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 19,888,251	\$ 18,120,443	\$ 19,243,916	\$ 16,126,854	\$ 15,469,000	\$ 14,101,000
District's contributions as a percentage of covered-employee payroll	19.72%	18.06%	13.89%	13.89%	11.85%	11.77%

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

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

Schedule of Contributions – OPEB

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

Schedule of Proportionate Share of the Net Pension Liability

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

Schedule of Contributions - Pensions

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

Changes of Benefit Terms

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

Changes of Assumptions

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

SUPPLEMENTARY INFORMATION

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2020**

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

The Governing Board and District Administration were composed of the following members as of February 24, 2021, the date of this report:

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Michael Adams	President	2022
Steve Buffalo	Vice President	2022
Barbara Gains	Clerk	2022
Michelle Harvey	Trustee	2024
Michael Rives	Trustee	2024
Samuel Zhu	Student Trustee	2021

DISTRICT ADMINISTRATION

Edward Knudson
Superintendent/President

Isabelle Saber
Vice President, Academic Affairs

Jennifer Burchett
Vice President, Human Resources

Dr. Erin Vines
Vice President, Student Services

Sarah Miller
Executive Director, Financial and Fiscal Services, Chief Business Official

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs</i>			
Financial Aid Cluster			
Federal Supplemental Education Opportunity Grants (FESOG)	*	84.007	\$ 590,000
Federal Work Study Program (FWS)	*	84.033	314,634
Federal Direct Student Loans	*	84.268	5,932,468
Federal Pell Grant Program (PELL)	*	84.063	25,920,094
Federal Pell Grant Program - Administrative Allowance	*	84.063	18,291
Total Financial Aid Cluster			<u>32,775,487</u>
TRIO - Student Support Services	*	84.042A	283,736
Higher Education Institutional Aid, Title V Program			
Higher Education Institutional Aid, Title V, 2nd Year Experience	*	84.031S	221,660
Higher Education Institutional Aid, Title V	*	84.031S	175,536
Higher Education Institutional Aid, Title V, Co-Op	*	84.031S	600,814
Total Higher Educational Aid, Title V Program			<u>998,010</u>
<i>Passed Through California Community College Chancellor's Office</i>			
Career and Technical Education Program			
Career and Technical Education - Basic Grants	*	84.048A	536,526
Career and Technical Education - Transitions	*	84.048A	46,195
Total Career and Technical Education Program			<u>582,721</u>
Higher Education Emergency Relief Funds			
Cares Act - MSI	*	84.425L	479,102
Cares Act - Student Aid	*	84.425E	2,993,381
Cares Act - Institutional		84.425F	260,299
Total Higher Education Emergency Relief Funds			<u>3,732,782</u>
Total U.S. Department of Education			<u>38,372,736</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through California Community College Chancellor's Office</i>			
Temporary Assistance for Needy Families	*	93.558	82,070
<i>Passed Through California Department of Education</i>			
Foster Parent Training Program, Title IV-E	*	93.658	39,986
Child Development Training Consortium	*	93.575	13,500
Total U.S. Department of Health and Human Services			<u>135,556</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through California Community College Chancellor's Office</i>			
Forest Reserve - Schools and Roads - Grants to States	*	10.665	24,465
Total U.S. Department of Agriculture			<u>24,465</u>
U.S. DEPARTMENT OF TREASURY			
COVID-19 Block Grant	*	21.019	341,580
Total U.S. Department of Treasury			<u>341,580</u>
U.S. DEPARTMENT OF DEFENSE			
Air Force Research Laboratory	*	12.800	54,045
Total U.S. Department of Defense			<u>54,045</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Information and Assistance	*	64.115	2,775
Total U.S. Department of Veterans Affairs			<u>2,775</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 38,931,157</u>

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
Antelope Valley Air Quality Management	\$ -	\$ 37,120	\$ -	\$ 37,120	\$ 37,120
Basic Skills	889,435	-	419,792	469,643	470,831
Block Grant - Instructional	351,924	-	323,268	28,656	5,278
Block Grant - Scheduled Maintenance	84,228	-	-	84,228	692,696
Cal Grants	3,447,904	61,526	-	3,509,430	3,509,430
California Apprenticeship Initiative	(9,389)	79,434	-	70,045	70,045
California Campus Catalyst Fund	172,798	-	29,940	142,858	142,858
California College Promise	884,589	-	576,856	307,733	307,733
California State Preschool	498,018	21,714	-	519,732	834,163
California Prison Incarcerated Students	11,570	1,076	-	12,646	12,646
Calworks	1,036,652	-	233,910	802,742	805,948
Campus Safety & Sexual Assault	-	-	-	-	785
Care	269,195	-	18,669	250,526	250,920
CDC-COVID19	3,953	-	3,953	-	-
Classified Professional Development	50,763	-	50,763	-	-
Commercial Sexual Exploitation	1,194	-	1,194	-	-
CTE Data Unlock Initiative	42,981	-	-	42,981	42,981
Curriculum Alignment Project	-	-	-	-	13
DHH Deaf & Hard of Hearing	33,768	-	-	33,768	33,768
Disabled Student Program Services	991,318	-	687	990,631	990,848
Dreamer Students One Time 17-18	-	-	-	-	472
DSS/Calworks	204,982	6,518	-	211,500	211,500
Enrollment Fee Financial Assistance	197,026	-	-	197,026	197,026
EOPS	996,387	-	68,379	928,008	930,983
Financial Aid Technology	242,718	-	132,719	109,999	109,999
Foster Parent Training Program	60,385	-	-	60,385	60,385
Full-Time Student Success Grant	2,166,885	-	83,231	2,083,654	2,083,654
Guided Pathways	1,399,194	-	1,374,172	25,021	25,447
Hunger Free Campus	121,266	-	77,241	44,024	44,024
Mandated Cost Reimbursement	324,468	-	-	324,468	-
Mental Health Support	93,982	-	33,349	60,633	60,633
Nursing Grant	153,496	-	129,451	24,045	25,223
Print & Electronic Info	10,840	-	-	10,840	10,840
Quality Improvement STEP	8,030	-	-	8,030	8,030
Rapid Rehousing Fund	700,000	-	668,454	31,546	31,546
SSSP Credit	4,835,512	-	1,093,766	3,741,746	3,773,775
SSSP NonCredit	28,232	-	-	28,232	28,590
Staff Diversity	100,000	-	100,000	-	16,188
State Lottery Proceeds-Prop 20	736,255	287,580	960,136	63,699	470,545
Strong Workforce Program 40%	1,183,470	-	450,009	733,461	831,476
Strong Workforce Program 60%	3,460,240	-	2,100,771	1,359,469	1,363,585
Student Equity	2,509,388	-	785,698	1,723,690	1,723,730
Student Financial Aid Admin	573,053	-	-	573,053	573,053
SWP Job Developer	348,566	-	233,734	114,832	114,832
TANF - State	45,151	36,779	-	81,929	82,070
Teacher Preparation Program	8,500	-	-	8,500	8,568
Veterans Resource Center	128,558	-	97,104	31,454	31,453
Total State District Funding	\$ 29,397,485	\$ 531,747	\$ 10,047,246	\$ 19,881,983	\$ 21,025,690

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2020**

CATEGORIES	Reported Data	Audit Adjustment	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit	5.74	-	5.74
2. Credit	1,026.78	-	1,026.78
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,890.40	-	7,890.40
(b) Daily Census Contact Hours	610.29	-	610.29
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	76.75	-	76.75
(b) Credit	450.92	-	450.92
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	720.41	-	720.41
(b) Daily Census Contact Hours	197.48	-	197.48
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	10,978.77	-	10,978.77
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	76.75	-	76.75
2. Noncredit	72.16	-	72.16
Total Basic Skills FTES	148.91	-	148.91

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2020.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2020**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 15,332,833	\$ -	\$ 15,332,833	\$ 15,332,833	\$ -	\$ 15,332,833
Other	1300	13,586,788	-	13,586,788	13,586,788	-	13,586,788
Total Instructional Salaries		28,919,621	-	28,919,621	28,919,621	-	28,919,621
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,547,479	-	4,547,479
Other	1400	-	-	-	473,181	-	473,181
Total Non-Instructional Salaries		-	-	-	5,020,660	-	5,020,660
Total Academic Salaries		28,919,621	-	28,919,621	33,940,281	-	33,940,281
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	14,665,766	-	14,665,766
Other	2300	-	-	-	1,479,381	-	1,479,381
Total Non-Instructional Salaries		-	-	-	16,145,147	-	16,145,147
Instructional Aides							
Regular Status	2200	1,035,347	-	1,035,347	1,035,347	-	1,035,347
Other	2400	80,481	-	80,481	80,481	-	80,481
Total Instructional Aides		1,115,828	-	1,115,828	1,115,828	-	1,115,828
Total Classified Salaries		1,115,828	-	1,115,828	17,260,975	-	17,260,975
Employee Benefits	3000	7,673,137	-	7,673,137	16,652,894	-	16,652,894
Supplies and Materials	4000	-	-	-	944,436	-	944,436
Other Operating Expenses	5000	-	-	-	8,468,677	-	8,468,677
Equipment Replacement	6420	-	-	-	74,698	-	74,698
Total Expenditures Prior to Exclusions		37,708,586	-	37,708,586	77,341,961	-	77,341,961
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	463,361	-	463,361
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	335,247	-	335,247
Lottery Expenditures							
Academic Salaries	1000	-	-	-	1,779,695	-	1,779,695
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment							
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ -	\$ -	\$ -	\$ 2,578,303	\$ -	\$ 2,578,303
Total for ECS 84362, 50% Law		\$ 37,708,586	\$ -	\$ 37,708,586	\$ 74,763,658	\$ -	\$ 74,763,658
Percent of CEE (Instructional Salary Cost/Total CEE)		50.44%	0.00%	50.44%	100.00%	0.00%	100.00%
50% of Current Expense of Education					\$ 37,381,829	\$ -	\$ 37,381,829

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2020**

EPA Revenue	5,646,735
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	5,646,735	-	-	5,646,735
Total		5,646,735	-	-	5,646,735

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 201,778,506
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	\$ 56,073,438	
Depreciable capital assets	369,482,661	
Accumulated depreciation	<u>(46,347,376)</u>	379,208,723
Accrued interest		(5,318,671)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(82,739,688)
Compensated absences		(2,179,183)
OPEB liability		(6,374,372)
Banked faculty load time		(449,321)
Other long-term debt		(405,832,232)
Deferred loss on refunding		21,183,773
Deferred outflows - pensions		20,072,107
Deferred outflows - pensions		561,858
Deferred inflows - OPEB		(282,131)
Deferred inflows - pensions		<u>(3,545,656)</u>
Net Position Reported Within the Statements of Net Position		<u>\$ 116,083,713</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

District Organizational Structure

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

Schedule of Expenditure of Federal Awards

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

Schedule of State Financial Awards

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

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

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

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

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

Reconciliation of ECS 84362 (50 Percent Law) Calculation

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 - PURPOSE OF SCHEDULES, continued

Details of the Education Protection Account

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

OTHER INDEPENDENT AUDITORS' REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Antelope Valley Community College District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Antelope Valley Community College District's basic financial statements, and have issued our report thereon dated February 24, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify a material weaknesses related to the tracking of the districts capital assets. Described in the accompanying Schedule of Findings and Questioned Costs, that we considered to be a material weakness at Finding 2020-001.

Compliance and Other Matters

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

Purpose of this Report

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

CWDL, Certified Public Accountants

San Diego, California
February 24, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited Antelope Valley Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Antelope Valley Community College District's major federal programs for the year ended June 30, 2020. Antelope Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Antelope Valley Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

CWDL, Certified Public Accountants

San Diego, California
February 24, 2021



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited Antelope Valley Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2019-20*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Antelope Valley Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2019-20*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Antelope Valley Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *California Community Colleges Contracted District Audit Manual (CDAM) 2019-20*, and which are described in the accompanying schedule of findings and questioned costs as Finding #2020-002.

Procedures Performed

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

- Section 411 – SCFF Data Management Control Environment
- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Instructional Service Agreements/Contacts
- Section 424 – State General Apportionment Funding System
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment (CCAP and Non-CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 439 – Proposition 39 Clean Energy
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 479 – To Be Arranged Hours (TBA)
- Section 490 – Proposition 1D and 51 State Bond Funded Projects
- Section 491 – Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2019-20*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
February 24, 2021

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Aid Cluster</u>
<u>84.425E, 84.425F, 84.425L</u>	<u>CARES Act: High Education Emergency Relief Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,167,935</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

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

Finding #2020-001: CAPITAL ASSETS – Material Weakness

Criteria: A current and complete listing of capital assets should be maintained by the District in order to derive depreciation expense and maintain accountability for capital assets. This listing should reconcile with the capital assets schedule prepared by the District.

Condition: The District has a detailed capital asset listing to support balances reported for land and construction in progress. However, the detailed listing does not support the balances and related depreciation figures associated with buildings and improvements and machinery and equipment.

Cause: The District was unable to reconcile the detailed capital asset listing with reported asset balances for the depreciable asset categories including buildings and improvements and machinery and equipment.

Perspective: Examination of the District's capital asset records.

Effect: The depreciable asset categories could not be tested, due to there being no complete detail listing to sample from. Estimates for current year depreciation expense are best estimates based off of prior year schedules and purchase order records; and these estimates would be more accurate based on a current and detailed capital asset listing.

Recommendation: We recommend that the District reconcile the capital asset detail listing and the capital assets roll forward schedule to maintain accountability for capital assets.

District Response: The District will confirm the value of the depreciable capital assets and will maintain and reconcile a listing of those assets.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings and Questioned Costs

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

There were no federal award findings or questioned costs identified during 2019-20.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section IV – State Award Findings and Questioned Costs

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

FINDING #2020-002 – STATE COMPLIANCE (STUDENT CENTERED FUNDING FORMULA BASE ALLOCATION: FTES)

Criteria

The total student contact hours reported for each class under the actual hours of attendance procedure should be the sum of the individual attendance hours total for each student in the class as reported by the instructor (5 CCR 58003.1(d) and 5 CCR 58003.1(g)).

Condition

During our testing of the state centered funding formula base allocation: FTES reporting, we noted that 4 out of 40 courses tested did not properly total the number of hours of attendance. Therefore, the hours certified by the instructor did not agree to the roster. The identified course was an actual-hours-of-attendance census-type course where the District relies upon instructor certified rosters as the basis for supporting hours claimed.

Questioned Costs

We identified four (4) courses with variances totaling 171.30 contact hours. As the hours in question do not equate to 1 FTES, no questioned costs need to be calculated.

Cause

Clerical error related to both the input of actual hours and conversion of clock hours to decimal hours for reporting.

Effect

Non-compliance with state general apportionment funding requirements.

Recommendation

We recommend that the District implement procedures to ensure that the hours inputted by staff to the 320 reporting system are properly entered and converted accurately based on clock hours reported by the instructors.

District Response

The District began the process of developing an integrated positive attendance system for instructors and A&R in spring 2021. The instructors will be responsible for properly entering the hours (ITS is providing the necessary coding to accurately capture clock hours) and A&R will review the total hours prior to placing them into the system (Banner) used to provide the 320 attendance data. Instructors and staff will be trained prior to implementation.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no audit findings reported for the year ended June 30, 2019.