

Board of Trustees
Antelope Valley Community College District
Lancaster, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the District for further information on the responsibilities of management and of Crowe Horwath LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's 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 or disclosures. 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.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters will be discussed during our meeting with you.

- How we addressed the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- Where the entity has an internal audit function, the extent to which the auditor used the work of internal audit, and how the external and internal auditors best work together.

- Your views and knowledge about matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications with regulators.
 - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: The Board of Trustees should be informed of the initial selection of and changes in significant accounting policies or their application. Also, The Board of Trustees should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform The Board of Trustees about such matters. To assist The Board of Trustees in its oversight role, we also provide the following accounting changes or significant policies requiring communication.

Accounting Standard	Impact of Adoption
<p>GASB Statement No.61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No.34"</p>	<p>The objective of this Statement, issued in November 2010, is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, "The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments", were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.</p> <p>This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No.61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No.34" (Continued)</p>	<p>This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.</p> <p>This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.</p> <p>This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"</p>	<p>This Statement, issued in December 2010, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments.</p> <p>In addition, all FASB and AICPA pronouncements became non-authoritative literature for the private sector on July 1, 2009, the effective date of the FASB Accounting Standards Codification. Although certain FASB and AICPA pronouncements are still available in the archive section of the FASB's Codification on a limited basis, this Statement will make accessible in the GASB's authoritative literature all applicable accounting and financial reporting guidance previously residing only in the FASB and AICPA pronouncements.</p> <p>This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"</p>	<p>This Statement, issued in June 2011, provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.</p> <p>The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.</p> <p>This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.</p>
<p>GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities"</p>	<p>This Statement, issued in March 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" (Continued)</p>	<p>Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53 requires the reporting of a deferred outflow/inflows of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.</p> <p>This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.</p> <p>The provisions of this statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 66, "Technical Corrections – 2012, An Amendment of GASB Statements No. 10 and No. 62"</p>	<p>The objective of this Statement, issued in March 2012, is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.</p> <p>This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.</p> <p>This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.</p> <p>This Statement is effective for fiscal year ending June 15, 2014. Earlier application is encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25"</p>	<p>The objective of this Statement, issued in June 2012, is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.</p> <p>This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:</p> <ul style="list-style-type: none"> • Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable. • Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms. • Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" (Continued)</p>	<p>For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, as follows:</p> <ul style="list-style-type: none"> • Single-employer pension plans—those in which pensions are provided to the employees of only one employer (as defined in this Statement) • Agent multiple-employer pension plans (agent pension plans)—those in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees • Cost-sharing multiple-employer pension plans (cost-sharing pension plans) those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan. <p>This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria.</p> <p>This Statement is effective for fiscal years beginning on or after July 1, 2013. Earlier application is encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27"</p>	<p>The primary objective of this Statement, issued in June 2012, is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.</p> <p>This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.</p> <p>The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:</p> <ul style="list-style-type: none"> • Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable. • Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms. • Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members. <p>This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" (Continued)</p>	<p>Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:</p> <ul style="list-style-type: none"> • Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement). • Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees. • Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan. <p>In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.</p> <p>This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.</p>

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the District's year end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Useful Lives of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the District.	We tested the propriety of information underlying management's estimates.
Loss Contingencies	The District consults with legal counsel to evaluate outstanding litigation, claims and assessments. Factors that affect management's evaluation of litigation contingencies requiring disclosure include the nature of the contingencies and whether the outcome could have an effect on the consolidated financial statements.	Based on information obtained from the District's legal counsel regarding this matter and discussions with management, we concur with management's determination that the loss contingency does not meet conditions for accrual of being both probable and estimable, and, thus, no accrual is recorded and no specific disclosures are required.
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We reviewed the reasonableness of these estimates and assumptions.
Allowance for Doubtful Accounts and Bad Debt Expense	The allowance for doubtful accounts was determined by management by a process involving consideration of past experiences, current aging information, and other available data including environmental factors such as industry, geographical, economic and political factors.	We tested this accounting estimate by reviewing management's assumptions used in developing their allowance calculation.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the District's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
<p>Other Information In Documents Containing Audited Financial Statements</p> <p>Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared such information to accompany the audited financial statements.</p>

Communication Item	Results
<p>Significant Difficulties Encountered During the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p>Disagreements With Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p>Consultations With Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>
<p>Representations The Auditor Is Requesting From Management We are to provide you with a copy of management's requested written representations to us.</p>	<p>We direct your attention to a copy of the letter of management's representation to us provided separately.</p>
<p>Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.</p>	<p>There were no such significant issues discussed, or subject to correspondence, with management.</p>
<p>Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with the District's related parties.</p>	<p>There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>
<p>Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>	<p>There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>

We are pleased to serve your District as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of The Board of Trustees and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 12, 2013



ANTELOPE VALLEY COLLEGE

December 12, 2013

Crowe Horwath LLP
400 Capitol Mall, Suite 1200
Sacramento, California 95814

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of Antelope Valley Community College District as of June 30, 2013 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements 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, and the respective changes in financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America.

Some representations in this letter are specifically limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

1. We are responsible for the fair presentation in the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States, and we believe the financial statements are fairly presented and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
2. We are responsible for maintaining internal control that will, among other things, help assure the preparation of the financial statements in conformity with accounting principles generally accepted in the United States. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
3. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
4. We have made available to you all --
 - a. Financial records and related data and other relevant information, as well as access, as agreed upon in the terms of the audit engagement.
 - b. Minutes of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Audit or relevant monitoring reports, if any, received from funding sources.
5. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices
6. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards
7. We have no plans or intentions that might materially affect the carrying value or classification of assets, deferred outflows, liabilities, and deferred inflows.

8. We have identified all accounting estimates that materially affect recorded amounts and disclosures in the financial statements, and the key factors and significant assumptions underlying those estimates. We believe the estimates are reasonable in the circumstances.
These estimates include:
 - a. Apportionment Revenue.
 - b. Valuation of long lived assets.
 - c. Disclosure of pension plans or other post retirement benefits.
9. Except as disclosed in the financial statements, or directly to you, there are or have been no material:
 - a. Related party transactions and related amounts receivable or payable, including revenues, expenditures/expenses, loans, transfers, leasing arrangements and guarantees.
 - b. Arrangements, either written or oral, with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - c. Oral or written guarantees under which the entity is contingently liable.
 - d. Other financial instruments with significant "off-balance-sheet" risk of accounting loss to which the entity is a party.
 - e. Asserted or unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB 62.
 - f. Concentrations that make the entity vulnerable to the risk of a severe impact within one year from the balance sheet date (including, for example, individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, operating areas or markets).
 - g. Significant accounting estimates that are susceptible to changing materially as a result of an event or change in conditions that is reasonably possible of occurrence within one year from the balance sheet date.
 - h. Liens, encumbrances or other title impairments, such as pledges as collateral, on entity assets at the balance sheet date.
 - i. Restrictions under borrowing agreements.
 - j. Unrecorded transactions.
 - k. Significant events that have occurred subsequent to the balance sheet date through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
10. Except as disclosed to you, we have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management, whether material or not.
 - b. Employees who have significant roles in internal control, whether material or not.
 - c. Others where the fraud could have a material effect on the financial statements.
11. Except as disclosed to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.


12. Except as disclosed to you, there have been no:
 - a. Violations or possible violations of budget ordinances, laws or regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB 62.
 - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
 - d. Reservations or designations of fund equity that were not properly authorized and approved.
13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
14. We are responsible for the presentation of the supplementary information in accordance with the applicable criteria and believe the supplementary information, including its form and content, is fairly presented in accordance with these criteria. The methods of measurement and presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement and presentation of the supplementary information have been identified and disclosed to you. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
15. We are responsible for the required supplementary information, including that such information is measured and presented in accordance with prescribed guidelines. The methods of measurement or presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information have been disclosed to you.
16. We understand that during the course of your audit, you have relied on work performed by the following specialists. We confirm that we have no relationships with those specialists that may bear on their objectivity, such as the ability through employment, ownership, contractual right, family relationship or otherwise to directly or indirectly control or significantly influence the specialist.
 - Total Compensation Systems, Inc.
17. During the course of your audit, we have provided to you physical or electronic copies of various original documents. We understand that you are relying on such copies as audit evidence in your audit and represent that copies provided are an accurate and completed representation of the original documentation and that the copies have not been modified from their original version.
18. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
19. The financial statements include all component units that meet the criteria of financial accountability or which are otherwise considered misleading to exclude, the classification of these component units as discretely presented or blended is appropriate, and the relationships and criteria for inclusion are properly disclosed.
20. The financial statements include all joint ventures with an equity interests and properly disclose these joint ventures and other related organizations (e.g. – Joint Powers Agreements).
21. The financial statements properly classify all funds and activities.

22. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and fund balance types (including minimum fund balance policies and/or stabilization agreements, if applicable) are properly presented and, if applicable, approved.
23. Expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
24. Revenues are properly classified in the statement of activities within operating, non-operating and capital. Interfund, internal, and intra-entity activity and balances have been properly classified and reported.
25. Deposits and investment securities are properly classified in category of custodial credit risk.
26. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
27. We understand that you have assisted us with the preparation of our financial statements and footnotes and we have reviewed and approved the financial statements and footnotes and take full responsibility for them.
28. We are responsible for compliance with the California Community College Chancellor's Office's *Contracted District Audit Manual*.
29. We represent that there were no instructional service agreements in place for which the District claimed full-time equivalent students as defined by Section 423 of the Contracted District Audit Manual, *Apportionment for Instructional Service Agreements/Contracts*
30. With respect to compliance with Government Auditing Standards:
 - a. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to this organization.
 - b. We are responsible for establishing and maintaining effective internal control over financial reporting.
 - c. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.
 - d. We have identified and disclosed to you violations (or possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
31. With respect to the requirements of the Office of Management and Budget Circular A 133 related to federal awards:
 - a. We are responsible for complying, and have complied, with the requirements of Circular A-133.
 - b. We have prepared (or reviewed) the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
 - d. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that the organization is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.

- e. We have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program.
- f. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities and is related to federal programs.
- g. We have complied, in all material respects, with the compliance requirements in connection with federal awards except as disclosed to you.
- h. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- i. Our interpretations of any compliance requirements that have varying interpretations have been provided to you.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the basis presented in the schedule of expenditures of federal awards.
- l. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- m. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
- n. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- o. We have accurately completed the appropriate sections of the data collection form, or have reviewed those sections as prepared by you.
- p. If applicable, we have disclosed all contracts or other agreements with the service organizations.
- q. If applicable, we have disclosed to you all communications from the service organization relating to noncompliance at the service organization.
- r. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
- s. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to deficiencies, significant deficiencies, and material weaknesses have occurred subsequent to the date as of which compliance is audited.
- t. We have identified the requirements regarding activities allowed or unallowed, allowable costs/cost principles, cash management, Davis-Bacon Act, eligibility, equipment and real property management, matching, level of effort, earmarking, period of availability of federal funds, procurement, program income, real property acquisition and relocation assistance, reporting, subrecipient monitoring, and special tests and provisions that are applicable to major programs, which are identified in the Schedule of Expenditures of Federal Awards.
- u. We have complied with reporting requirements in connection with federal awards, and information presented in federal financial reports and claims for advances and

reimbursements is supported by the accounting records from which the financial statements and the Schedule of Expenditures of Federal Awards were prepared.

- v. Amounts claimed or used for matching, if applicable, were determined in accordance with relevant guidelines in OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments."



Diana Keelen
Executive Director of Business Services/Chief
Business Official

**ANTELOPE VALLEY
COMMUNITY COLLEGE DISTRICT**
Lancaster, California

FINANCIAL STATEMENTS
June 30, 2013

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Antelope Valley Community College District
Lancaster, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Antelope Valley Community College District, as of and for the year ended June 30, 2013, 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 fiduciary activities of Antelope Valley Community College District, as of June 30, 2013, and, where applicable, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 10 and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 37 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures 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 financial statements. The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditures of federal awards and other supplementary information as listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of Antelope Valley Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Antelope Valley Community College District's internal control over financial reporting and compliance.


Crowe Horwath LLP

Sacramento, California
December 12, 2013

Antelope Valley College
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2013

This section of Antelope Valley College District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013.

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 the newly adopted 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 Change 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 now categorized as either operating or non-operating; this operating information was not previously presented.
- Pledges from donors (excluding permanent endowments) are recorded, as receivable and non-operating revenues at the date of the pledge. Previously, pledges were not recorded as revenue until the related gift was received.
- Capital assets are now included in the statement presentations.

FINANCIAL HIGHLIGHTS

- The District's total combined net position, were \$75,650,896 at June 30, 2013. This is an increase above total combined net position as of June 30, 2012, which reflected \$60,507,686.
- During the fiscal year, the District's total operating expenses were \$113,823,907. Combined operating and non-operating revenues totaled \$128,967,117. This produced an excess of revenues over expenses of \$15,143,210.
- In November 2004, voters authorized the District to sell up to \$139 million in bonds over the next several years. The first series of bonds was sold to private investors in 2007, with the district receiving \$30 million to fund construction projects. In fiscal year 2007-2008, the district received the remaining \$109 million from the sale of G.O. bond.
- The general fund reported a fund balance this year of \$11,640,702, which represents an overall 18.15 percent ending balance. The restricted reserve percentage is 27.58 percent and the unrestricted reserve percentage is 16.82 percent. Although the Chancellor's Office recommends that the District maintain, at minimum, an unrestricted reserve percentage of approximately 5 percent, recent challenges with California State apportionment have indicated that greater reserve percentages are necessary to ensure that there is adequate cash on hand to pay obligations.

Statement of Net Position

The Statement of Net Position (see page 11, Basic Financial Statements section) presents the assets, liabilities, 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 and liabilities—are one way to measure the financial health of the district. The data allows readers to determine the assets available to continue the operations of the district. The net position of the district consists of three major categories.

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

The District's financial position, as a whole, remained positive in fiscal year 2013. During the fiscal year ending June 30, 2013, the total net position increased by \$15,143,210, or about 25 percent, from the previous year. The District continues to be impacted by the suppressed economic climate in the state of California and increasingly significant reductions in the state support resulting from the growing state budget deficit. This downturn has certainly impacted the District. Accounts receivable has decreased by \$2,079,931 or approximately 9.8 percent due to receiving Education Protection Account funds, which reduced deferrals (general fund apportionment. Current liabilities, mainly accounts payable, decreased by \$4,747,774 or by 40.9 percent mainly due to reduced amounts owed to vendors for the bond projects.

Condensed Statement of Net Position:

	2013	2012	Change	% Change
ASSETS				
Total Current Assets	38,271,720	28,432,593	\$ 9,839,127	35%
Total Noncurrent Assets	234,513,535	229,448,966	\$ 5,064,569	2%
TOTAL ASSETS	\$ 272,785,255	\$ 257,881,559	\$ 14,903,696	5%
LIABILITIES				
Total Current Liabilities	34,718,267	29,944,130	\$ 4,774,137	16%
Total Noncurrent Liabilities	162,416,092	167,429,743	\$ (5,013,651)	-3%
TOTAL LIABILITIES	197,134,359	197,373,873	\$ (239,514)	-0.12%
NET POSITION				
Net Investment in Capital Assets	62,985,069	55,823,431	\$ 7,161,638	13%
Restricted for Capital Projects and Debt Service	9,833,334	10,071,462	\$ (238,128)	-2%
Restricted for Other Special Purposes	4,307,501	2,061,756	\$ 2,245,745	109%
Unrestricted	(1,475,008)	(7,448,963)	\$ 5,973,955	-80%
TOTAL NET POSITION	75,650,896	60,507,686	\$ 15,143,210	25%
TOTAL LIABILITIES AND NET POSITION	\$ 272,785,255	\$ 257,881,559	\$ 14,903,696	5%

Statement of Revenues, Expenses and Change in Net Position

The Statement of Revenues, Expenses and Change in Net Position (*see page 12, Basic Financial Statements section*) presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the district, operating and non-operating, and any other revenues, expenses, gains and losses received or spend by the District. State general apportionment funds, which budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Generally speaking, operating revenues are received for those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the district.

The statement of Revenues, Expenses, and Change in Net Position reflects a positive year due to an increase in other revenue, mainly state apportionments for capital projects. Net position has increased at the end of the year by \$15,143,210. Although the statement shows an operating loss of \$76,065,239, that balance does not reflect the \$80,338,663 in non-operating revenue. The District reports an increase in the total revenues of \$2,936,439 over fiscal year 2012.

	2013	2012	Change	% Change
OPERATING REVENUES				
Tuition and Fees (gross)	3,070,944	2,860,883	210,061	7.34%
Grants and Contracts, noncapital:	31,244,428	29,795,532	1,448,896	4.86%
Auxiliary Enterprise Sales and Charges	3,443,296	3,654,039	(210,743)	-5.77%
TOTAL OPERATING REVENUES	37,758,668	36,310,454	1,448,214	3.99%
OPERATING EXPENSES				
Salaries and benefits	48,650,788	55,908,335	(7,257,547)	-12.98%
Supplies and Maintenance	13,875,673	14,069,762	(194,089)	-1.29%
Payments to Students	49,279,158	49,258,592	20,566	0.04%
Depreciation	2,018,288	1,917,904	100,384	5.23%
TOTAL OPERATING EXPENSES	113,823,907	121,154,593	(7,330,686)	-0.61%
OPERATING INCOME (LOSS)	(76,065,239)	(84,844,139)	(8,778,900)	-10.35%
NON-OPERATING REVENUES (EXPENSES)				
State Apportionments, noncapital	47,067,180	44,779,734	2,287,446	5.11%
Local Property Taxes	5,201,564	4,847,246	354,318	7.31%
State Taxes and Other Revenues	117,720	117,333	387	0.33%
Pell grants	28,688,690	28,093,058	595,632	2.12%
Investment Income	555,634	511,127	44,507	8.71%
Interest Expense on Capital Asset- Related Debt	(3,868,559)	(7,522,528)	3,653,969	-48.57%
Loss on Disposal of Assets	(61,818)	(272,072)	210,254	-77.28%
Other nonoperating revenues	2,638,252	2,015,188	623,064	30.92%
TOTAL NON-OPERATING REVENUES (EXPENSES)	80,338,663	72,569,086	7,769,577	10.71%
INCOME (LOSS) BEFORE CAPITAL REVENUES	4,273,424	(12,275,053)	16,548,477	134.81%
State, capital income	1,388,379	10,624,413	(9,236,034)	-86.93%
Local revenues, capital	9,481,407	8,139,056	1,342,351	16.49%
TOTAL OTHER REVENUES	10,869,786	18,763,469	(7,893,683)	-42.07%
INCREASE (DECREASE) IN NET POSITION	15,143,210	6,488,416	8,654,794	133.39%

Statement of Cash Flows

The Statement of Cash Flows (see page 13, 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, 2013 was \$82,474,680.

Cash Provided by (Used in)	2013	2012	Change	% Change
Operating activities	(82,474,680)	(72,196,730)	(10,277,950)	-14.24%
Noncapital financing activities	83,713,406	75,457,604	8,255,802	10.94%
Capital financing activities	1,442,887	(13,801,850)	15,244,737	110.45%
Investing activities	555,634	511,127	44,507	8.71%
Net Increase (Decrease) in Cash	3,237,247	(10,029,849)	13,267,096	132.28%
Cash, Beginning of Year	33,357,639	43,387,488	(10,029,849)	-23.12%
Cash, End of Year	36,594,886	33,357,639	3,237,247	9.70%

Capital Assets

The District's capital assets, net of accumulated depreciation at June 30, 2013 totaled \$215,957,225. This represented an increase in capital assets of \$13,568,602 from the prior year or a 6% increase from 2012. The District has continued its capital improvements as outlined and funded by Measure R. Below is a summary of the District's capital assets.

Capital Assets:	2013	2012	Change	% Change
Land	\$ 2,430,691	\$ 2,430,691	\$ -	0%
Construction in Process	183,807,614	176,347,924	7,459,690	4%
Building improvements	44,646,896	38,168,401	6,478,495	17%
Machinery and equipment	10,028,314	8,992,518	1,035,796	12%
Total	240,913,515	225,939,534	14,973,981	7%
Accumulated depreciation				
Building improvements	(18,525,033)	(17,753,491)	(771,542)	4%
Machinery and equipment	(6,431,257)	(5,797,420)	(633,837)	11%
Capital Assets, net	\$ 215,957,225	\$ 202,388,623	\$ 13,568,602	7%

Long Term Liabilities

The District's total liabilities at June 30, 2013 totaled \$166,326,941, of which \$141,256,400 are long term liabilities mainly relating to the GO bond. This represented a reduction from the prior year liabilities of \$4,948,162 or 2.89%. The significant changes from the prior year included the pay down of General Obligation Bonds, Certificates of Participation, and loan payables, but increases in accreted interest on capital appreciation bonds. Other postemployment benefit (OPEB) liabilities decreased due to an updated actuarial projection completed in fiscal year 2013. Below is a summary of the District's long-term liabilities.

	2013	2012	Change	% Change
Long Term Liabilities				
Compensated absences payable	\$ 1,313,617	\$ 1,296,574	\$ 17,043	1.31%
Banked overload	263,222	571,874	(308,652)	-53.97%
OPEB	8,143,893	12,003,701	(3,859,808)	-32.16%
Accreted Interest	12,839,591	10,924,997	1,914,594	17.52%
COPS	8,780,000	9,240,000	(460,000)	-4.98%
Other Loans	6,569,809	7,436,376	(866,567)	-11.65%
Long Term GO Bonds	128,416,809	129,801,581	(1,384,772)	-1.07%
	<u>\$ 166,326,941</u>	<u>\$ 171,275,103</u>	<u>\$ (4,948,162)</u>	<u>-2.89%</u>

District's Fiduciary Responsibility

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

Economic Factors That Will Affect the Future

The District's economic strength is directly affected by the economic well being of the State of California. The California State 2013-2014 Budget was adopted with funding from the passage of Proposition 30 in November 2012: Public Schools and Safety Act. Proposition 30 increases the state sales tax by 0.25% from January 1, 2013 through December 31, 2016. This proposition also progressively increases the tax obligation by those making over \$250K from anywhere between 1% and 3% from tax years 2012-2016. These taxes are temporary and do not address the State of California structural funding issues for the California Community Colleges.

The California Community College system has seen deferrals grow to nearly \$961 million in 2012-2013. The deferrals have been reduced to \$592.5 million in 2013-2014.¹ Since approximately 80% of the funds received at Antelope Valley College is State funds, deferrals have significantly impacted the District, which is why it is critical to have adequate cash reserves.

Over the past several years, education had been cut through a series of triggers when State general fund revenue assumptions were not met. Proposition 30 created an Education Protection Account in which the tax revenues collected would mainly go towards education. Of this amount, 11% goes towards community colleges and 89% goes towards K-12. There are some restoration funds in 2013-2014 to allow Districts to restore approximately 18% of the 2011-2012 reductions in 2013-2014.

For more than a decade, the state budget has often miscalculated property tax and student fee revenues by projecting above actual collections, thereby providing less than adequate state general funds for the general apportionment. Because the revenue shortfall is not discovered until the fiscal year has virtually closed, the shortfall can threaten year-end operations and adversely affect cash flow. The District has budgeted for an anticipated shortfall of 0.5% for 2013-2014.

The Legislative Analyst's Office (LAO) projects that Proposition 98 will have strong growth in the next several years.² There are still risks with the market volatility and recent dissolution of the redevelopment agencies. In 2012-2013, the Department of Finance ensured that there was hold harmless language in the budget; however the amounts agreed to on the backfill are in dispute by \$80 million. The majority of this is due to the Education Revenue Augmentation Fund (ERAF) and flexibility with local government having the ability to redirect the funds to offset reduced local revenues. Many colleges did not receive these funds as they were held with the local governments.

Contacting the Antelope Valley College's Financial Management

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

¹ August 6, 2013 Chancellor's Office Annual Statewide Budget Conference

² October 28-30, 2013 Association of Chief Business Officials Southern Conference

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

Current assets:	
Cash and investments (Note 2)	\$ 18,038,576
Receivables (Note 3)	19,156,721
Inventory	615,002
Prepaid expenses and other assets	<u>461,421</u>
Total current assets	<u>38,271,720</u>
Noncurrent assets:	
Restricted cash and investments (Note 2)	18,556,310
Non-depreciable capital assets (Note 4)	186,238,305
Depreciable capital assets, net (Note 4)	<u>29,718,920</u>
Total noncurrent assets	<u>234,513,535</u>
Total assets	<u>\$ 272,785,255</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 6,860,957
Unearned revenue	446,461
Short term borrowing (Note 5)	23,500,000
Long-term debt - current portion (Note 6)	<u>3,910,849</u>
Total current liabilities	<u>34,718,267</u>
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion (Note 6)	1,313,617
Banked faculty load time - noncurrent portion (Note 6)	263,222
Long-term debt - noncurrent portion (Note 6)	<u>160,839,253</u>
Total noncurrent liabilities	<u>162,416,092</u>
Total liabilities	<u>197,134,359</u>

Commitments and contingencies (Note 10)

NET POSITION

Net investment in capital assets	62,985,069
Restricted for capital projects and debt service	9,833,334
Restricted for other special purposes	4,307,501
Unrestricted	<u>(1,475,008)</u>
Total net position	<u>75,650,896</u>
Total liabilities and net position	<u>\$ 272,785,255</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2013

Operating revenues:	
Tuition and fees	\$ 13,074,531
Less: Scholarship discounts and allowances	<u>(10,003,587)</u>
Net tuition and fees	<u>3,070,944</u>
Grants and contracts, non-capital:	
Federal	21,777,457
State	9,466,971
Auxiliary enterprise sales and charges:	<u>3,443,296</u>
Total operating revenues	<u>37,758,668</u>
Operating expenses (Note 12):	
Salaries and benefits (Notes 8 and 9)	48,650,788
Supplies, materials, and other operating expenses and services	13,875,673
Equipment, maintenance and repairs	
Student financial aid	49,279,158
Depreciation (Note 4)	<u>2,018,288</u>
Total operating expenses	<u>113,823,907</u>
Loss from operations	<u>(76,065,239)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	47,067,180
Local property taxes (Note 7)	5,201,564
State taxes and other revenues	117,720
Pell grants	28,688,690
Investment income, noncapital	555,634
Interest expense on capital asset-related debt, net	(3,868,559)
Loss on disposal of capital assets (Note 4)	(61,818)
Other non-operating revenues	<u>2,638,252</u>
Total non-operating revenues (expenses)	<u>80,338,663</u>
Income before capital revenues	<u>4,273,424</u>
Capital revenues:	
Grants and gifts, capital	1,388,379
Property taxes (Note 7)	7,670,448
Other local capital revenue	<u>1,810,959</u>
Total capital revenues	<u>10,869,786</u>
Change in net position	15,143,210
Net position, July 1, 2012	<u>60,507,686</u>
Net position, June 30, 2013	<u><u>\$ 75,650,896</u></u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

Cash flows from operating activities:	
Tuition and fees	\$ 3,070,944
Federal grants and contracts	20,793,744
State and local grants and contracts	11,487,037
Payments to employees	(53,189,318)
Payments to students, suppliers and vendors	(68,080,383)
Auxiliary enterprise sales and charges	<u>3,443,296</u>
Net cash used in operating activities	<u>(82,474,680)</u>
Cash flows from noncapital financing activities:	
State appropriations	47,067,180
Local property taxes	5,201,564
State taxes and other revenues	2,755,972
Pell grants	<u>28,688,690</u>
Net cash provided by noncapital financing activities	<u>83,713,406</u>
Cash flows from capital and related financing activities:	
State apportionment for capital purposes	1,388,379
Local property taxes, capital purposes	9,481,407
Principal paid on capital debt	(2,324,226)
Short term borrowing	10,500,000
Purchases of capital assets	(15,648,708)
Interest paid on capital debt, net	<u>(1,953,965)</u>
Net cash used in capital and related financing activities	<u>1,442,887</u>
Cash flows provided by investing activities:	
Interest income	<u>555,634</u>
Net increase in cash and investments	3,237,247
Cash and investments, beginning of year	<u>33,357,639</u>
Cash and investments, end of year	<u>\$ 36,594,886</u>

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2013

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (76,065,239)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	2,018,288
Changes in assets and liabilities:	
Receivables, net	2,079,931
Prepaid expenses and other assets	(22,872)
Inventory	(154,906)
Accounts payable	(4,747,774)
Unearned revenue	(1,043,578)
Compensated absences, SERP and banked faculty load time	(678,722)
Other postemployment benefits	<u>(3,859,808)</u>
Net cash used in operating activities	<u>\$ (82,474,680)</u>
Noncash capital and related financing activities:	
Amortization of bond issuance costs	\$ 97,735
Accretion of interest	<u>4,827,026</u>
Total noncash capital and related financing activities	<u>\$ 4,924,761</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	<u>Associated Students</u>
ASSETS	
Cash and investments (Note 2)	\$ 444,624
LIABILITIES	
Due to student groups	<u>444,624</u>
NET POSITION	
Net Position	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Accounting

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

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 at the fund financial statement level.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash, Cash Equivalents and Investments

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

Fair Value of Investments

The District records its investment in Los Angeles County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Position. The fair value of investments, including the Los Angeles County Treasury external investment pool, at June 30, 2013 approximated their carrying value.

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.

Capital Assets

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

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

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest capitalized totaled \$4,827,026 during the year ended June 30, 2013.

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 BASIC FINANCIAL STATEMENTS

(Continued)

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. Other funds, including tuition and student fees, received but not earned are recorded as unearned revenue until earned.

Net Position

The District's net position is classified as follows:

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

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

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

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Prior year corrections due to the recalculation in February 2012 will be recorded in the year completed by the state.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On Behalf Payments

GASB Cod. Sec. 2300.120 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits of the State Teachers on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of \$900,622 (4.267% of salaries subject to CalSTRS).

Classification of Revenue and Expenses

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

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

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

Scholarship Discounts and Allowances

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In March, 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period ending June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period ending June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

District cash and investments at June 30, 2013, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Funds:		
Cash in County Treasury	\$ 32,067,948	\$ -
Deposits:		
Cash on hand and in banks	3,120,880	444,624
Revolving fund	57,995	-
Cash held by Fiscal Agent	<u>1,348,063</u>	<u>-</u>
Total cash and investments	<u>36,594,886</u>	<u>444,624</u>
Less: restricted cash and investments:		
Cash held in County Treasury	(17,208,247)	-
Cash held by Fiscal Agent	<u>(1,348,063)</u>	<u>-</u>
Total restricted cash and investments	<u>(18,556,310)</u>	<u>-</u>
Net cash and investments	<u>\$ 18,038,576</u>	<u>\$ 444,624</u>

Cash in County Treasury

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

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

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Los Angeles County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2013.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Cash with Fiscal Agent

Cash with Fiscal Agent of \$1,348,063 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

Custodial Credit Risk

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

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's accounts was \$3,623,499 and the bank balance was \$3,457,111 of which \$451,078 was FDIC insured.

Credit Risk

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

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

Interest Rate Risk

The District investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2013, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District does not place limits on the amount they may invest in any one issuer. At June 30, 2013, the District had no concentration of credit risk.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3. RECEIVABLES

Receivables at June 30, 2013 are summarized as follows:

Federal	\$ 578,590
State	17,979,878
Local and other	<u>598,253</u>
	<u>\$ 19,156,721</u>

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2012	Additions	Deductions	Transfers	Balance June 30, 2013
Non-depreciable:					
Land	\$ 2,430,691	\$ -	\$ -	\$ -	\$ 2,430,691
Construction in progress	176,347,924	13,943,614	-	(6,483,924)	183,807,614
Depreciable:					
Building improvements	38,168,401	-	-	6,478,495	44,646,896
Machinery and equipment	<u>8,992,518</u>	<u>1,705,094</u>	<u>(674,727)</u>	<u>5,429</u>	<u>10,028,314</u>
Total	<u>225,939,534</u>	<u>15,648,708</u>	<u>(674,727)</u>	<u>-</u>	<u>240,913,515</u>
Less accumulated depreciation:					
Building improvements	17,753,491	771,542	-	-	18,525,033
Machinery and equipment	<u>5,797,420</u>	<u>1,246,746</u>	<u>(612,909)</u>	<u>-</u>	<u>6,431,257</u>
Total	<u>23,550,911</u>	<u>2,018,288</u>	<u>(612,909)</u>	<u>-</u>	<u>24,956,290</u>
Capital assets, net	<u>\$ 202,388,623</u>	<u>\$ 13,630,420</u>	<u>\$ (61,818)</u>	<u>\$ -</u>	<u>\$ 215,957,225</u>

5. TAX REVENUE ANTICIPATION NOTES (TRANS)

Tax Revenue Anticipation Notes (TRANS) are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANS activity for the year ended June 30, 2013 is as follows:

	Outstanding July 1, 2012	Additions	Deletions	Outstanding June 30, 2013
Series 2012 - 2.0% Tax Revenue Anticipation Note due October 15, 2013	<u>\$ 13,000,000</u>	<u>\$ 23,500,000</u>	<u>\$ (13,000,000)</u>	<u>\$ 23,500,000</u>

The TRANS was fully repaid in October 2013.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES

General Obligation Bonds

In April 2005, the District issued Series A, 2004 General Obligation Bonds aggregating \$30,000,000. The bonds mature through 2016 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities.

The annual payments required to amortize the Series A, 2004 General Obligation Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 375,000	\$ 44,785	\$ 419,785
2015	460,000	29,650	489,650
2016	<u>550,000</u>	<u>10,656</u>	<u>560,656</u>
	<u>\$ 1,385,000</u>	<u>\$ 85,091</u>	<u>\$ 1,470,091</u>

In August 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$24,336,792. The purpose of the bond was to refund portions of the Series A, 2004 General Obligation bonds. The bonds consisted of Capital Appreciation bonds totaling \$6,801,792, maturing through August 2016 bearing an interest rate ranging from 3.65% to 4.25% and Current Interest Bonds totaling \$17,535,000, maturing through August 2022 with an interest rate of 5%.

The annual payments required to amortize the 2006 Capital Appreciation General Obligation Refunding Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 580,593	\$ 766,405	\$ 1,346,998
2015	536,598	857,453	1,394,051
2016	493,495	1,168,457	1,661,952
2017	<u>659,590</u>	<u>717,705</u>	<u>1,377,295</u>
	<u>\$ 2,270,276</u>	<u>\$ 3,510,020</u>	<u>\$ 5,780,296</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2006 Current Interest General Obligation Refunding Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 876,750	\$ 876,750
2015	-	876,750	876,750
2016	-	876,750	876,750
2017	-	876,750	876,750
2018	2,230,000	821,000	3,051,000
2019-2023	<u>15,305,000</u>	<u>2,063,625</u>	<u>17,368,625</u>
	<u>\$ 17,535,000</u>	<u>\$ 6,391,625</u>	<u>\$ 23,926,625</u>

In August 2007, the District issued the Series B and C, 2004 General Obligation Bonds in the amount of \$52,536,256 and \$56,460,276, respectively. The Series B bonds consisted of Capital Appreciation bonds totaling \$12,231,256, maturing through August 2036 bearing an interest rate ranging from 5.63% to 5.67% and Current Interest Bonds totaling \$40,305,000, maturing through August 2039 with an interest rate of 4.9%. The Series C bonds consisted of Capital Appreciation bonds totaling \$14,375,276, maturing through August 2032 bearing an interest rate ranging from 5.51% to 5.63% and Current Interest Bonds totaling \$42,085,000, maturing through August 2026 with an interest rate ranging from 4.0% to 5.25%.

The annual payments required to amortize the Series B, 2004 Capital Appreciation General Obligation Bonds outstanding as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2033	\$ 2,367,371	\$ 7,057,629	\$ 9,425,000
2034-2037	<u>9,863,885</u>	<u>35,576,115</u>	<u>45,440,000</u>
	<u>\$ 12,231,256</u>	<u>\$ 42,633,744</u>	<u>\$ 54,865,000</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the Series B, 2004 Current Interest General Obligation Bonds outstanding as of June 30, 2013, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 2,116,013	\$ 2,116,013
2015	-	2,116,013	2,116,013
2016	-	2,116,013	2,116,013
2017	-	2,116,013	2,116,013
2018	-	2,116,013	2,116,013
2019-2023	-	10,580,065	10,580,065
2024-2028	-	10,580,065	10,580,065
2029-2033	-	10,580,065	10,580,065
2034-2038	12,345,000	10,255,994	22,600,994
2039-2040	<u>27,960,000</u>	<u>1,497,563</u>	<u>29,457,563</u>
	<u>\$ 40,305,000</u>	<u>\$ 54,073,817</u>	<u>\$ 94,378,817</u>

The annual payments required to amortize the Series C, 2004 Capital Appreciation General Obligation Bonds outstanding as of June 30, 2013, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028	\$ 2,974,315	\$ 5,790,685	\$ 8,765,000
2029-2033	<u>11,400,962</u>	<u>27,884,038</u>	<u>39,285,000</u>
	<u>\$ 14,375,277</u>	<u>\$ 33,674,723</u>	<u>\$ 48,050,000</u>

The annual payments required to amortize the Series C, 2004 Current Interest General Obligation Bonds outstanding as of June 30, 2013, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 565,000	\$ 2,003,156	\$ 2,568,156
2015	680,000	1,976,700	2,656,700
2016	810,000	1,945,038	2,755,038
2017	935,000	1,904,451	2,839,451
2018	1,080,000	1,854,076	2,934,076
2019-2023	7,865,000	8,198,174	16,063,174
2024-2027	<u>28,380,000</u>	<u>2,994,750</u>	<u>31,374,750</u>
	<u>\$ 40,315,000</u>	<u>\$ 20,876,345</u>	<u>\$ 61,191,345</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation

In June 2010, the District entered into a lease agreement in the amount of \$10,000,000 with Los Angeles County Schools Regionalized Business Services Corporation to finance the cost of construction of solar energy projects. The COPs with an interest rate ranging from 3.0% to 5.25% mature in varying amounts through 2035. At June 30, 2013, the District's COPs obligations were as follows:

Year Ending <u>June 30,</u>	
2014	\$ 905,144
2015	910,594
2016	505,444
2017	516,418
2018	531,544
2019-2023	2,744,634
2024-2028	3,000,275
2029-2033	3,662,113
2034-2035	<u>1,760,038</u>
	14,536,204
Less amount representing interest	<u>(5,756,204)</u>
	<u>\$ 8,780,000</u>

Capital Lease

In November 2010, the District entered into a master equipment lease purchase agreement to provide tax-exempt financing for certain energy related projects. These projects consisted of the addition to the North Central utility plant, building lighting retrofits, exterior lighting upgrades, supervisory controls, re-commissioning, computer power management, variable speed pool pump and irrigation system controls upgrade. At June 30, 2013, the assets held under this agreement totaled \$13,958,492 and are still in process of completion; as a result no accumulated depreciation has been recognized.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Capital Lease (Continued)

At June 30, 2013, the future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	
2014	\$ 501,317
2015	553,197
2016	599,360
2017	646,472
2018	696,366
2019-2023	4,339,726
2024-2026	<u>2,394,724</u>
	9,731,162
Less amount representing interest	<u>(3,161,489)</u>
	<u>\$ 6,569,673</u>

Loan Payable

In 2002 and 2003, the District entered into loan agreements with the California Energy Commission ("CEC") for the installation of energy conservation measures on the District's campus. The original amount of the loans totaled \$1,696,227 and are payable in two semi-annual installments with an interest rate of 3.0% and mature through 2014.

Year Ending <u>June 30,</u>	
2014	<u>\$ 136</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2013 is as follows:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>	Amounts Due Within <u>One Year</u>
General Obligation Bonds	\$ 129,801,581	\$ -	\$ 1,384,772	\$ 128,416,809	\$ 1,520,593
Accreted interest	10,924,997	2,539,822	625,228	12,839,591	1,789,835
Certificates of participation	9,240,000	-	460,000	8,780,000	485,000
Capital lease	6,631,459	-	61,786	6,569,673	115,285
Loan payable - CEC	63,763	-	63,627	136	136
Loan payable - SCE	354,041	-	354,041	-	-
SERP	387,113	-	387,113	-	-
Banked faculty load time	571,874	-	308,652	263,222	-
Compensated absences	1,296,574	17,043	-	1,313,617	-
Other postemployment benefits (Note 9)	<u>12,003,701</u>	<u>-</u>	<u>3,859,808</u>	<u>8,143,893</u>	<u>-</u>
	<u>\$ 171,275,103</u>	<u>\$ 2,556,865</u>	<u>\$ 7,505,027</u>	<u>\$ 166,326,941</u>	<u>\$ 3,910,849</u>

7. PROPERTY TAXES

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

8. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active members of the DB Plan are required to contribute 8.0% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year June 30, 2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2013, 2012, 2011 were \$1,809,782, \$1,864,750 and \$1,952,642, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year June 30, 2013 was 11.417% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, 2011 were \$1,389,434, \$1,277,082 and \$1,278,564, respectively, and equaled 100 percent of the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS

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.

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

Annual required contribution	\$ 686,280
Interest on net OPEB obligation	600,185
Adjustment to annual required contribution	<u>(4,740,480)</u>
Annual OPEB cost (expense)	(3,454,015)
Contributions made	<u>(405,793)</u>
Increase in net OPEB obligation	(3,859,808)
Net OPEB obligation - beginning of year	<u>12,003,701</u>
Net OPEB obligation - end of year	<u>\$ 8,143,893</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 1,068,898	48.9%	\$ 10,247,895
June 30, 2012	\$ 2,209,381	20.5%	\$ 12,003,711
June 30, 2013	\$ (3,454,015)	-11.7%	\$ 8,143,893

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$8,143,893, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,143,893. The covered payroll (annual payroll of active employees covered by the Plan) was \$25,431,557, and the ratio of the UAAL to the covered payroll was 32 percent. The OPEB plan is currently operated as a pay-as-you-go-plan.

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

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

In the July 1, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates include a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The District's obligation was fully amortized as of June 30, 2010.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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, 2013, the District has approximately \$1.2 million in outstanding commitments on construction contracts.

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). 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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. JOINT POWERS AGREEMENTS (Continued)

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

	PIPS		SIRMA	
	June 30, 2012		June 30, 2012	
Total assets	\$	120,376,363	\$	2,237,222
Total liabilities	\$	97,382,754	\$	1,000,264
Net assets	\$	22,993,609	\$	1,236,958
Total revenues	\$	34,414,684	\$	2,699,804
Total expenses	\$	34,179,965	\$	2,725,818
Change in net assets	\$	234,719	\$	(26,014)

12. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2013.

<u>Functional Classifications</u>	<u>Salaries and Benefits</u>	<u>Supplies, Materials and Other Operating Expenses and Services</u>	<u>Student Financial Aid</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$25,568,123	\$ 1,371,393	\$ -	\$ -	\$26,939,516
Academic Support	4,281,582	302,254	-	-	4,583,836
Student Services	5,675,516	1,260,700	-	-	6,936,216
Operations and Maintenance of Plant	3,387,573	3,179,940	-	-	6,567,513
Institution Support	7,347,464	3,288,844	-	-	10,636,308
Community Support	15,855	31,931	-	-	47,786
Ancillary Services	2,365,325	2,951,120	-	-	5,316,445
Student Aid	-	-	19,279,158	-	19,279,158
Physical Property	9,350	1,489,491	-	-	1,498,841
Depreciation	-	-	-	\$ 2,018,288	2,018,288
	<u>\$18,650,788</u>	<u>\$13,875,673</u>	<u>\$19,279,158</u>	<u>\$ 2,018,288</u>	<u>\$13,823,907</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2013

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	May 1, 2006	\$ -	\$ 7,974,678	\$ 7,974,678	0%	\$ 46,200,000	17.26%
6/30/2010	March 1, 2009	\$ -	\$ 7,848,063	\$ 7,848,063	0%	\$ 46,200,000	17.26%
6/30/2011	March 1, 2009	\$ -	\$ 7,848,063	\$ 7,848,063	0%	\$ 42,800,000	18.33%
6/30/2012	March 1, 2011	\$ -	\$ 7,600,837	\$ 7,600,837	0%	\$ 29,337,953	25.91%
6/30/2013	July 1, 2013	\$ -	\$ 8,143,893	\$ 8,143,893	0%	\$ 25,431,557	32.02%

See accompanying notes to required supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2013

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

The Governing Board and District Administration for the fiscal year ended June 30, 2013 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Michael Adams	President	2016
Jack Seefus	Vice President	2014
Steve Buffalo	Clerk	2016
Lew Stults	Trustee	2014
Betty Wienke	Trustee	2016

DISTRICT ADMINISTRATION

Jackie L. Fisher, Sr. Ed.D.
Superintendent/President

Sharon Lowry
Vice President, Academic Affairs

Mark Bryant
Interim Vice President, Human Resources

Mazie Brewington
Vice President, Administrative Services

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
<i>Direct Programs:</i>		
Student Financial Aid Cluster:		
Federal Supplementary Educational Opportunity Program (FSEOG)	84.007	\$ 282,750
Federal College Work Study (FWS)	84.033	238,121
Federal Direct Loan Program	84.268	18,449,857
Federal Pell Grants (PELL)	84.063	<u>28,716,484</u>
Subtotal Financial Aid Cluster		<u>47,687,212</u>
TRIO - Student Support Services	84.042A	230,957
Higher Education Institutional Aid, Title V Cluster:		
Higher Education Institutional Aid, Title V	84.031S	365,287
Higher Education Institutional Aid, Title V, Co-Op	84.031C	<u>1,412,395</u>
Subtotal Higher Education Institutional Aid, Title V Cluster		<u>1,777,682</u>
<i>Passed through California Community College Chancellor's Office:</i>		
VATEA Cluster:		
Vocational and Applied Technology Educational Act (VATEA) - Opportunities	84.048	527,326
Career and Technical Education - Transitions	84.048A	<u>32,038</u>
Subtotal VATEA Cluster		<u>559,364</u>
Total U.S. Department of Education		<u>50,255,215</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through California Community College Chancellor's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	73,204
Youth Development Services	93.674	<u>41,089</u>
Total U.S. Department of Health and Human Services		<u>114,293</u>
<u>U.S. Department of Veteran Affairs</u>		
Veterans Information and Assistance - Reporting Fees	64.115	<u>4,385</u>
Total Federal Programs		<u>\$ 50,373,893</u>

See accompanying notes to supplemental information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2013

	Program Entitlements			Program Revenues			Program Expenditures
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/Accounts Payable	
Administrative 2% Enrollment	\$ -	\$ 208,556	\$ 208,556	\$ 208,556	\$ -	\$ 132,160	\$ 76,396
Fee Waivers	-	236,321	236,321	236,321	-	187,814	48,507
Basic Skills	-	551,783	551,783	551,783	-	-	551,783
BFAP Administrative	81,007	-	81,007	-	-	-	-
Block Grant	-	606,500	606,500	595,800	-	-	595,800
CalWORKS	-	187,822	187,822	187,822	-	6,747	181,075
CARE	437,159	329,080	766,239	766,239	2,488	446,461	322,266
CTE Pathways	-	64,467	64,467	64,467	-	-	64,467
DHH	-	115,000	115,000	101,215	11,656	-	112,871
DSS/CalWORKS	-	436,057	436,057	437,101	-	1,044	436,057
DSPS	-	606,886	606,886	606,886	-	-	606,886
EOPS	-	114,954	114,954	86,216	28,738	-	114,954
Foster Care Education	233	6,523	6,756	6,523	-	2,394	4,129
Equal Employment Opportunities	6,553	-	6,553	6,553	-	6,553	-
Infrastructure Program (TTIP)	453,236	330,162	783,398	62,612	267,550	-	330,162
Lottery - Proposition 20	-	380,542	380,542	380,542	-	12,390	368,152
Matriculation - Credit	-	8,443	8,443	8,443	-	-	8,443
Matriculation - Noncredit	-	164,000	164,000	149,350	26,240	7,539	168,051
Nursing Enrollment	-	13,815	13,815	13,815	-	-	13,815
Print Electronic Information	-	75,177	75,177	73,490	-	2,494	70,996
TANF	-	-	-	90,000	-	-	90,000
WIP	216,163	-	216,163	-	-	-	-
Total State Programs	\$ 1,194,351	\$ 4,436,088	\$ 5,630,439	\$ 4,633,734	\$ 336,672	\$ 805,596	\$ 4,164,810

See accompanying notes to supplemental information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

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

Annual Attendance as of June 30, 2013

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	-	-	-
2. Credit	275	-	275
B. Summer Intersession (Summer 2013 - Prior to July 1, 2012)			
1. Noncredit	-	-	-
2. Credit	108	-	108
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	8,647	-	8,647
b. Daily Census Contact Hours	493	-	493
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	-	-	-
b. Credit	420	-	420
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	570	-	570
b. Daily Census Contact Hours	51	-	51
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
	<hr/>	<hr/>	<hr/>
D. Total FTES	<u>10,564</u>	<u>-</u>	<u>10,564</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	-	-	-
b. Credit	1,402	-	1,402
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	1,329	-	1,329

See accompanying notes to supplemental information.

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

For the Year Ended June 30, 2013

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Instructional salaries:						
Contract or regular	\$ 12,281,609	\$ -	\$ 12,281,609	\$ 12,281,609	\$ -	\$ 12,281,609
Other	<u>8,825,070</u>	<u>-</u>	<u>8,825,070</u>	<u>8,825,070</u>	<u>-</u>	<u>8,825,070</u>
Total instructional salaries	<u>21,106,679</u>	<u>-</u>	<u>21,106,679</u>	<u>21,106,679</u>	<u>-</u>	<u>21,106,679</u>
Non-instructional salaries:						
Contract or regular	-	-	-	3,331,683	-	3,331,683
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,747</u>	<u>-</u>	<u>649,747</u>
Total non-instructional salaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,981,430</u>	<u>-</u>	<u>3,981,430</u>
Total academic salaries	<u>21,106,679</u>	<u>-</u>	<u>21,106,679</u>	<u>25,088,109</u>	<u>-</u>	<u>25,088,109</u>
Classified Salaries						
Non-instructional salaries:						
Regular status	-	-	-	8,996,201	-	8,996,201
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>767,501</u>	<u>-</u>	<u>767,501</u>
Total non-instructional salaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,763,702</u>	<u>-</u>	<u>9,763,702</u>
Instructional aides:						
Regular status	972,337	-	972,337	972,337	-	972,337
Other	<u>173,503</u>	<u>-</u>	<u>173,503</u>	<u>173,503</u>	<u>-</u>	<u>173,503</u>
Total instructional aides	<u>1,145,840</u>	<u>-</u>	<u>1,145,840</u>	<u>1,145,840</u>	<u>-</u>	<u>1,145,840</u>
Total classified salaries	<u>1,145,840</u>	<u>-</u>	<u>1,145,840</u>	<u>10,909,542</u>	<u>-</u>	<u>10,909,542</u>
Employee benefits	4,862,393	-	4,862,393	10,579,438	-	10,579,438
Supplies and materials	<u>-</u>	<u>-</u>	<u>-</u>	<u>988,007</u>	<u>-</u>	<u>988,007</u>
Other operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,465,738</u>	<u>-</u>	<u>6,465,738</u>
Equipment replacement	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,531</u>	<u>-</u>	<u>69,531</u>
Total expenditures prior to exclusions	<u>\$ 27,114,912</u>	<u>\$ -</u>	<u>\$ 27,114,912</u>	<u>\$ 54,100,365</u>	<u>\$ -</u>	<u>\$ 54,100,365</u>

See accompanying notes to supplemental information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
 (Continued)
 For the Year Ended June 30, 2013

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110		Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799	
	Reported Data	Audit Adjustments	Reported Data	Audit Adjustments
5900	\$ -	\$ -	\$ -	\$ -
6441	-	-	-	-
6491	-	-	-	-
6740	-	-	-	-
5060	-	-	177,057	-
1000	-	-	-	-
2000	-	-	-	-
3000	-	-	-	-
4000	-	-	-	-
4100	-	-	-	-
4200	-	-	-	-
4300	-	-	-	-
4400	-	-	-	-
5000	-	-	1,555,192	-
6000	-	-	-	-
6300	-	-	31,168	-
6400	-	-	-	-
6410	-	-	38,363	-
6420	-	-	38,363	-
	-	-	69,531	-
7000	-	-	-	-
	\$ -	\$ -	\$ 1,801,780	\$ -
	\$ 27,114,912	\$ -	\$ 52,298,585	\$ -
	51.85	-	100	-
			\$ 26,149,293	\$ -
				\$ 52,298,585
				\$ 100
				\$ 26,149,293

Exclusions

- Activities to exclude:
- Instructional staff-retirees' benefits and retirement incentives
- Student health services above amount collected
- Student transportation
- Noninstructional staff-retirees' benefits and retirement incentives
- Objects to exclude:
- Rents and leases
- Lottery expenditures
- Academic salaries
- Classified salaries
- Employee benefits
- Supplies and materials:
- Software
- Books, magazines and periodicals
- Instructional supplies and materials
- Noninstructional supplies and materials
- Total supplies and materials
- Other operating expenses and services
- Capital outlay
- Library books
- Equipment:
- Equipment - additional
- Equipment - replacement
- Total equipment
- Total capital outlay
- Other outgo
- Total exclusions
- Total for ECS 84362, 50% Law
- Percent of CEE (Instructional salary cost / Total CEE)
- 50% of current expense of education

See accompanying notes to supplemental information.

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

For the Year Ended June 30, 2013

	Revenue Bond Construction <u>Fund 42</u>
CCSF-311 Ending Fund Balance, June 30, 2013	\$ 3,547,695
Adjustment to recognize proceeds from COPS issuance in fiscal year June 30, 2011	<u>1,348,063</u>
Audited Ending Fund Balance, June 30, 2013	<u>\$ 4,895,758</u>

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

See accompanying notes to supplemental information.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 PROP 30 EPA EXPENDITURE REPORT
 For the Year Ended June 30, 2013**

EPA Proceeds:	\$ 8,846,421				
<u>Activity Classification</u>	<u>Activity Code (0100-5900)</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities	-	\$ 8,846,421	\$ -	\$ -	\$ 8,846,421

See accompanying notes to supplemental information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditures of Federal Awards

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

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

F - Prop 30 EPA Expenditure Report

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Antelope Valley Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2013:

- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Gann Limit Calculation
- California Work Opportunity and Responsibility to Kids (CalWORKs)
- Open Enrollment
- Student Fees-Instructional Materials and Other Materials
- Student Fees-Health Fees and Use of Health Fee Funds
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Board Funded Projects
- Proposition 30 Education Protection Account Funds

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion with State Laws and Regulations

In our opinion, Antelope Valley Community College District complied, in all material respects, with the compliance requirements for the year ended June 30, 2013. Further, based on our examination, for items not tested, nothing came to our attention to indicate Antelope Valley Community College District had not complied with the state laws and regulations.

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 12, 2013

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

Board of Trustees
Antelope Valley Community College District
Lancaster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Antelope Valley Community College District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Antelope Valley Community College District's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 12, 2013

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

Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on Compliance for Each Major Federal Program

We have audited Antelope Valley Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Antelope Valley Community College District's major federal programs for the year ended June 30, 2013. Antelope Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Antelope Valley Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Antelope Valley Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Antelope Valley Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Antelope Valley Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Antelope Valley Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Antelope Valley Community College District's internal control over compliance.

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

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

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 12, 2013

FINDINGS AND RECOMMENDATIONS

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
 noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weakness(es)? _____ Yes X None reported

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

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

Identification of major programs:

_____ CFDA Number(s) _____	_____ Name of Federal Program or Cluster _____
84.007, 84.033, 84.268, 84.063	Student Financial Aid Cluster

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

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

STATE AWARDS

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

Year Ended June 30, 2013

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented
No matters were reported.			