

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

FINANCIAL STATEMENTS
June 30, 2014

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Antelope Valley Community College District
Lancaster, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Antelope Valley Community College District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Antelope Valley Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of Antelope Valley Community College District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 10 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Antelope Valley Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 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 19, 2014

Antelope Valley College

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2014

This section of Antelope Valley Community College District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014.

The California Community College Chancellor's Office has recommended that all State community college districts follow the 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 these accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole: *the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.*

The BTA model focuses on:

- Revenues and expenses categorized as either operating or non-operating.
- Pledges from donors (excluding permanent endowments) are recorded, as receivable and non-operating revenues at the date of the pledge. Previously, pledges were not recorded as revenue until the related gift was received.
- Capital assets and long-term liabilities are included in the statement presentations.

FINANCIAL HIGHLIGHTS

- The District's total combined net position, was \$79,500,345 at June 30, 2014. This is an increase above total combined net position as of June 30, 2013, which reflected \$75,650,896.
- During the fiscal year, the District's total operating expenses was \$124,856,675. Combined operating and non-operating revenues totaled \$128,706,124. This produced an excess of revenues over expenses of \$3,849,449.
- 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 \$11,373,726, which represents an overall 17.02 percent ending balance. The restricted reserve percentage is 22.00 percent and the unrestricted reserve percentage is 16.25 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, deferred outflow of resources 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 consist of three major categories.

- Net investment in capital assets – The district's equity in property, plant and equipment.
- Restricted net position (divided by either expendable or nonexpendable.) – Restricted net position is restricted by use constraints placed on them by outside parties such as through agreements, laws, or regulations of creditors or other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – The district can use them for any lawful purpose. Although, unrestricted, the district's governing board may place internal restrictions on this 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 2014. During the fiscal year ending June 30, 2014, the total net position increased by \$3,849,449, or about 5 percent, from the previous year. The District is slowly being restored from the suppressed economic climate in the state of California and reductions in the state support resulting from the recession over the last several years. The restoration has impacted the district and can be positively seen in several areas. Accounts receivable has decreased by \$8,739,492 or approximately 45.6 percent due to receiving Education Account Protection funds, which reduced deferrals (general fund apportionment). Current liabilities, mainly TRANS, decreased by \$21,829,466 or by 62.9 percent mainly due to the payback of temporary tax revenue anticipation notes from the prior year. The district did not need to borrow funds in 2014.

Condensed Statement of Net Position:

	2014	2013	Change	% Change
ASSETS				
Total Current Assets	20,315,715	38,271,720	(17,956,005)	-47%
Total Noncurrent Assets	234,893,274	234,513,535	379,739	0%
TOTAL ASSETS	\$255,208,989	\$ 272,785,255	\$(17,576,266)	-6%
DEFERRED OUTFLOW OF RESOURCES				
	7,629,062	0	7,629,062	N/A
LIABILITIES				
Total Current Liabilities	12,888,801	34,718,267	(21,829,466)	-63%
Total Noncurrent Liabilities	170,448,905	162,416,092	8,032,813	5%
TOTAL LIABILITIES	183,337,706	197,134,359	(13,796,653)	-7.00%
NET POSITION				
Net investment in capital assets	67,304,938	62,985,069	4,319,869	7%
Restricted for Capital Projects and Debt Service	10,677,429	9,833,334	844,095	9%
Restricted for Other Special Purposes	3,141,081	4,307,501	(1,166,420)	-27%
Unrestricted	-1,623,103	(1,475,008)	(148,095)	10%
TOTAL NET ASSETS	79,500,345	75,650,896	3,849,449	5%
TOTAL LIABILITIES AND NET ASSETS	\$ 262,838,051	\$ 272,785,255	\$ (9,947,204)	-4%

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes 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.

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

The statement of Revenues, Expenses, and Changes in Net Position reflects a positive year due to an increase in other revenue, mainly state apportionments for capital projects. Net Position has increased at the end of the year by \$3,849,449. Although the statement shows an operating loss of \$89,520,195, that balance does not reflect the \$83,879,536 in non-operating revenue and \$9,490,108 in capital revenues.

Statement of Revenues and Expenses

	2014	2013	Change	% Change
Operating Revenues				
Tuition and fees	\$ 3,078,338	\$ 3,070,944	\$ 7,394	0.2%
Grants and contracts	28,719,458	31,244,428	(2,524,970)	-8.1%
Auxiliary enterprise sales and charges	3,538,684	3,443,296	95,388	2.8%
Total Operating Revenues	<u>35,336,480</u>	<u>37,758,668</u>	<u>(2,422,188)</u>	<u>-6.4%</u>
Operating Expenses				
Salaries and benefits	57,131,401	48,650,788	8,480,613	17.4%
Supplies and maintenance	16,248,392	13,875,673	2,372,719	17.1%
Payments to Students	49,956,610	49,279,158	677,452	1.4%
Depreciation	1,520,272	2,018,288	(498,016)	-24.7%
Total Operating Expenses	<u>124,856,675</u>	<u>113,823,907</u>	<u>11,032,768</u>	<u>9.7%</u>
Loss on Operations	<u>(89,520,195)</u>	<u>(76,065,239)</u>	<u>(13,454,956)</u>	<u>17.7%</u>
Non-operating Revenues and (Expenses)				
State apportionment	48,026,364	47,067,180	959,184	2.0%
Property taxes	5,574,810	5,201,564	373,246	7.2%
State revenues	247,101	117,720	129,381	109.9%
Pell grants	31,588,411	28,688,690	2,899,721	10.1%
Interest income	127,864	555,634	(427,770)	-77.0%
Interest expense	(2,219,322)	(3,868,559)	1,649,237	-42.6%
Loss on Disposal of Assets	(19,737)	(61,818)	42,081	-68.1%
Other non-operating revenue	554,045	2,638,252	(2,084,207)	-79.0%
Total Non-operating Revenue	<u>83,879,536</u>	<u>80,338,663</u>	<u>3,540,873</u>	<u>4.4%</u>
Other Revenues				
State, capital income	383,730	1,388,379	(1,004,649)	-72.4%
Local revenues, capital	9,106,378	9,481,407	(375,029)	-4.0%
Total Other Revenues	<u>9,490,108</u>	<u>10,869,786</u>	<u>(1,379,678)</u>	<u>-12.7%</u>
Net Increase (Decrease) in Net Assets	<u>\$ 3,849,449</u>	<u>\$ 15,143,210</u>	<u>\$ (11,293,761)</u>	<u>-74.6%</u>

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, 2014 was \$84,918,900.

Statement of Cash Flow				
	2014	2013	Change	% Change
Cash Provided by (Used in)				
Operating activities	\$ (84,918,900)	\$(82,474,680)	\$ (2,444,220)	3.0%
Noncapital financing activities	94,258,680	83,713,406	10,545,274	12.6%
Capital financing activities	(24,131,707)	1,442,887	(25,574,594)	-1772.5%
Investing activities	127,864	555,634	(427,770)	-77.0%
Net Increase (Decrease) in Cash	(14,664,063)	3,237,247	(17,901,310)	-553.0%
Cash, Beginning of Year	36,594,886	33,357,639	3,237,247	9.7%
Cash, End of Year	\$ 21,930,823	\$ 36,594,886	\$ (14,664,063)	-40.1%

Capital Assets

The District's capital assets, net of accumulated depreciation at June 30, 2014 totaled \$221,990,626. This represented a decrease in capital assets of \$5,890,719 from the prior year or a 3% decrease from 2013 due to changes in construction in progress and accumulated depreciation. 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:	2014	2013	Change	% Change
Land	\$ 2,430,691	\$ 2,430,691	\$ -	0%
Construction in Process	190,938,535	183,807,614	7,130,921	4%
Building improvements	44,646,896	44,646,896	-	0%
Machinery and equipment	10,223,678	10,028,314	195,364	2%
Total	248,239,800	240,913,515	7,326,285	3%
Accumulated depreciation				
Building improvements	(19,308,052)	(18,525,033)	(783,019)	-4%
Machinery and equipment	(6,941,122)	(6,431,257)	(509,865)	-11%
Capital Assets, net	\$ 221,990,626	\$ 215,957,225	\$ 6,033,401	3%

Long Term Liabilities

The District's total liabilities at June 30, 2014 totaled \$183,337,706, of which \$174,658,489 are long term liabilities below. This represented an increase from the prior year liabilities of \$8,331,548 or 5%. Below is a summary of the District's long-term liabilities.

	2014	2013	Change	% Change
Long Term Liabilities				
Compensated absences payable	\$ 1,402,885	\$ 1,313,617	\$ 89,268	6.80%
Banked overload	289,866	263,222	26,644	10.12%
OPEB	8,623,668	8,143,893	479,775	5.89%
Accreted Interest	13,349,378	12,839,591	509,787	3.97%
COPS	8,295,000	8,780,000	(485,000)	-4.98%
Capital lease	6,454,388	6,569,809	(115,421)	-1.76%
Bond premium	6,791,403	-	6,791,403	n/a
GO Bonds	129,451,901	128,416,809	1,035,092	0.81%
	<u>\$ 174,658,489</u>	<u>\$ 166,326,941</u>	<u>\$ 8,331,548</u>	<u>5.01%</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 Assets and Liabilities. 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 2014-2015 Budget was adopted with funding from the passage of Proposition 30 in November 2013: Public Schools and Safety Act. Proposition 30 increases the state sales tax by 0.25% from January 1, 2014 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 2013-2016. These taxes are temporary and do not address the State of California structural funding issues for the California Community Colleges.

For more than a decade, the state budget has often miscalculated property tax and student fee revenues by projecting above actual collections, thereby providing less than adequate state general funds for the general apportionment. Because the revenue shortfall is not discovered until the fiscal year has virtually closed, the shortfall can threaten year-end operations and adversely affect cash flow. The District has budgeted for an anticipated shortfall of 0.5% for 2014-2015.

In 2014-2015, the deferrals were mostly addresses, which is a part of the wall of debt in California. In 2011-2012, the deferrals to community colleges reached a staggering \$991 million of inter and intra year deferrals. It was anticipated that in 2014-2015, the deferrals would be fully bought down. Unfortunately, due to some last minute changes from the CA legislature, community colleges will continue to have deferrals in the 2014-2015 fiscal year. \$498 million was allocated to buy down the deferrals, leaving a balance of \$94 million¹.

For revenue, some positive economic growth and the backfill of EPA funds have resulted in some restoration of funds to the California Community College System. The unrestricted budget includes conservative estimates because the State of California is showing a very slow recovery from the previous recession. Also included is *2011-2012 Workload Restoration*. There is an opportunity to earn back/restore a portion of the 2011-2012 Full-Time Equivalent Students (FTES) workload reduction. Antelope Valley College is planning on earning back at least 375 of the 2011-2012 reduced FTES in 2014-2015. It is important to add that we are not growing in FTES, but merely are restoring from prior year workload reductions. It is anticipated that in the future, growth will be modest if not flat due to the slow economic recovery.

On June 28, 2012, the Supreme Court upheld the Patient Protection and Affordable Care Act (ACA) as constitutional. Although it was signed into law in 2010, the majority of the provisions went into effect in January 2014 and the remaining will be phased in by 2018. Most notably, the impact for employers not following the provisions could result in IRS penalties of \$2,000 - \$3,000 per impacted employee, depending upon the situation. The District has developed a contingency fund to address the financial liabilities associated with potential ACA penalties. Minimum wage is also increasing in California from \$8.00 per hour to \$9.00 per hour on July 1, 2014 and then again to \$10.00 per hour beginning July 1, 2016. This has been included in the District's multi-year budget projections.

The CA State Legislature adopted a plan to address the unfunded liability for the California State Teachers Retirement System over the next 30 years. This is different from the Governor's January 2014 Budget, which deferred addressing STRS underfunding until 2015-16.

Here is the adopted solution²:

STRS Contribution Rates				
<i>Adopted Budget</i>				
	Employer	Employee (pre-2013 hire date)	Employee (post-2013 hire date)	State
2013-14	8.25%	8%	8	3.04%
2014-15	8.63	8.15	8.15	3.45
2015-16	10.48	9.2	8.56	4.89
2016-17	12.33	10.25	9.205	6.33
2017-18	14.18	10.25	9.205	6.33
2018-19	16.03	10.25	9.205	6.33
2019-20	17.88	10.25	9.205	6.33
2020-21	18.85	10.25	9.205	6.33

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

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

Contacting the Antelope Valley College's Financial Management

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

¹ *California Community College Chancellor's Office Budget Workshop, July 30, 2014*

² *Community College League of California Memo dated June 16, 2014 from Scott Lay
"Legislature Approves 2014-2015 State Budget"*

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Current assets:	
Cash and investments	\$ 9,028,175
Receivables	10,417,229
Inventory	424,015
Prepaid expenses and other assets	<u>446,296</u>
Total current assets	<u>20,315,715</u>
Noncurrent assets:	
Restricted cash and investments	12,902,648
Non-depreciable capital assets	193,369,226
Depreciable capital assets, net	<u>28,621,400</u>
Total noncurrent assets	<u>234,893,274</u>
Total assets	<u>255,208,989</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred amount on refunding	<u>7,629,062</u>
Total assets and deferred outflow of resources	<u>\$ 262,838,051</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 6,012,432
Unearned revenue	2,666,785
Long-term debt - current portion	<u>4,209,584</u>
Total current liabilities	<u>12,888,801</u>
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion	1,402,885
Banked faculty load time - noncurrent portion	289,866
OPEB obligation	8,623,668
Long-term debt - noncurrent portion	<u>160,132,486</u>
Total noncurrent liabilities	<u>170,448,905</u>
Total liabilities	<u>183,337,706</u>

NET POSITION

Net investment in capital assets	67,304,938
Restricted for capital projects and debt service	10,677,429
Restricted for other special purposes	3,141,081
Unrestricted	<u>(1,623,103)</u>
Total net position	<u>79,500,345</u>
Total liabilities and net position	<u>\$ 262,838,051</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, 2014

Operating revenues:	
Tuition and fees	\$ 17,699,449
Less: scholarship discounts and allowances	<u>(14,621,111)</u>
Net tuition and fees	<u>3,078,338</u>
Grants and contracts, non-capital:	
Federal	20,338,820
State	8,380,638
Auxiliary enterprise sales and charges:	<u>3,538,684</u>
Total operating revenues	<u>35,336,480</u>
Operating expenses:	
Salaries and benefits	57,131,401
Supplies, materials, and other operating expenses and services	15,407,279
Equipment, maintenance and repairs	841,113
Student financial aid	49,956,610
Depreciation	<u>1,520,272</u>
Total operating expenses	<u>124,856,675</u>
Loss from operations	<u>(89,520,195)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	48,026,364
Local property taxes	5,574,810
State taxes and other revenues	247,101
Pell grants	31,588,411
Investment income, noncapital	127,864
Interest expense on capital asset-related debt, net	(2,219,322)
Loss on disposal of capital assets	(19,737)
Other non-operating revenues	<u>554,045</u>
Total non-operating revenues (expenses)	<u>83,879,536</u>
Loss before capital revenues	<u>(5,640,659)</u>
Capital revenues:	
Grants and gifts, capital	383,730
Property taxes	7,566,413
Other local capital revenue	<u>1,539,965</u>
Total capital revenues	<u>9,490,108</u>
Change in net position	3,849,449
Net position, July 1, 2013	<u>75,650,896</u>
Net position, June 30, 2014	<u><u>\$ 79,500,345</u></u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Cash flows from operating activities:	
Tuition and fees	\$ 4,456,277
Federal grants and contracts	20,369,039
State and local grants and contracts	9,695,006
Payments to employees	(56,520,589)
Payments to students, suppliers and vendors	(66,457,317)
Auxiliary enterprise sales and charges	<u>3,538,684</u>
Net cash used in operating activities	<u>(84,918,900)</u>
Cash flows from noncapital financing activities:	
State appropriations	55,858,431
Local property taxes	5,574,810
State taxes and other revenues	247,101
Pell grants	31,588,411
Other receipts	<u>989,927</u>
Net cash provided by noncapital financing activities	<u>94,258,680</u>
Cash flows from capital and related financing activities:	
State apportionment for capital purposes	383,730
Local property taxes and other revenues, capital purposes	9,106,378
Principal paid on capital debt	(2,121,014)
Short term borrowing	(23,500,000)
Purchases of capital assets	(1,813,300)
Interest paid on capital debt, net	<u>(6,187,501)</u>
Net cash used in capital and related financing activities	<u>(24,131,707)</u>
Cash flows provided by investing activities:	
Interest income	<u>127,864</u>
Net decrease in cash and investments	(14,664,063)
Cash and investments, beginning of year	<u>36,594,886</u>
Cash and investments, end of year	<u>\$ 21,930,823</u>

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2014

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (89,520,195)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	1,520,272
Changes in assets and liabilities:	
Receivables, net	907,425
Prepaid expenses and other assets	15,125
Inventory	190,987
Accounts payable	(848,525)
Unearned revenue	2,220,324
Compensated absences and banked faculty load time	115,912
Other postemployment benefits	<u>479,775</u>
Net cash used in operating activities	<u>\$ (84,918,900)</u>
Supplemental disclosure of non-cash transactions:	
Accretion of interest	\$ 2,465,024

During the year ended June 30, 2014, the District issued general obligation refunding bonds to refund existing debt outstanding. The proceeds from the refunding issuance totaled \$66,101,403 for the future defeasance of \$56,754,315 of previously outstanding general obligation bonds.

See accompanying notes to financial statements.

**ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

June 30, 2014

	<u>Associated Students</u>
ASSETS	
Cash and investments	<u>\$ 398,147</u>
LIABILITIES	
Due to student groups	<u>\$ 398,147</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO 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, 2014 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. At June 30, 2014, management determined that no allowance was necessary.

Capital Assets

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

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

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest cost and interest capitalized totaled \$7,979,432 and \$5,760,110, respectively, during the year ended June 30, 2014.

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.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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

Banked Faculty Load

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

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred amount on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Due to the refunding of general obligation bonds during the year ended June 30, 2014, a \$7,629,062 deferred loss on refunding was recognized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District's net position is classified as follows:

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

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2014, there is no balance of nonexpendable restricted net position.

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

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

State Apportionments

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

On Behalf Payments

GASB Cod. Sec. N50 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 approximately \$990,000 (3.041% of salaries subject to CalSTRS).

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue and Expenses

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

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

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

Scholarship Discounts and Allowances

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

Estimates

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

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 encouraged. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

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 Statement 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. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO 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 ended June 30, 2014. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

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 fiscal year ending June 30, 2015. Management expects this GASB statement to have a material impact on its financial statements.

In April 2013, the GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This liability should be reported until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units by specifying the information required to be disclosed by governments that extend nonexchange financial guarantee as well as new information to be disclosed by governments that receive nonexchange financial guarantees. This statement was adopted for the District's fiscal year ended June 30, 2014 with no material impact on the District.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management expects that this GASB statement along with GASB statement No. 68 will have a material impact on its financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

District cash and investments at June 30, 2014, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Funds:		
Cash in County Treasury	\$ 9,278,412	\$ -
Deposits:		
Cash on hand and in banks	3,397,570	443,147
Cash held by Fiscal Agent	<u>9,254,841</u>	<u>-</u>
Total cash and investments	<u>21,930,823</u>	<u>443,147</u>
Less: restricted cash and investments:		
Cash held by Fiscal Agent	(9,254,841)	-
Other restricted cash	<u>(3,647,807)</u>	<u>-</u>
Total restricted cash and investments	<u>(12,902,648)</u>	<u>-</u>
Net cash and investments	<u>\$ 9,028,175</u>	<u>\$ 443,147</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2014.

Cash with Fiscal Agent

Cash with Fiscal Agent of \$9,254,841 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, 2014, the carrying amount of the District's accounts was \$3,840,717 and the bank balance was \$3,278,484 of which \$250,000 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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2014, 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, 2014, the District had no concentration of credit risk.

3. RECEIVABLES

Receivables at June 30, 2014 are summarized as follows:

Federal	\$ 1,292,745
State	8,931,454
Local and other	<u>193,030</u>
	<u><u>\$ 10,417,229</u></u>

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
Non-depreciable:				
Land	\$ 2,430,691	\$ -	\$ -	\$ 2,430,691
Construction in progress	183,807,614	7,130,921	-	190,938,535
Depreciable:				
Building improvements	44,646,896	-	-	44,646,896
Machinery and equipment	<u>10,028,314</u>	<u>442,489</u>	<u>(247,125)</u>	<u>10,223,678</u>
Total	<u>240,913,515</u>	<u>7,573,410</u>	<u>(247,125)</u>	<u>248,239,800</u>
Less accumulated depreciation:				
Building improvements	18,525,033	783,019	-	19,308,052
Machinery and equipment	<u>6,431,257</u>	<u>737,253</u>	<u>(227,388)</u>	<u>6,941,122</u>
Total	<u>24,956,290</u>	<u>1,520,272</u>	<u>(227,388)</u>	<u>26,249,174</u>
Capital assets, net	<u><u>\$ 215,957,225</u></u>	<u><u>\$ 6,053,138</u></u>	<u><u>\$ (19,737)</u></u>	<u><u>\$ 221,990,626</u></u>

5. UNEARNED REVENUE

Unearned revenue at June 30, 2014 is summarized as follows:

Unearned grant revenue	\$ 1,555,074
Unearned tuition and student fee revenue	<u>1,111,711</u>
	<u><u>\$ 2,666,785</u></u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. 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, 2014 is as follows:

	Outstanding July 1, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding June 30, <u>2014</u>
Series 2012 - 2.0% Tax Revenue Anticipation Note due October 15, 2013	<u>\$ 23,500,000</u>	<u>\$ -</u>	<u>\$ (23,500,000)</u>	<u>\$ -</u>

The TRANS was fully repaid in October 2013.

7. LONG-TERM LIABILITIES

General Obligation Bonds

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

The annual payments required to amortize the Series A, 2004 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 460,000	\$ 29,650	\$ 489,650
2016	<u>550,000</u>	<u>10,656</u>	<u>560,656</u>
	<u>\$ 1,010,000</u>	<u>\$ 40,306</u>	<u>\$ 1,050,306</u>

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2006 Capital Appreciation General Obligation Refunding Bonds outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,689,683</u>	<u>\$ 2,743,615</u>	<u>\$ 4,433,298</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 were partially refunded during the year ended June 30, 2014. 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 2017 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, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2033-2034	\$ 4,924,709	\$ 15,290,291	\$ 20,215,000
2035-2037	<u>7,306,547</u>	<u>27,343,453</u>	<u>34,650,000</u>
	<u>\$ 12,231,256</u>	<u>\$ 42,633,744</u>	<u>\$ 54,865,000</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. 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, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	2,116,013	2,116,013
2020-2024	-	10,580,065	10,580,065
2025-2029	-	10,580,065	10,580,065
2030-2034	-	10,580,065	10,580,065
2035-2039	25,760,000	9,255,737	35,015,737
2040	<u>14,545,000</u>	<u>381,807</u>	<u>14,926,807</u>
	<u>\$ 40,305,000</u>	<u>\$ 51,957,804</u>	<u>\$ 92,262,804</u>

The annual payments required to amortize the Series C, 2004 Capital Appreciation General Obligation Bonds outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2029	\$ 2,898,828	\$ 6,176,172	\$ 9,075,000
2030-2033	<u>8,502,134</u>	<u>21,707,866</u>	<u>30,210,000</u>
	<u>\$ 11,400,962</u>	<u>\$ 27,884,038</u>	<u>\$ 39,285,000</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the Series C, 2004 Current Interest General Obligation Bonds outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>1,080,000</u>	<u>940,538</u>	<u>2,020,538</u>
	<u>\$ 3,505,000</u>	<u>\$ 6,766,727</u>	<u>\$ 10,271,727</u>

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

The calculation of the difference in cash flow requirements and economic gain of the 2014 General Obligation Refunding Bonds is as follows:

Cash Flow Difference

Old debt service cash flows	\$ 86,561,100
New debt service cash flows	<u>83,404,165</u>
	<u>\$ 3,156,935</u>

Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate is \$2,455,972.

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 400,000	\$ 1,584,072	\$ 1,984,072
2016	-	2,005,050	2,005,050
2017	155,000	2,005,050	2,160,050
2018	1,410,000	2,003,500	3,413,500
2019	1,550,000	1,987,850	3,537,850
2020-2024	17,400,000	8,907,375	26,307,375
2025-2028	<u>21,930,000</u>	<u>2,957,500</u>	<u>24,887,500</u>
	<u>\$ 42,845,000</u>	<u>\$ 21,450,397</u>	<u>\$ 64,295,397</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 245,000	\$ 327,517	\$ 572,517
2016	200,000	414,021	614,021
2017	200,000	412,279	612,279
2018	2,195,000	394,892	2,589,892
2019	2,345,000	355,640	2,700,640
2020-2023	<u>11,280,000</u>	<u>739,421</u>	<u>12,019,421</u>
	<u>\$ 16,465,000</u>	<u>\$ 2,643,770</u>	<u>\$ 19,108,770</u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. 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, 2014, the District's COPs obligations were as follows:

Year Ending <u>June 30,</u>	
2015	\$ 910,594
2016	505,444
2017	516,418
2018	531,544
2019	550,544
2020-2024	3,028,312
2025-2029	3,195,000
2030-2034	3,977,064
2035	<u>926,200</u>
	14,141,120
Less amount representing interest	<u>(5,846,120)</u>
	<u><u>\$ 8,295,000</u></u>

Capital Lease

In November 2010, the District entered into a master equipment lease purchase agreement to provide tax-exempt financing for certain energy related projects. These projects consisted of the addition to the North Central utility plant, building lighting retrofits, exterior lighting upgrades, supervisory controls, re-commissioning, computer power management, variable speed pool pump and irrigation system controls upgrade. At June 30, 2014, the assets held under this agreement totaled \$15,329,303 and are still in process of completion; as a result no accumulated depreciation has been recognized.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

Capital Lease (Continued)

At June 30, 2014, the future minimum lease payments are as follows:

Year Ending June 30,	
2015	\$ 553,197
2016	599,360
2017	646,472
2018	696,365
2019	749,205
2020-2024	4,654,647
2025-2027	<u>1,330,599</u>
	9,229,845
Less amount representing interest	<u>(2,775,457)</u>
	<u><u>\$ 6,454,388</u></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 matured during 2014.

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
General Obligation Bonds	\$ 128,416,809	\$ 59,310,000	\$ 58,274,908	\$ 129,451,901	\$ 2,321,598
Bond premium	-	6,791,403	-	6,791,403	393,990
Accreted interest	12,839,591	2,465,024	1,955,237	13,349,378	813,402
Certificates of participation	8,780,000	-	485,000	8,295,000	505,000
Capital lease	6,569,673	-	115,285	6,454,388	175,594
Loan payable - CEC	136	-	136	-	-
Banked faculty load time	263,222	26,644	-	289,866	-
Compensated absences	1,313,617	89,268	-	1,402,885	-
Other postemployment benefits (Note 10)	<u>8,143,893</u>	<u>1,093,475</u>	<u>613,700</u>	<u>8,623,668</u>	<u>-</u>
	<u><u>\$ 166,326,941</u></u>	<u><u>\$ 69,775,814</u></u>	<u><u>\$ 61,444,266</u></u>	<u><u>\$ 174,658,489</u></u>	<u><u>\$ 4,209,584</u></u>

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. PROPERTY TAXES

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

9. 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.

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), a multiple-employer cost-sharing defined benefit 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% 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, 2014 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, 2014, 2013, 2012 were \$1,907,321, \$1,809,782 and \$1,864,750, respectively, and equals 100% of the required contributions for each year. On June 24, 2014, the Governor of California signed Assembly Bill 1469 which will increase the member contribution rate to 19.1% over the next seven years.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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, 2014 was 11.442% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, 2012 were \$1,340,610, \$1,389,434 and \$1,277,082, respectively, and equaled 100 percent of the required contributions for each year.

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the District provides post-retirement health care benefits to employees and dependents that have reached the age of 55 and served the District at least 10 years. The District pays medical, dental vision and life insurance premiums to maintain the level of coverage enjoyed by the retiree immediately preceding retirement up until the age of 65 or death of the retiree.

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Annual required contribution	\$ 686,280
Interest on net OPEB obligation	407,195
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	1,093,475
Contributions made	<u>(613,700)</u>
Increase in net OPEB obligation	479,775
Net OPEB obligation - beginning of year	<u>8,143,893</u>
Net OPEB obligation - end of year	<u>\$ 8,623,668</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and the preceding two years were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2012	\$ 2,209,381	20.5%	\$ 12,003,711
June 30, 2013	\$ (3,454,015)	-11.7%	\$ 8,143,893
June 30, 2014	\$ 1,093,475	56.1%	\$ 8,623,668

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

In the July 1, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own assets calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates include a 3 percent inflation assumption. The District's obligation was fully amortized as of June 30, 2010.

11. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2014, the District has approximately \$544,000 in outstanding commitments on construction contracts.

12. JOINT POWERS AGREEMENTS

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

12. JOINT POWERS AGREEMENTS (Continued)

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

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

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

	<u>PIPS</u> <u>June 30, 2013</u>	<u>SIRMA</u> <u>June 30, 2013</u>
Total assets	\$ 93,631,244	\$ 2,285,175
Total liabilities	\$ 77,229,529	\$ 1,066,759
Net position	\$ 16,401,715	\$ 1,218,416
Total revenues	\$ 19,802,793	\$ 2,700,901
Total expenses	\$ 12,800,520	\$ 2,624,485
Change in net position	\$ 7,002,273	\$ 76,416

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2014

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

See independent auditor's report on 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, 2014

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, 2014 were composed of the following members:

BOARD OF TRUSTEES

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

DISTRICT ADMINISTRATION

Edward Knudson
Superintendent/President

Bonnie Suderman
Vice President, Academic Affairs

Mark Bryant
Interim Vice President, Human Resources

Dr. Erin Vines
Vice President, Student Services

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<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	\$ 272,125
Federal College Work Study (FWS)	84.033	219,679
Federal Direct Loan Program	84.268	16,272,257
Federal Pell Grants (PELL)	84.063	<u>31,588,411</u>
Subtotal Financial Aid Cluster		<u>48,352,472</u>
TRIO - Student Support Services	84.042A	243,793
Higher Education Institutional Aid, Title V Cluster:		
Higher Education Institutional Aid, Title V	84.031S	547,731
Higher Education Institutional Aid, Title V, Co-Op	84.031C	<u>2,094,985</u>
Subtotal Higher Education Institutional Aid, Title V Cluster		<u>2,642,716</u>
<i>Passed through California Community College Chancellor's Office:</i>		
VATEA Cluster:		
Vocational and Applied Technology Educational Act (VATEA) - Opportunities	84.048	490,310
Career and Technical Education - Transitions	84.048A	<u>47,430</u>
Subtotal VATEA Cluster		<u>537,740</u>
Total U.S. Department of Education		<u>51,776,721</u>
<u>U.S. Department of Health and Human Services</u>		
<i>Passed through California Community College Chancellor's Office:</i>		
Temporary Assistant to Needy Families (TANF)	93.558	69,953
Youth Development Services	93.674	<u>19,440</u>
Total U.S. Department of Health and Human Services		<u>89,393</u>
<u>U.S. Department of Veteran Affairs</u>		
Veterans Information and Assistance - Reporting Fees	64.115	<u>5,328</u>
<u>U.S. Department of Agriculture</u>		
<i>Passed through County of Los Angeles:</i>		
Forest Reserve	10.665	<u>55,789</u>
Total Federal Programs		<u>\$ 51,927,231</u>

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2014

	<u>Program Entitlements</u>			<u>Program Revenues</u>			<u>Program Expenditures</u>
	<u>Prior Year Carry-forward</u>	<u>Current Entitlement</u>	<u>Total Entitlement</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Revenue/Accounts Payable</u> <u>Total</u>	
Administrative 2% Enrollment Fee Waivers	\$ 10,574	\$ 183,057	\$ 193,631	\$ 183,057	\$ -	\$ -	\$ 193,631
Basic Skills	370,388	224,154	594,542	224,154	262,129	-	333,052
BFAP Administrative	-	528,289	528,289	528,289	-	-	521,289
Block Grant	64,016	132,338	196,354	132,338	-	-	54,095
CalWORKs	1,965	808,171	810,136	810,136	-	63,283	749,234
CARE	-	187,025	187,025	187,025	-	2,310	185,512
CTE Pathways	439,629	6,833	446,462	446,462	-	220,407	308,795
DHH	-	73,541	73,541	73,541	-	-	73,541
DSS/CalWORKS	-	131,000	131,000	121,285	9,715	-	131,000
DSPS	427	601,252	601,679	601,252	-	-	601,252
EOPS	-	747,921	747,921	747,921	-	10,800	737,921
Foster Care Education	-	109,258	109,258	54,482	54,776	-	109,258
Equal Employment Opportunities	2,161	6,239	8,400	6,239	-	-	6,325
Infrastructure Program (TTIP)	6,553	-	6,553	-	-	-	5,378
Lottery - Proposition 20	330,174	-	330,174	6,043	326,039	-	182,947
Matriculation - Credit	-	663,559	663,559	663,559	-	324,066	324,066
Matriculation - Noncredit	-	154	154	154	-	-	154
Nursing Enrollment	25,833	91,200	117,033	117,033	-	-	117,033
Print Electronic Information	-	11,930	11,930	11,930	-	-	11,930
TANF	-	78,856	78,856	78,856	-	7,909	69,952
LAUP	-	282,235	282,235	42,335	239,897	-	282,232
Total State Programs	\$ 1,251,720	\$ 4,867,012	\$ 6,118,732	\$ 5,036,091	\$ 892,556	\$ 628,775	\$ 5,299,872
							\$ 4,998,597

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

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

Annual Attendance as of June 30, 2014

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2013 only)			
1. Noncredit	-	-	-
2. Credit	533	-	533
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	8,773	-	8,773
b. Daily Census Contact Hours	655	-	655
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	-	-	-
b. Credit	473	-	473
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	568	-	568
b. Daily Census Contact Hours	70	-	70
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
	<hr/>	<hr/>	<hr/>
D. Total FTES	<u>11,072</u>	<u>-</u>	<u>11,072</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	-	-	-
b. Credit	1,442	-	1,442
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	1,348	-	1,348

See accompanying notes to supplementary information.

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

For the Year Ended June 30, 2014

	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
<u>Academic Salaries</u>							
Instructional salaries:							
Contract or regular	1100	\$ 12,554,876	\$ -	\$ 12,554,876	\$ 12,554,876	\$ -	\$ 12,554,876
Other	1300	<u>10,001,226</u>	<u>-</u>	<u>10,001,226</u>	<u>10,001,226</u>	<u>-</u>	<u>10,001,226</u>
Total instructional salaries		<u>22,556,102</u>	<u>-</u>	<u>22,556,102</u>	<u>22,556,102</u>	<u>-</u>	<u>22,556,102</u>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	4,069,739	-	4,069,739
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>679,079</u>	<u>-</u>	<u>679,079</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,748,818</u>	<u>-</u>	<u>4,748,818</u>
Total academic salaries		<u>22,556,102</u>	<u>-</u>	<u>22,556,102</u>	<u>27,304,920</u>	<u>-</u>	<u>27,304,920</u>
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	9,184,419	-	9,184,419
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>823,099</u>	<u>-</u>	<u>823,099</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>10,007,518</u>	<u>-</u>	<u>10,007,518</u>
Instructional aides:							
Regular status	2200	1,023,247	-	1,023,247	1,023,247	-	1,023,247
Other	2400	<u>173,177</u>	<u>-</u>	<u>173,177</u>	<u>173,177</u>	<u>-</u>	<u>173,177</u>
Total instructional aides		<u>1,196,424</u>	<u>-</u>	<u>1,196,424</u>	<u>1,196,424</u>	<u>-</u>	<u>1,196,424</u>
Total classified salaries		<u>1,196,424</u>	<u>-</u>	<u>1,196,424</u>	<u>11,203,942</u>	<u>-</u>	<u>11,203,942</u>
Employee benefits	3000	4,567,850	-	4,567,850	10,840,878	-	10,840,878
Supplies and materials	4000	-	-	-	936,458	-	936,458
Other operating expenses	5000	-	-	-	7,157,589	-	7,157,589
Equipment replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,222</u>	<u>-</u>	<u>229,222</u>
Total expenditures prior to exclusions		<u>\$ 28,320,376</u>	<u>\$ -</u>	<u>\$ 28,320,376</u>	<u>\$ 57,673,009</u>	<u>\$ -</u>	<u>\$ 57,673,009</u>

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2014

	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
<u>Exclusions</u>							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	-	-	-
Objects to exclude:							
Rents and leases	5060	-	-	-	180,760	-	180,760
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	2,177,109	-	2,177,109
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	98,080	-	98,080
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	122,270	-	122,270
Total equipment		-	-	-	122,270	-	122,270
Total capital outlay		-	-	-	220,350	-	220,350
Other outgo	7000	-	-	-	-	-	-
Total exclusions		\$ -	\$ -	\$ -	\$ 2,578,219	\$ -	\$ 2,578,219
Total for ECS 84362, 50% Law		\$ 28,320,376	\$ -	\$ 28,320,376	\$ 55,094,790	\$ -	\$ 55,094,790
Percent of CEE (instructional salary cost /Total CEE)		51.4%	-	51.4%	100%	-	100%
50% of current expense of education					\$ 27,547,395	\$ -	\$ 27,547,395

See accompanying notes to supplementary 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, 2014

	Revenue Bond Construction Fund 42
CCSF-311 Ending Fund Balance, June 30, 2014	\$ 2,401,428
Adjustment to recognize proceeds from COPS issuance in fiscal year June 30, 2011	<u>1,324,410</u>
Audited Ending Fund Balance, June 30, 2014	<u>\$ 3,725,838</u>
Financial Aid Trust Fund 74	
CCSF-311 Ending Fund Balance, June 30, 2014	\$ 1,212,164
Adjustment to reverse revenue recognized in fiscal year June 30, 2014	<u>(744,374)</u>
Audited Ending Fund Balance, June 30, 2014	<u>\$ 467,790</u>

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

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT

For the Year Ended June 30, 2014

EPA Proceeds: \$ 8,696,043

<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	-	\$ 8,696,043	\$ -	\$ -	\$ 8,696,043

See accompanying notes to supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

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

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

F - Prop 30 EPA Expenditure Report

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Antelope Valley Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2014:

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion with State Laws and Regulations

As described in Finding 2014-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Antelope Valley Community College District did not comply with the requirements regarding DSPS. Compliance with such requirements is necessary in our opinion for Antelope Valley Community College District to comply with state laws and regulations applicable to DSPS.

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion with State Laws and Regulations paragraph, Antelope Valley Community College District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Antelope Valley Community College District had not complied with the state laws and regulations.

Other Matters

Antelope Valley Community College District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Antelope Valley Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 19, 2014

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, 2014, 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 19, 2014.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-001, that we consider to be a significant deficiency.

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*.

Antelope Valley Community College District's Response to Finding

Antelope Valley Community College District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Antelope Valley Community College District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 19, 2014

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, 2014. 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, 2014.

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 19, 2014

FINDINGS AND RECOMMENDATIONS

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

Year Ended June 30, 2014

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 No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes 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 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 No

STATE AWARDS

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

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 SIGNIFICANT DEFICIENCY - CASH REPORTING

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting.

Condition

Proceeds from the issuance of COPs were not recorded in the District's capital projects fund. When the COPs were issued for the solar project in 2011, the entry was an adjustment to the District's financial statements. The adjustment has been reflected in the financial statements in prior years; however, the entry was not initially made by the District for the fiscal year ended June 30, 2014.

Effect

An adjustment to record the ending COPs cash balance of \$1,324,410 was made to the capital projects fund.

Cause

Effective internal controls over the recording of cash balances have not been designed and implemented.

Fiscal Impact

None.

Recommendation

The District should implement controls to ensure all cash balances are recorded properly in the financial statements.

Correction Action Plan

In November 2014, the entry was recorded on the District's general ledger, which will resolve this finding for the next audit cycle.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

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, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2014-002 STATE COMPLIANCE - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)

Criteria

Title 5 Section 56022 states: "An up-to-date SEC (Student Educational Contract) for the current year, signed by the student and the DSPS professional staff person, should be available in the file of each student receiving services paid through the DSPS office. Also, students in noncredit special classes should have included in their SEC a detailed description of the criteria used to evaluate the student's measurable progress."

Condition

Sample selections were made from the detailed listing of students receiving DSPS support and services for the 2013-2014 academic year.

We noted 2 out of 25 students selected for testing did not have documentation on file.

Effect

The District is not in compliance with State requirements for DSPS. Based on the total of 1,369 students receiving DSPS support and services and an error rate of 8 percent, the extrapolated error of this finding is 108 students, which results in a total potential error of 110 students when considering the 2 errors noted above.

Cause

No formal policy is in place to ensure records are updated properly and documentation is maintained.

Fiscal Impact

Not determinable.

Recommendation

The District should develop a formal policy and implement controls to ensure records are properly updated and maintained.

Corrective Action Plan

Effective immediately, no student disability will be verified and claimed until a student intake has been completed and the SEC has been signed by the student and by a certificated OSD staff member. In addition, several times during the term and prior to the submittal of OSD data to the Chancellor's Office, staff will ensure that all claimed DSPS student records will have a signed SEC.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

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

Year Ended June 30, 2014

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