ANTELOPE VALLEY
COMMUNITY COLLEGE DISTRICT
Lancaster, California

FINANCIAL STATEMENTS
June 30, 2012

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Antelope Valley Community College District
Lancaster, CA

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Antelope Valley Community College District (the "District") as of and for the year ended June 30, 2012, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary net assets of Antelope Valley Community College District as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2012, on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 - 8 and the Required Supplementary Information, such as the Schedule of Postemployment Benefits (OPEB) Funding Progress on page 32, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise Antelope Valley Community College District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and other supplemental 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplemental information listed in the table of contents are fairly presented, in all material respects, in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 27, 2012

Antelope Valley College
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2012

This section of Antelope Valley College District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2012.

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

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

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

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

FINANCIAL HIGHLIGHTS

- The District's total net assets were $60,507,686 at June 30, 2012.
- During the fiscal year, the District's total operating expenses were $121,154,593. Combined operating, non-operating revenues and capital revenues totaled $127,643,009. This produced an excess of revenues over expenses of $6,488,416.
- 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 $8,504,221, which represents an overall 13.54 percent ending balance. The restricted reserve percentage is 16.36 percent and the unrestricted reserve percentage is 13.2 percent. The Chancellor's Office recommends that the District maintain at minimum an unrestricted reserve percentage of approximately 5 percent.

Statement of Net Assets

The statement of Net Assets (*see page 9, Basic Financial Statements section*) presents the assets, liabilities, and net assets 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 assets–the difference between assets and liabilities–are one way to measure the financial health of the district. The data allows readers to determine the assets available to continue the operations of the district. The net assets of the district consist of three major categories.

Statement of Net Assets (Continued)

- Invested in capital assets – The district's equity in property, plant and equipment.
- Restricted net assets– Restricted net assets are 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 assets – The district can use them for any lawful purpose. Although, unrestricted, the district's governing board may place internal restrictions on these net assets, 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 2012. During the fiscal year ending June 30, 2012, the total net assets increased by $6,488,416, or about 12.0 percent, from the previous year. The District continues to be impacted by the suppressed economic climate in the state of California and increasingly significant reductions in the state support resulting from the growing state budget deficit. This downturn has certainly impacted the District. Accounts receivable has remained a significant balance to the District totaling $21,236,652 or 74.6% of total current assets due to outstanding collections of deferred payments (general fund apportionment) and capital outlay projects collections owed to the District by the State of California. Current liabilities, mainly accounts payable, increased by $434,679 or by 3.9 percent mainly due to amounts owed to vendors for the bond projects.

Condensed Statement of Net Assets:

ASSETS	2012	2011	Change	% Change
Current Assets				
Cash, investments and short-term receivables	$ 27,534	$ 37,921	$ (10,387)	-27.4%
Inventory and other assets	899	737	161	21.9%
Total Current Assets	28,433	38,658	(10,225)	-26.5%
Noncurrent Assets				
Other noncurrent assets	27,060	32,119	(5,059)	-15.7%
Capital Assets (net of depreciation)	202,389	175,105	27,283	15.6%
Total Non Current Assets	229,449	207,224	22,225	10.7%
Total Assets	$ 257,882	$ 245,882	$ 11,999	4.9%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$ 11,609	$ 11,174	$ 435	3.9%
Deferred revenue	1,490	1,828	(338)	-18.5%
TRANs payable	13,000	9,500	3,500	36.8%
Current portion of long-term obligations	3,845	2,398	1,448	60.4%
Total Current Liabilities	29,944	24,899	5,045	20.3%
Long-Term Obligations	167,430	166,964	466	0.3%
Total Liabilities	197,374	191,863	5,511	2.9%
NET ASSETS				
Invested in capital assets	55,823	37,439	18,385	49.1%
Restricted for capital projects and debt service	12,133	20,141	(8,007)	-39.8%
Unrestricted	(7,449)	(3,560)	(3,889)	109.2%
Total Net Assets	60,508	54,019	6,488	12.0%
Total Liabilities and Net Assets	$ 257,882	$ 245,882	$ 11,999	4.9%

Statement of Revenues, Expenses and Change in Net Assets

The Statement of Revenues, Expenses and Change in Net Assets (*see page 10, 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 assets on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Change in Net Assets. Generally speaking, operating revenues are received for those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the district.

The Statement of Revenues, Expenses, and Change in Net Assets reflects a positive year due to an increase in other revenue, mainly state apportionments for capital projects. Net assets have increased at the end of the year by $6,488,416. Although the statement shows an operating loss of $84,844,139, that balance does not reflect the $72,569,086 in non-operating revenue. The District reports an increase in the total operating revenues of $2,223,733 over fiscal year 2011.

Operating Revenues	2012	2011	Change	% Change
Tuition and fees	$ 2,861	$ 2,985	$ (124)	-4.2%
Grants and contracts	29,796	36,457	(6,661)	-18.3%
Auxiliary enterprise sales and charges	3,654	4,754	(1,100)	-23.1%
Total Operating Revenues	36,310	44,195	(7,885)	-17.8%
Operating Expenses				
Salaries and benefits	55,908	56,674	(766)	-1.4%
Supplies and maintenance	14,070	21,781	(7,711)	-35.4%
Payments to Students	49,259	49,560	(301)	-0.6%
Depreciation	1,918	1,187	731	61.6%
Total Operating Expenses	121,155	129,202	(8,048)	-6.2%
Loss on Operations	(84,844)	(85,007)	163	0.2%
Non-operating Revenues and (Expenses)				
State apportionment	44,780	47,795	(3,015)	-6.3%
Property taxes	4,847	6,732	(1,885)	-28.0%
State revenues	117	45	73	162.3%
Pell grants	28,093	22,688	5,405	23.8%
Interest income	511	842	(331)	-39.3%
Interest expense	(7,523)	(7,801)	279	-3.6%
Loss on Disposal of Assets	(272)	(293)	21	-7.2%
Other non-operating revenue	2,015	338	1,678	496.9%
Total Non-operating Revenue	72,569	70,345	2,224	3.2%
Other Revenues				
State, capital income	10,624	17,792	(7,167)	-40.3%
Local revenues, capital	8,139	6,659	1,480	22.2%
Total Other Revenues	18,763	24,450	(5,687)	-23.3%
Net Increase (Decrease) in Net Assets	$ 6,488	$ 9,788	$ (3,300)	-33.7%

Statement of Cash Flows

The statement of cash flows (*see page 11, 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, 2012 was $72,196,730.

Cash Provided by (Used in)	2012	2011	Change	% Change
Operating activities	$ (72,197)	$ (84,884)	$ 12,687	-14.9%
Noncapital financing activities	75,458	73,920	1,537	2.1%
Capital financing activities	(13,802)	(13,474)	(328)	2.4%
Investing activities	511	1,039	(528)	-50.8%
Net Increase (Decrease) in Cash	(10,030)	(23,398)	13,369	-57.1%
Cash, Beginning of Year	43,387	66,786	(23,398)	-35.0%
Cash, End of Year	$ 33,358	$ 43,387	$ (10,030)	-23.1%

Capital Assets

The District's capital assets, net of accumulated depreciation at June 30, 2012 totaled $202,388,623. This represented an increase in capital assets of $27,293,317 from the prior year or a 16% increase from 2011. The District has continued it's capital improvements as outlined and funded by Measure R. Below is a summary of the District's capital assets.

Capital Assets:	2012	2011	Change	% Change
Land	$ 2,430,691	$ 2,430,691	$ -	0%
Construction in Process	176,347,924	152,175,708	24,172,216	16%
Building improvements	38,168,401	33,785,677	4,382,724	13%
Machinery and equipment	8,992,518	8,552,164	440,354	5%
Total	225,939,534	196,944,240	28,995,294	15%
Accumulated depreciation				
Building improvements	(17,753,491)	(17,256,000)	(497,491)	3%
Machinery and equipment	(5,797,420)	(4,582,934)	(1,214,486)	27%
Capital Assets, net	$ 202,388,623	$ 175,105,306	$ 27,283,317	16%

Long Term Liabilities

The District's total long-term liabilities at June 30, 2012 totaled $171,275,103. This represented an increase from the prior year of $1,913,732 or 1%. The significant changes from the prior year included the pay down of General Obligation Bonds, Certificates of Participation, and loan payables, but increases in accreted interest on capital appreciation bonds and increase in other postemployment benefit (OPEB) liabilities. Below is a summary of the District's long-term liabilities.

Long-Term Liabilities:	2012	2011	Change	% Change
General Obligation Bonds	$ 129,801,581	$ 131,058,826	$ (1,257,245)	-1%
Accreted interest	10,924,997	8,933,751	1,991,246	22%
Certificates of participation	9,240,000	9,680,000	(440,000)	-5%
Capital lease	6,631,459	6,645,947	(14,488)	0%
Loan payable - SCE	354,041	591,162	(237,121)	-40%
Loan payable -CEC	63,763	125,525	(61,762)	-49%
SERP	387,113	774,226	(387,113)	-50%
Banked faculty load time	571,874	-	571,874	100%
Compensated absences	1,296,574	1,304,039	(7,465)	-1%
Other Postemployment Benefits	12,003,701	10,247,895	1,755,806	17%
Total Long Term Liabilities	$ 171,275,103	$ 169,361,371	1,913,732	1%

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of the students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. 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 2012-2013 Budget was adopted with the assumption of passing Proposition 30: Public Schools and Safety Act would increase taxes to fund education. Proposition 30 increases the state sales tax by 0.25% from January 1, 2013 through December 31, 2016. This proposition also progressively increases the tax obligation by those making over $250K from anywhere between 1% and 3% from tax years 2012-2016. In November 2012, the proposition passed by nearly 54%.[1]

The California Community College system has seen deferrals grow to nearly $961 million. [2] These deferrals have created cash flow challenges to those who have a significant amount of their total computational revenue tied to the State apportionment. Proposition 30 would pay down nearly $159 million of the $961 million deferral in the first fiscal, with the goal of buying down the entire deferral figure before the taxes are set to expire.

There is a small amount of growth expected with the passage of Proposition 30. Over the past several years, education had been cut through a series of triggers when State general fund revenue assumptions were not met. Because Proposition 30 has created an Education Protection Account, the tax revenue collected would mainly go towards education. Of this amount, 11% will go to community colleges and 89% going towards K-12.

Economic Factors That Will Affect the Future (Continued)

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. There is an anticipated property tax shortfall for the 2012-2013 fiscal year. The District has budgeted for this shortfall.

The recovery from the recession has been slow. The housing market has been increasing at 1-2% as opposed to 3-4% during a normal after recession recovery. Unemployment has slowly been declining, but is still at around 10.6 percent as of August 31, 2012.[3]

While the additional revenue received from Proposition 30 will help fund schools, there is little available for growth. This is mainly funding to avoid drastic cuts and to maintain the existing level of education. Until the State of California recovers, added funding for schools will be minimal.

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.

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[1] November 9, 2012, Association of California Community College Administrators Reports Newsletter, http://www.accca.org/i4a/pages/index.cfm?pageID=3350

[2] July 11, 2012 Chancellor's Office Estimated Deferral Repayment Schedule 2011-2012, http://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalServicesUnit/Reports/ApportionmentReports/201112.aspx

[3] September 21, 2012, State of California Employment Development Department Press Release No. 12-47.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS	
Current assets:	
Cash and investments (Note 2)	$ 6,297,296
Receivables (Note 3)	21,236,652
Inventory	460,096
Prepaid expenses and other assets	438,549
Total current assets	28,432,593
Noncurrent assets:	
Restricted cash and investments (Note 2)	27,060,343
Non-depreciable capital assets (Note 4)	178,778,615
Depreciable capital assets, net (Note 4)	23,610,008
Total noncurrent assets	229,448,966
Total assets	$ 257,881,559
LIABILITIES	
Current liabilities:	
Accounts payable	$ 11,608,731
Deferred revenue	1,490,039
Short term borrowing (Note 5)	13,000,000
Long-term debt - current portion (Note 6)	3,845,360
Total current liabilities	29,944,130
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion (Note 6)	1,296,574
Banked faculty load time - noncurrent portion (Note 6)	571,874
Long-term debt - noncurrent portion (Note 6)	165,561,295
Total noncurrent liabilities	167,429,743
Total liabilities	197,373,873
Commitments and contingencies (Note 10)	
NET ASSETS	
Invested in capital assets, net of related debt	55,823,431
Restricted for capital projects and debt service	10,071,462
Restricted for other special purposes	2,061,756
Unrestricted	(7,448,963)
Total net assets	60,507,686
Total liabilities and net assets	$ 257,881,559

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2012

Operating revenues:	
Tuition and fees	$ 9,816,321
Less: Scholarship discounts and allowances	(6,955,438)
Net tuition and fees	2,860,883
Grants and contracts, non-capital:	
Federal	22,378,055
State	7,417,477
Auxiliary enterprise sales and charges:	3,654,039
Total operating revenues	36,310,454
Operating expenses (Note 12):	
Salaries and benefits (Notes 8 and 9)	55,908,335
Supplies, materials, and other operating expenses and services	13,041,706
Equipment, maintenance and repairs	1,028,056
Student financial aid	49,258,592
Depreciation (Note 4)	1,917,904
Total operating expenses	121,154,593
Loss from operations	(84,844,139)
Non-operating revenues (expenses):	
State apportionment, non-capital	44,779,734
Local property taxes (Note 7)	4,847,246
State taxes and other revenues	117,333
Pell grants	28,093,058
Investment income, noncapital	511,127
Interest expense on capital asset-related debt, net	(7,522,528)
Loss on disposal of capital assets (Note 4)	(272,072)
Other non-operating revenues	2,015,188
Total non-operating revenues (expenses)	72,569,086
Loss before capital revenues	(12,275,053)
Capital revenues:	
Grants and gifts, capital	10,624,413
Property taxes (Note 7)	6,333,056
Other local capital revenue	1,806,000
Total capital revenues	18,763,469
Change in net assets	6,488,416
Net assets, July 1, 2011	54,019,270
Net assets, June 30, 2012	$ 60,507,686

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Tuition and fees	$ 2,860,883
Federal grants and contracts	22,302,830
State and local grants and contracts	16,635,159
Payments to employees	(54,181,476)
Payments to students, suppliers and vendors	(63,468,165)
Auxiliary enterprise sales and charges	3,654,039
Net cash used in operating activities	(72,196,730)
Cash flows from noncapital financing activities:	
State appropriations	40,384,779
Local property taxes	4,847,246
State taxes and other revenues	117,333
Other local revenues	28,093,058
Noncapital other local receipts	2,015,188
Net cash provided by noncapital financing activities	75,457,604
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	10,624,413
Local property taxes, capital purposes	8,139,056
Principal paid on capital debt	(2,397,730)
Short term borrowing	3,500,000
Purchases of capital assets	(28,136,308)
Interest paid on capital debt, net	(5,531,281)
Net cash used in capital and related financing activities	(13,801,850)
Cash flows provided by investing activities:	
Interest income	511,127
Net decrease in cash and investments	(10,029,849)
Cash and investments, beginning of year	43,387,488
Cash and investments, end of year	$ 33,357,639

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2012

Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	$	(84,844,139)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation expense		1,917,904
Changes in assets and liabilities:		
Receivables, net		10,826,654
Prepaid expenses and other assets		(21,482)
Inventory		(139,811)
Accounts payable		(1,684,197)
Compensated absences		(7,465)
Other postemployment benefits		1,755,806
Net cash used in operating activities	$	(72,196,730)
Noncash capital and related financing activities:		
Amortization of bond issuance costs	$	3,133
Accretion of interest		2,519,000
Total noncash capital and related financing activities	$	2,522,133

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

		Associated Students
ASSETS		
Cash and investments (Note 2)	$	301,741
Receivables		32,207
Total assets		333,948
LIABILITIES		
Due to student groups	$	333,948

See accompanying 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 Unitied 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.

Fidicuary 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 Fiduciairy Net Assets and the Statement of Change in Fiduciary Net Assets at the fund financial statement level.

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

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after that date.

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.

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 assets.

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 Assets. The fair value of investments, including the Los Angeles County Treasury external investment pool, at June 30, 2012 approximated their carrying value.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District maintains an allowance for doubtful accounts at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of other receivable balances.

Capital Assets

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

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

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest capitalized totaled $1,336,785 during the year ended June 30, 2012.

Compensated Absences

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Banked Faculty Load

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

Deferred 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 deferred revenue until earned.

Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: 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 invested in capital assets, net of related debt.

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

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

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

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Prior year corrections due to the recalculation in February 2011 will be recorded in the year completed by the state.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On Behalf Payments

GASB Cod. Sec. 2300.120 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits of the State Teachers on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of $994,611 (4.267% of salaries subject to CalSTRS).

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. 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: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most Federal, State and local grants and contracts and Federal appropriations, and (3) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Cod. Sec. 2200.190-.191, such as State appropriations, Pell grants and investment income.

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 assets. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

2. CASH AND INVESTMENTS

District cash and investments at June 30, 2012, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	$ 29,695,690	$ -
Deposits:		
Cash on hand and in banks	1,828,045	301,741
Revolving fund	30,000	-
Cash held by Fiscal Agent	1,803,904	-
Total cash and investments	33,357,639	301,741
Less: restricted cash and investments:		
Cash held in County Treasury	(25,256,439)	-
Cash held by Fiscal Agent	(1,803,904)	-
Total restricted cash and investments	(27,060,343)	-
Net cash and investments	$ 6,297,296	$ 301,741

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, 2012.

2. CASH AND INVESTMENTS (Continued)

Cash with Fiscal Agent

Cash with Fiscal Agent of $1,803,904 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. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to $250,000 and noninterest-bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts was $2,159,786 and the bank balance was $2,117,944 of which all was fully insured.

Credit Risk

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

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

Interest Rate Risk

The District investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2012, 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, 2012, the District had no concentration of credit risk.

3. RECEIVABLES

Receivables at June 30, 2012 are summarized as follows:

Federal	$ 638,455
State	18,189,421
Local and other	2,408,776
	$ 21,236,652

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2011	Additions	Deductions	Transfers	Balance June 30, 2012
Non-depreciable:					
Land	$ 2,430,691	$ -	$ -	$ -	$ 2,430,691
Construction in progress	152,175,708	29,473,293	(253,517)	(5,047,560)	176,347,924
Depreciable:					
Building improvements	33,785,677	-	(6,800)	4,389,524	38,168,401
Machinery and equipment	8,552,164	-	(217,682)	658,036	8,992,518
Total	196,944,240	29,473,293	(477,999)	-	225,939,534
Less accumulated depreciation:					
Building improvements	17,256,000	498,454	(963)	-	17,753,491
Machinery and equipment	4,582,934	1,419,450	(204,964)	-	5,797,420
Total	21,838,934	1,917,904	(205,927)	-	23,550,911
Capital assets, net	$ 175,105,306	$ 27,555,389	$ (272,072)	$ -	$ 202,388,623

5. TAX REVENUE ANTICIPATION NOTES (TRANS)

Tax Revenue Anticipation Notes (TRANs) are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANs activity for the year ended June 30, 2012 is as follows:

	Outstanding July 1, 2011	Additions	Deletions	Outstanding June 30, 2012
Series 2012 - 2.0% Tax Revenue Anticipation Note due November 30, 2012	$ 9,500,000	$ 13,000,000	$ (9,500,000)	$ 13,000,000

6. LONG-TERM LIABILITIES

General Obligation Bonds

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

The annual payments required to amortize the Series A, 2004 General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 300,000	$ 56,831	$ 356,831
2014	375,000	44,785	419,785
2015	460,000	29,650	489,650
2016	550,000	10,656	560,656
	$ 1,685,000	$ 141,922	$ 1,826,922

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

The annual payments required to amortize the 2006 Capital Appreciation General Obligation Refunding Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 629,772	$ 672,318	$ 1,302,090
2014	580,593	766,405	1,346,998
2015	536,598	857,453	1,394,051
2016	493,495	1,168,457	1,661,952
2017	659,590	717,705	1,377,295
	$ 2,900,048	$ 4,182,338	$ 7,082,386

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2006 Current Interest General Obligation Refunding Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 876,750	$ 876,750
2014	-	876,750	876,750
2015	-	876,750	876,750
2016	-	876,750	876,750
2017	-	876,750	876,750
2018-2022	13,850,000	2,792,500	16,642,500
2023	3,685,000	92,125	3,777,125
	$ 17,535,000	$ 7,268,375	$ 24,803,375

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

The annual payments required to amortize the Series B, 2004 Capital Appreciation General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2033-2037	$ 12,231,256	$ 42,633,744	$ 54,865,000

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the Series B, 2004 Current Interest General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 2,116,013	$ 2,116,013
2014	-	2,116,013	2,116,013
2015	-	2,116,013	2,116,013
2016	-	2,116,013	2,116,013
2017	-	2,116,013	2,116,013
2018-2022	-	10,580,065	10,580,065
2023-2027	-	10,580,065	10,580,065
2028-2032	-	10,580,065	10,580,065
2033-2037	-	10,580,065	10,580,065
2038-2040	40,305,000	3,289,505	43,594,505
	$ 40,305,000	$ 56,189,830	$ 96,494,830

The annual payments required to amortize the Series C, 2004 Capital Appreciation General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2028-2032	$ 14,124,097	$ 32,925,903	$ 47,050,000
2033	251,180	748,820	1,000,000
	$ 14,375,277	$ 33,674,723	$ 48,050,000

The annual payments required to amortize the Series C, 2004 Current Interest General Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 455,000	$ 2,024,547	$ 2,479,547
2014	565,000	2,003,156	2,568,156
2015	680,000	1,976,700	2,656,700
2016	810,000	1,945,038	2,755,038
2017	935,000	1,904,451	2,839,451
2018-2022	7,010,000	8,584,875	15,594,875
2023-2027	30,315,000	4,462,125	34,777,125
	$ 40,770,000	$ 22,900,892	$ 63,670,892

6. LONG-TERM LIABILITIES (Continued)

Certificates of Participation

In June 2010, the District entered into a lease agreement in the amount of $10,000,000 with Los Angeles County Schools Regionalized Business Services Corporation to finance the cost of construction of solar energy projects. The COPs with an interest rate ranging from 3.0% to 5.25% mature in varying amounts through 2036. At June 30, 2012, the District's COPs obligations were as follows:

Year Ending June 30,	
2013	$ 893,944
2014	905,144
2015	910,594
2016	505,444
2017	516,418
2018-2022	2,838,000
2023-2027	3,142,000
2028-2032	3,589,838
2033-2037	2,638,826
	15,940,208
Less amount representing interest	(6,700,208)
	$ 9,240,000

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, 2012, the assets held under this agreement totaled $13,958,492 and are still in process of completion, as a result no accumulated depreciation has been recognized.

6. LONG-TERM LIABILITIES (Continued)

Capital Lease (Continued)

At June 30, 2012, the future minimum lease payments are as follows:

Year Ending June 30,	
2013	$ 452,898
2014	501,317
2015	553,197
2016	599,360
2017	646,472
2018-2022	4,042,390
2023-2027	3,388,426
	10,184,060
Less amount representing interest	(3,552,601)
	$ 6,631,459

Loan Payable

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

Year Ending June 30,	
2013	$ 63,763

In 2011, the District entered into an agreement with Southern California Edison ("SCE") to repay underbilled and unpaid utilities received by the District. SCE and the District agreed to repay the obligation over a three years period with no interest. At June 30, 2012, the future payments are as follows:

Year Ending June 30,	
2013	$ 354,041

6. LONG-TERM LIABILITIES (Continued)

SERP

In prior fiscal years, the District entered into agreements with academic and classified personnel who met certain qualifications to received incentives in exchange for early retirement. At June 30, 2012, the remaining balance outstanding totaled $387,113. The remaining SERP balance is scheduled for payoff during the fiscal year ending June 30, 2013.

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
General Obligation Bonds	$ 131,058,826	$ -	$ 1,257,245	$ 129,801,581	$ 1,384,772
Accreted interest	8,933,751	2,519,000	527,754	10,924,997	1,134,021
Certificates of participation	9,680,000	-	440,000	9,240,000	460,000
Capital lease	6,645,947	-	14,488	6,631,459	61,786
Loan payable - CEC	125,525	-	61,762	63,763	63,763
Loan payable - SCE	591,162	-	237,121	354,041	354,041
SERP	774,226	-	387,113	387,113	387,113
Banked faculty load time	-	571,874	-	571,874	-
Compensated Absences	1,304,039	-	7,465	1,296,574	-
Other Postemployment Benefits (Note 9)	10,247,895	2,209,371	453,565	12,003,701	-
	$ 169,361,371	$ 5,300,245	$ 3,386,513	$ 171,275,103	$ 3,845,496

7. PROPERTY TAXES

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

8. EMPLOYEE RETIREMENT SYSTEMS

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active members of the DB Plan are required to contribute 8.0% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year June 30, 2012 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, 2012, 2011, 2010 were $1,864,750, $1,952,642 and $2,006,134, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

Plan Descriptions

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.

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year June 30, 2012 was 10.923% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, 2010 were $1,350,020, $1,279,519 and $1,150,499, respectively, and equaled 100 percent of the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Annual required contribution	$ 2,150,896
Interest on net OPEB obligation	512,395
Adjustment to annual required contribution	(453,910)
Annual OPEB cost (expense)	2,209,381
Contributions made	(453,565)
Increase in net OPEB obligation	1,755,816
Net OPEB obligation - beginning of year	10,247,895
Net OPEB obligation - end of year	$ 12,003,711

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 1,066,317	43.3%	$ 9,701,453
June 30, 2011	$ 1,068,898	48.9%	$ 10,247,895
June 30, 2012	$ 2,209,381	20.5%	$ 12,003,711

As of March 1, 2011, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $7,600,837, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $7,600,837. The covered payroll (annual payroll of active employees covered by the Plan) was $29,337,953, and the ratio of the UAAL to the covered payroll was 25.9 percent. The OPEB plan is currently operated as a pay-as-you-go-plan.

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

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

In the March 1, 2011, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates include a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 27 years.

10. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2012, the District has approximately $5.1 million in outstanding commitments on construction contracts.

11. JOINT POWERS AGREEMENTS

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

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

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

11. JOINT POWERS AGREEMENTS (Continued)

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

	PIPS June 30, 2011	SIRMA June 30, 2012
Total assets	$ 93,970,269	$ 2,237,222
Total liabilities	$ 71,211,379	$ 1,000,264
Net assets	$ 22,758,890	$ 1,236,958
Total revenues	$ 6,895,722	$ 2,699,804
Total expenses	$ 14,184,665	$ 2,725,818
Change in net assets	$ (7,288,943)	$ (26,014)

12. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2012.

Functional Classifications	Salaries and Benefits	Supplies, Materials and Other Operating Expenses and Services	Equipment, Maintenance and Repairs	Student Financial Aid	Depreciation	Total
Instruction	$ 29,427,935	$ 8,073,528	$ -	$ -	$ -	$ 37,501,463
Academic Support	5,082,955	-	-	-	-	5,082,955
Student Services	6,876,765	-	47,347	-	-	6,924,112
Operations and Mainten-ance of Plant	3,395,505	-	-	-	-	3,395,505
Institution Support	7,999,497	-	-	-	-	7,999,497
Community Support	16,658	-	-	-	-	16,658
Ancillary Services	3,089,452	-	2,948,064	-	-	6,037,516
Student Aid	-	-	-	49,258,592	-	49,258,592
Physical Property	19,568	1,972,767	1,028,056	-	-	3,020,391
Depreciation	-	-	-	-	$ 1,917,904	1,917,904
	$ 55,908,335	$ 10,046,295	$ 4,023,467	$ 49,258,592	$ 1,917,904	$ 121,154,593

13. SUBSEQUENT EVENT

In October 2012, the District issued TRANs totaling $23,500,000 maturing October 15, 2013 bearing an interest rate of 2.0%. The purpose of the TRANs is to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements.

REQUIRED SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2012

Schedule of Funding Progress

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

See accompanying notes to required supplementary information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - <u>Schedule of Other Postemployment Benefits Funding Progress</u>

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, 2012

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, 2012 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Betty Wienke	President	2012
Michael Adams	Vice President	2012
Jack Seefus	Clerk	2014
Steve Buffalo	Trustee	2012
Lew Stults	Trustee	2014

DISTRICT ADMINISTRATION

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

Sharon Lowry
Vice President, Academic Affairs

Shane Turner
Vice President, Human Resources

(Vacant)
Vice President, Administrative Services

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Supplementary Educational Opportunity Program (FSEOG)	84.007	$ 218,625
Federal College Work Study (FWS)	84.033	218,309
Federal Direct Loan Program	84.268	19,437,098
Federal Pell Grants (PELL)	84.063	28,093,058
Subtotal Financial Aid Cluster		47,967,090
TRIO - Student Support Services	84.042A	250,966
Higher Education Institutional Aid, Title V Cluster:		
Higher Education Institutional Aid, Title V	84.031S	654,186
Higher Education Institutional Aid, Title V, Co-Op	84.031C	618,311
Subtotal Higher Education Institutional Aid, Title V Cluster		1,272,497
Passed through California Community College Chancellor's Office:		
VATEA Cluster:		
Vocational and Applied Technology Educational Act (VATEA) - Opportunities	84.048	568,562
Career and Technical Education - Transitions	84.048A	279,603
Subtotal VATEA Cluster		848,165
Total U.S. Department of Education		50,338,718
U.S. Department of Health and Human Services		
Passed through California Community College Chancellor's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	80,652
Youth Development Services	93.674	47,360
Total U.S. Department of Health and Human Services		128,012
U.S. Department of Veteran Affairs		
Veterans Information and Assistance - Reporting Fees	64.115	4,383
Total Federal Programs		$ 50,471,113

See accompanying notes to supplemental information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2012

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	Total	Program Expend-itures
Administrative 2% Enrollment Fee Waivers	$ -	$ 88,536	$ 88,536	$ 88,536	$ -	$ 87,713	$ 823	$ 823
Basic Skills	307,440	236,321	543,761	543,761	-	390,951	152,810	152,810
BFAP Administrative	94,625	488,205	582,830	582,830	-	-	582,830	582,830
Block Grant	95,837	-	95,837	-	95,837	81,007	14,830	14,830
CalWORKs	-	614,597	614,597	575,597	54,093	-	629,690	629,690
CARE	-	188,706	188,706	188,706	-	2,013	186,693	186,693
Career Tech	140,916	-	140,916	140,916	235	-	141,151	141,151
CTE Pathways	400,000	411,350	811,350	729,080	-	637,364	91,716	91,716
CTE Supplemental	-	130,000	130,000	130,000	-	128,875	1,125	1,125
DSS/CalWORKS	-	115,000	115,000	46,615	52,300	2,937	95,978	95,978
DSPS	-	535,108	535,108	535,108	750	-	535,858	535,858
EOPS	-	615,735	615,735	615,735	-	35	615,700	615,700
Foster Care Education	-	115,893	115,893	71,851	44,042	-	115,893	115,893
Equal Employment Opportunities	8,806	6,523	15,329	15,329	-	232	15,097	15,097
Health Career Training	-	8,280	8,280	8,280	-	110	8,170	8,170
Infrastructure Program (TTIP)	8,113	-	8,113	8,113	-	6,553	1,560	1,560
Lottery - Proposition 20	420,290	198,596	618,886	618,886	-	453,235	165,651	165,651
Matriculation - Credit	-	382,482	382,482	382,482	-	-	382,482	382,482
Matriculation - Noncredit	-	8,443	8,443	8,443	-	-	8,443	8,443
Nursing Enrollment	-	236,277	236,277	213,833	32,741	-	246,574	246,574
TANF	-	78,347	78,347	78,347	5,697	-	84,044	84,044
Transfers & Articulation	2,285	-	2,285	-	2,274	-	2,274	2,274
WIP	-	225,000	225,000	135,000	-	126,163	8,837	8,837
Total State Programs	$ 1,478,312	$ 4,683,399	$ 6,161,711	$ 5,717,448	$ 287,969	$ 1,917,188	$ 4,088,229	$ 4,088,229

See accompanying notes to supplemental information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2012

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	-	-	-
2. Credit	297	-	297
B. Summer Intersession (Summer 2012 - Prior to July 1, 2011)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	9,547	-	9,547
b. Daily Census Contact Hours	303	-	303
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	-	-	-
b. Credit	430	-	430
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	6	-	6
b. Daily Census Contact Hours	-	-	-
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	10,583	-	10,583
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	-	-	-
b. Credit	1,382	-	1,382
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	1,317	-	1,317

See accompanying notes to supplemental information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2012

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 12,704,822	$ -	$ 12,704,822	$ 12,704,822	$ -	$ 12,704,822
Other	1300	8,526,184	-	8,526,184	8,526,184	-	8,526,184
Total instructional salaries		21,231,006	-	21,231,006	21,231,006	-	21,231,006
Non-instructional salaries:							
Contract or regular	1200	-	-	-	3,653,306	-	3,653,306
Other	1400	-	-	-	803,068	-	803,068
Total non-instructional salaries		-	-	-	4,456,374	-	4,456,374
Total academic salaries		21,231,006	-	21,231,006	25,687,380	-	25,687,380
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	8,407,110	-	8,407,110
Other	2300	-	-	-	741,924	-	741,924
Total non-instructional salaries		-	-	-	9,149,034	-	9,149,034
Instructional aides:							
Regular status	2200	966,713	-	966,713	966,713	-	966,713
Other	2400	218,955	-	218,955	218,955	-	218,955
Total instructional aides		1,185,668	-	1,185,668	1,185,668	-	1,185,668
Total classified salaries		1,185,668	-	1,185,668	10,334,702	-	10,334,702
Employee benefits	3000	5,065,665	-	5,065,665	11,357,431	-	11,357,431
Supplies and materials	4000	-	-	-	866,484	-	866,484
Other operating expenses	5000	-	-	-	5,909,803	-	5,909,803
Equipment replacement	6420	-	-	-	184,593	-	184,593
Total expenditures prior to exclusions		$ 27,482,339	$ -	$ 27,482,339	$ 54,340,393	$ -	$ 54,340,393

See accompanying notes to supplemental information.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2012

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Exclusions	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
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	-	-	-	214,842	-	214,842
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	64,220	-	64,220
Employee benefits	3000	-	-	-	15,549	-	15,549
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	24,843	-	24,843
Total supplies and materials		-	-	-	24,843	-	-
Other operating expenses and services	5000	-	-	-	2,202,116	-	2,202,116
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	77,788	-	77,788
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	106,804	-	106,804
Total equipment		-	-	-	106,804	-	106,804
Total capital outlay		-	-	-	184,592	-	184,592
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ -	$ -	$ -	$ 2,706,162	$ -	$ 2,706,162
Total for ECS 84362, 50% Law		$ 27,482,339	$ -	$ 27,482,339	$ 51,634,231	$ -	$ 51,634,231
Percent of CEE (instructional salary cost /Total CEE)		53.23%	-	53.23%	100.00%	-	100.00%
50% of current expense of education					$ 25,817,116	$ -	$ 25,817,116

See accompanying notes to supplemental information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

	Revenue Bond Construction Fund 42
CCSF-311 Ending Fund Balance, June 30, 2012	$ 11,998,344
Adjustment to recognize proceeds from COPS issuance in fiscal year June 30, 2011	1,348,063
Audited Ending Fund Balance, June 30, 2012	$ 13,346,407

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

See accompanying notes to supplemental information.

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditures of Federal Awards

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

B - Schedule of State Financial Awards

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

FINDINGS AND RECOMMENDATIONS

INDEPENDENT AUDITORS' REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Antelope Valley Community College District
Lancaster, CA

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, 2012. Compliance with the requirements of state laws and regulations is the responsibility of Antelope Valley Community College District's management. Our responsibility is to express an opinion on Antelope Valley Community College District's compliance based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below 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. Our audit does not provide legal determination of Antelope Valley Community College District's compliance with those requirements.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the *Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM)*:

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

In our opinion, Antelope Valley Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2012.

This report is intended solely for the information and use of the Board of Trustees, District management, the California Community Colleges Chancellor's Office and the Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 27, 2012

INDEPENDENT AUDITORS' 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, CA

We have audited the business-type activities of Antelope Valley Community College District as of and for the year ended June 30, 2012 which collectively comprises basic financial statements, and have issued our report thereon dated December 27, 2012. 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.

Internal Control Over Financial Reporting

Management of Antelope Valley Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Antelope Valley Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Antelope Valley Community College District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Antelope Valley Community College District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, 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*.

This report is intended for the information of the Board of Trustees, District management, and the Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 27, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Antelope Valley Community College District
Lancaster, CA

Compliance

We have audited Antelope Valley Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2012. Antelope Valley Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Antelope Valley Community College District's management. Our responsibility is to express an opinion on Antelope Valley Community College District's compliance based on our audit.

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 obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133*. 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. Our audit does not provide a legal determination on Antelope Valley Community College District's compliance with those requirements.

In our opinion, Antelope Valley Community College District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Antelope Valley Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Antelope Valley Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of District management, the Board of Trustees, and the federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 27, 2012

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84,268, 84.063	Student Financial Aid Cluster
84.031C, 84.031S	Higher Education Institutional Aid, Title V Cluster
84.048, 84.048A	VATEA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	______ Yes	__X__ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs:	Unqualified

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2012

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented

No matters were reported.