ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
PROPOSITON 39 GENERAL OBLIGATION BONDS
GENERAL OBLIGATION BONDS
ELECTION 2004
SERIES A
&
2006 GENERAL OBLIGATION REFUNDING BONDS
PERFORMANCE AUDIT

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INDEPENDENT AUDITOR'S REPORT

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

We have examined the Antelope Valley Community College District's compliance with the performance requirements for the Proposition 39 General Obligation Bonds for the year ended June 30, 2007, under the applicable provisions of Section 1(b)(3)(C) of Article XIIIA of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Antelope Valley Community College District's compliance with those requirements. Our responsibility is to express an opinion on the Antelope Valley Community College District's compliance with such requirements thereof based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Antelope Valley Community College District's compliance with specified requirements.

In our opinion, the Antelope Valley Community College District complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2007.

Burkey, Cox, Evans & Bradford

BURKEY, COX, EVANS & BRADFORD
Accountancy Corporation

Lancaster, California
December 14, 2007

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
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OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Antelope Valley Community College District Capital Projects Bond Fund.
- Determine whether expenditures charged to the Capital Projects Bond Fund have been made in accordance with the bond project list approved by the voters through the approval of the Election of 2004, General Obligation Bonds, Series A.
- Note any incongruities or system weaknesses and provide recommendations for improvement.
- Provide the District Board and the Citizens' Bond Oversight Committee with a performance audit as required under the provisions of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period July 1, 2006 through June 30, 2007. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State of local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2007 were not reviewed or included within the scope of our audit or in this report.

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BACKGROUND INFORMATION

In November of 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. In November of 2004, a general obligation bond proposition (Election of 2004) of the Antelope Valley Community College District was approved by more than fifty-five percent of the voters of that District. The Election of 2004 authorized the District to issue up to $139,000,000 of general obligation bonds to upgrade, expand and construct school facilities. On April 26, 2005, the District issued Series A in the amount of $30,000,000. On August 17, 2006, the District issued $24,336,792 of 2006 General Obligation Refunding Bonds to advance refund the District's outstanding General Obligation Bonds, Election of 2004, Series A, in the amount of $30,000,000.

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Trustees of the District established a Citizens' Bond Oversight Committee and appointed its members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in State law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Election of 2004 bond authorization. The Citizens' Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIIIA of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Building Capital Projects Bond Fund have been expended only for the authorized bond projects.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the period of July 1, 2006 through June 30, 2007, for the Capital Projects Bond Fund. Within the period audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Proposition 39 as to the bond projects. We performed the following procedures:

- Review and evaluate Bond Program financial records and expenditure cost support to verify that funds were used for approved bond program purposes as set forth in the Ballot Measure and Bond Documents.
- Review and evaluate compliance with selected Federal, State and local requirements as well as relevant Proposition 39 requirements.
- Assess whether or not an adequate level of communication was maintained regarding the projects and program.
- Evaluate the processes used to identify facility needs, programming and coordination to comprehensively address site requirements and coordination with various user groups and stakeholders.
- Review and assessment of procurement controls for consistency, adherence to District purchasing policies and application of competitive and fair sub-contracting policies.
- Evaluate the District's policies, procedures and practices to obtain lien releases, prevent claims and project closeout issues and compare to bond project practices for conformity.
- Review and evaluate Board Program Reporting to ensure current, accurate and complete cost, schedule, and budget information for program stakeholders.
- Review and evaluate Bond Program staffing patterns/plans, program workflow, and analysis of relevant expenditures in relation to need.
- Review and evaluate District policies, procedures, and practices related to the on-going management of change orders and related costs.
- Review and evaluation of expenditures on a test basis to insure conformity with general and accepted practices and consistency with terms and conditions of the Bond Program.
- Identify areas of effective practice and areas needing improvement within the framework of each of the major scope areas identified above.

CONCLUSION

Based upon our procedures performed, we found that for the items tested, the Antelope Valley Community College District has properly accounted for the expenditures of the funds held in the Capital Projects Bond Fund and that such expenditures were made for authorized bond projects. Furthermore, it was noted that the funds held in the Capital Projects Bond Fund, and expended by the District, were not expended for salaries of school administrators or other operating expenditures.

We did have one compliance finding and recommendation as a result of our audit. Since this is the first year of the bond issue there were no prior year findings on which to report an implementation status.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Finding 2007-1 – Maintenance of Measure A Website

Finding: Contractors on California Community College construction projects are required to pay State prevailing wage rate as set forth in Labor Code Section 1720, 1720-2, 1720-3, 1720-4 and 1771.7. Although District's have always had to comply with the California prevailing wage law, Federal guidelines and now also Proposition 47 require District's obtaining state bond funds to establish a "labor compliance program" in order to enforce prevailing wage laws. Finally, Circular A-133 requires that District's receiving federal financial aid establish monitoring procedures to assure compliance with prevailing wage laws.

The District has not established a general "labor compliance program: nor has it established alternative procedures to monitor and assure prevailing wages are being paid on its construction projects.

Recommendation: The District needs to establish and maintain a procedure to oversee and verify that all contractors are paying prevailing wages. This procedure could be assigned to the District's current Project Manager or establish with another outside agency who perform these types of services.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Finding 2007 – 2 – Maintenance of Measure A Website

Finding: In our review of the District website we noted the Citizens' Oversight Committee meeting agendas and minutes are not consistently posted to the District website, in a timely manner. Per Section 15280 of the Education Code, committee proceedings shall be a public record and made available on the District website.

Recommendation: The District needs to update and maintain the District website in more conscientious and timely manner as it relates to the Citizens' Oversight Committee meetings, agendas and minutes.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Finding 2006-1: Lack of establishment of a "labor compliance program" with its related monitoring of payment of prevailing wages.

Recommendation: Identify an individual or entity to establish a procedure to monitor the payment of prevailing wages on District contracts as required by federal law.

Current Status: Not implemented. See current year finding 2007-1.