

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

**2004 MEASURE R
GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**
June 30, 2012

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
CITIZENS' BOND OVERSIGHT COMMITTEE MEMBERS
June 30, 2012

The Board of Trustees of the Antelope Valley Community College District established the Citizens' Bond Oversight Committee. The Committee shall perform only the following duties: (1) inform the public concerning the District's expenditure of bond proceeds, (2) review quarterly expenditure reports produced by the District to ensure that (a) bond proceeds were expended only for the purposes set forth in the Measure R; and (b) no bond proceeds were used for any teacher or administrative salaries or other operating expenses and (3) present to the Board, in public session, an annual written report which shall include the following: a statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution; and a summary of the Committee's proceedings and activities for the preceding year.

The Citizens' Bond Oversight Committee for Measure R members for the fiscal year ended June 30, 2012 were composed of the following members:

<u>Members</u>	<u>Representing</u>	<u>Term Expires</u>
Darren Parker	Business Community	May 2013
Jordan Aquino	Business Community	May 2013
Bernard Brown	Business Community	January 2014
Gilbert Snow	Business Community	May 2013
Amos Johnson	Student active in the Community College	July 2013
Charles Church	Foundation/Advisory Council	May 2013
Gary Riley	Senior Citizens' Organization	July 2013
Pamela Ward	Taxpayers' Organization	March 2013
James Vose	City of Lancaster	July 2013
Vance Pomeroy	County of Los Angeles	May 2013
Gregory Dougherty	Town of Rosamond	October 2013
Karen Clarke	Community at-large	January 2014
Christopher Grado	Community at-large	October 2013
Andrew Mercy	Community at-large	January 2014

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

2004 MEASURE R GENERAL OBLIGATION BONDS

June 30, 2012

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REPORT OF INDEPENDENT AUDITORS

To the Citizens' Bond
Oversight Committee
and the Board of Trustees
Antelope Valley Community College District

We have audited the accompanying basic financial statements of Antelope Valley Community College District (the "District") 2004 Measure R General Obligation Bonds activity included in the Capital Outlay Projects Fund of the District (the "Bond Fund"), as of and for the year ended June 30, 2012, as listed in the Table of Contents. These basic financial statements are the responsibility of Antelope Valley Community College District's management. Our responsibility is to express an opinion on these basic 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements of the Bonds are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Bond Fund and do not purport to, and do not, present fairly the financial position and results of operations of the Antelope Valley Community College District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the 2004 Measure R General Obligation Bonds of the District as of June 30, 2012, and the changes in financial position 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 our report dated December 27, 2012 on our consideration of the District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Antelope Valley Community College District 2004 Measure R General Obligation Bonds. The Purpose of Bond Issuance on pages 11 and 12 of this report and the Citizen's Bond Oversight Committee Members are presented for purposes of additional analysis and are not a required part of the 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 information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Crowe Horwath LLP

Sacramento, California
December 27, 2012

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2012

ASSETS

Cash and cash equivalents (Note 2)	\$ 15,572,497
Accounts Receivable	<u>32,656</u>
Total assets	<u>\$ 15,605,153</u>

**LIABILITIES AND
FUND BALANCE**

Liabilities:	
Accounts payable	\$ 5,164,261
Commitments (Note 4)	
Restricted fund balance	<u>10,440,892</u>
Total liabilities and fund balance	<u>\$ 15,605,153</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the Year Ended June 30, 2012

Revenues:		
Interest income (Note 2)		\$ 163,056
Total revenues		163,056
Expenditures:		
Salaries and benefits		19,087
Contract services		178,867
Capital outlay		8,090,443
Supplies and equipment		<u>926,567</u>
Total expenditures		<u>9,214,964</u>
Deficiency of revenues over expenditures		(9,051,908)
Restricted fund balance, July 1, 2011		<u>19,492,800</u>
Restricted fund balance, June 30, 2012		<u>\$ 10,440,892</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Antelope Valley Community College District (the "District") accounts for its 2004 Bond Capital Projects Fund's ("Bond Funds") financial transactions in accordance with policies and procedures of the State Chancellor's Office's *California Community Colleges Budget and Accounting Manual*. The accounting policies of the Bond Fund conform to generally accepted accounting principles in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

The financial statements include only the Bond Fund's 2004 General Obligation Bond Resources of the District. The fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds (Election of 2004, Series A, B, C and Refunding Bonds). The total authorized issuance amount of the bonds is \$139,000,000. Series A of the bonds were sold in April 2005, for \$30,000,000, Series B and C were sold in August 2007 for \$52,536,256 and \$56,460,276, respectively. In August 2006 Refunding Bonds were issued in the amount of \$24,336,792. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The basic financial statements represent the Capital Outlay Projects Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

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

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Capital Outlay Projects Fund in accordance with the Bond Project List for 2004 Measure R General Obligation Bonds.

Accounting Estimates: The presentation 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. Actual results could differ from those estimates.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 2004 MEASURE R GENERAL OBLIGATION BONDS
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2012 consisted of \$15,572,497 held in the County Treasury investment pool.

The California Government Code requires California banks and savings and loan associations to secure the Bond Fund's deposits by pledging government securities as collateral. The market 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 Bond Fund. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk: In accordance with Education Code Section 41001, the Bond Fund maintains substantially all of its cash in the Los Angeles County Treasury. The County Treasurer of Los Angeles County acts as the Measure R General Obligation Bond Fiscal Agent. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

In accordance with applicable State laws, the Los Angeles County Treasurer may invest in derivative securities. However, at June 30, 2012, the Los Angeles County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
County Pooled Investment Fund	None	None	None

Disclosures Relating to Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, no maximum average maturity of the investments contained in the County investment pool.

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 2004 MEASURE R GENERAL OBLIGATION BONDS
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 2 – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

Investment Type	Weighted Average Maturity (in Years)
Los Angeles County Investment Pool	1.69

Concentration of Credit Risk: The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2012, the District had no concentration of credit risk.

NOTE 3 – GENERAL OBLIGATION BOND ISSUES

The election of 2004 General Obligation Bonds were authorized at an election of the registered voters of Antelope Valley Community College District held on November 2, 2010, at which more than 55% of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed \$139,000,000 principal amount of general obligation bonds of the District. The bonds are included in the audited financial statements of the District. As of June 30, 2012, the District has issued \$138,996,532 of Measure R bonds.

In April 2005, the District issued the 2004 General Obligation Bonds, Series 2004A in the amount of \$30,000,000. The bonds mature beginning on August 1, 2006 through August 1, 2027 with interest yields ranging from 3.00 to 5.00 percent.

In August 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$24,336,792. The bonds consist of \$6,801,792 Capital Appreciation bonds maturing August 1, 2007 to August 1, 2016 with interest yields ranging from 3.65 to 4.25 percent and \$17,535,000 in Current Interest Term Bonds maturing on August 1, 2017 through August 1, 2022 with an interest yield of 5.00 percent. The purpose of these bonds is to refund the General Obligation Bonds, Election 2004, Series A bonds.

In August 2007, the District issued the 2004 General Obligation Bonds, Series 2004B & Series 2004C for \$52,536,256 and \$56,460,276, respectively. Series 2004B consists of \$12,231,256 Capital Appreciation bonds maturing August 1, 2032 to August 1, 2036 with an accretion rate of 5.63 to 5.67 percent and \$40,305,000 in Current Interest Term Bonds maturing August 1, 2037 to August 1, 2039 which yield 4.90 percent. Series 2004C consist of \$14,375,276 Capital Appreciation Bonds which mature August 1, 2027 to August 1, 2032 with an accretion rate of 5.51 to 5.63 percent and \$42,085,000 in Current Interest Serial Bonds which mature August 1, 2008 to August 1, 2026 with interest yields ranging from 4.00 to 5.25 percent.

The Bonds represent an obligation of the District payable solely from *ad valorem* property taxes levied and collected by the County of Los Angeles and Kern County on properties within the District. The Board of Supervisors of Los Angeles and Kern Counties have power and are obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District without limitation of rate or amount, except as to certain personal property which is taxable at limited rates.

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 3 – GENERAL OBLIGATION BOND ISSUES (Continued)

The general long-term liabilities maturity schedules are as follows:

2004 Current Interest General Obligation Bonds, Series A:

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

2004 Current Interest General Obligation Bonds, Series B:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>40,305,000</u>	<u>3,289,505</u>	<u>43,594,505</u>
	<u>\$ 40,305,000</u>	<u>\$ 56,189,830</u>	<u>\$ 96,494,830</u>

2004 Capital Appreciation General Obligation Bonds, Series B:

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

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 2004 MEASURE R GENERAL OBLIGATION BONDS
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 3 – GENERAL OBLIGATION BOND ISSUES (Continued)

2004 Current Interest General Obligation Bonds Series C:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>30,315,000</u>	<u>4,462,125</u>	<u>34,777,125</u>
	<u>\$ 40,770,000</u>	<u>\$ 22,900,892</u>	<u>\$ 63,670,892</u>

2004 Capital Appreciation General Obligation Bonds, Series C:

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

2006 Capital Appreciation General Obligation Refunding Bonds:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>659,590</u>	<u>717,705</u>	<u>1,377,295</u>
	<u>\$ 2,900,048</u>	<u>\$ 4,182,338</u>	<u>\$ 7,082,386</u>

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
 2004 MEASURE R GENERAL OBLIGATION BONDS
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 3 – GENERAL OBLIGATION BOND ISSUES (Continued)

2006 Current Interest General Obligation Refunding Bonds:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2023-2027	<u>3,685,000</u>	<u>92,125</u>	<u>3,777,125</u>
	<u>\$ 17,535,000</u>	<u>\$ 7,268,375</u>	<u>\$ 24,803,375</u>

Total General Obligation Bonds Outstanding:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,384,772	\$ 5,746,459	\$ 7,131,231
2014	1,520,593	5,807,109	7,327,702
2015	1,676,598	5,856,566	7,533,164
2016	1,853,495	6,116,914	7,970,409
2017	1,594,590	5,614,919	7,209,509
2018-2022	20,860,000	21,957,440	42,817,440
2023-2027	34,000,000	15,134,315	49,134,315
2028-2032	14,124,097	43,505,968	57,630,065
2033-2037	12,482,436	53,962,629	66,445,065
2038-2040	<u>40,305,000</u>	<u>3,289,505</u>	<u>43,594,505</u>
	<u>\$ 129,801,581</u>	<u>\$ 166,991,824</u>	<u>\$ 296,793,405</u>

NOTE 4 – CONSTRUCTION COMMITMENTS

As of June 30, 2012, the District has approximately \$5.1 million in outstanding commitments on 2004 General Obligation Bond construction contracts.

SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
PURPOSE OF BOND ISSUANCE

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT MEASURE R GENERAL OBLIGATION BONDS

The Antelope Valley Community College District (Kern and Los Angeles Counties, California) Election of 2004 General Obligation Bonds were authorized at an election of the registered voters of the Antelope Valley Community College District (the "District") held on November 2, 2004 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$139,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction and modernization of certain District property and facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. A summary of the ballot text is as follows:

"To accommodate increasing enrollment at Antelope Valley College, prepare students for jobs, four-year colleges, improve campus safety by:

- Expanding facilities for nursing, medical training programs;
- Expanding health, science, English, math, language labs, classrooms;
- Upgrading high-tech learning center;

and repairing, acquiring, constructing, equipping buildings, sites, classrooms, shall Antelope Valley Community College District issue \$139 million in bonds, at legal rates, with **citizen oversight**, guaranteed **annual audits**, and no money for administrators' salaries?"

(Continued)

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
PURPOSE OF BOND ISSUANCE

ANTELOPE VALLEY COLLEGE DISTRICT MEASURE R GENERAL OBLIGATION BONDS
(Continued)

The District's Board of Trustees developed the following Bond Project List for Measure R:

Antelope Valley College

- Build a science and allied health/medical training facility
- Build a high technology learning center
- Build a technology building II
- Build an automotive technology building
- Build a humanities and social science building
- Expand campus library
- Expand child development center
- Expand English as a second language building
- Expand learning center
- Upgrade, repair, equip, and construct and/or expand student center and student services building
- Build, upgrade and acquire college classrooms
- Relocate maintenance and operations facility to make room for the construction of the new science and allied health center
- Establish Antelope Valley College education center in Palmdale/South Valley area to accommodate growth and increasing student enrollment
- Repair, upgrade, and/or replace obsolete classrooms, science and computer labs, instructional facilities, sites and utilities

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

To the Citizens' Bond
Oversight Committee and the Board of Trustees
Antelope Valley Community College District

We have audited the basic financial statements of the Antelope Valley Community College District (the "District") 2004 Measure R General Obligation Bonds (the "Bond Fund"), as of June 30, 2012, 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 Bond Funds financial reporting. Accordingly, we do not express an opinion of the effectiveness of Antelope Valley Community College District's internal control over financial reporting for the Bond Fund.

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 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 the District's Bond Fund basic financial statements are free of material misstatement, we performed tests of the Bond Fund's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts shown on the basic financial statements. 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 solely for the information of the Citizens' Bond Oversight Committee for 2004 Measure R, the Board of Trustees and District management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 27, 2012