

Antelope Valley College

**Los Angeles County
Lancaster, California**

**Report on Audit
June 30, 2008**

**ANTELOPE VALLEY COLLEGE
OF LOS ANGELES COUNTY
LANCASTER, CALIFORNIA**

JUNE 30, 2008

MEMBER	OFFICE	TERM EXPIRES
Betty Wienke	President	November 2009
Steve Fox	Vice President	November 2009
Jack Seefus	Clerk	November 2011
Earl J. Wilson	Member	November 2011
Steve Buffalo	Member	November 2009

ADMINISTRATION

Dr. Jackie L. Fisher, Sr.	District President – Superintendent
Mrs. Deborah Wallace	District Vice President – Assistant Superintendent of Business Services
Mrs. Sharon Lowry	District Vice President – Assistant Superintendent of Academic Affairs
Dr. Rosa Hall	District Vice President – Assistant Superintendent of Student Services

ANTELOPE VALLEY COLLEGE

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June 30, 2008

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***FINANCIAL
SECTION***

INDEPENDENT AUDITORS' REPORT

The Governing Board
Antelope Valley Community College District

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Antelope Valley Community College District (the "District"), as of and for the year ended June 30, 2008, which collectively comprises 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 the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Antelope Valley Community College District, as of June 30, 2008, and the respective changes in financial position and cash flows thereof 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 November 28, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

- 1 -

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Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information identified in the accompanying *Management's Discussion and Analysis* on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
November 28, 2008

ANTELOPE VALLEY COLLEGE

Management's Discussion and Analysis June 30, 2008

This section of Antelope Valley College's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008.

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 Changes 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 combined net assets, inclusive of the component unit, were \$41,209,895 at June 30, 2008.
- During the fiscal year, the District's total operating expenses were \$98,165,485. Combined operating and non-operating revenues totaled \$91,106,609, for a loss of \$7,058,876.
- 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 were 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 the General Obligation Bond.
- The General Fund reported a fund balance of \$4,633,881. Of this balance, 10.64 percent is restricted reserve and 6.51 percent is unrestricted reserve. The Chancellor's Office recommends maintaining a reserve of approximately 5 percent.

ANTELOPE VALLEY COLLEGE

Management’s Discussion and Analysis
June 30, 2008

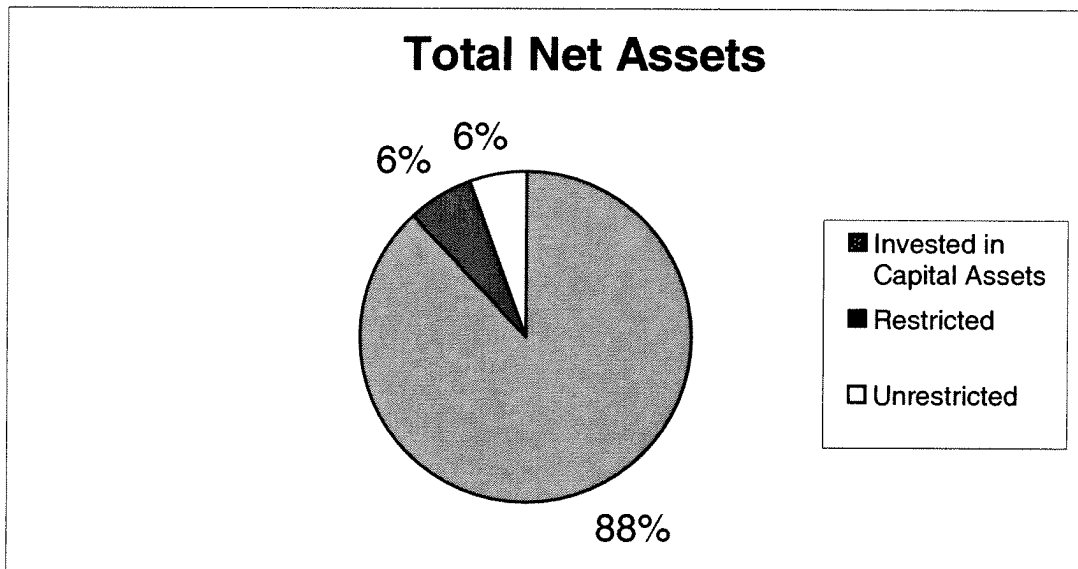
Statement of Net Assets

The Statement of Net Assets 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.

- **Invested in capital assets** – provides the equity amount in property, plant and equipment owned by the District.
- **Restricted net assets** (divided into either expendable or nonexpendable) – 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** – are available to the District for any lawful purpose of the District. 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 2008. During the fiscal year ending June 30, 2008, the total net assets decreased \$2,587,672, or about 6.2 percent, from the previous year due to capital leases and the issuance of long-term debt with the sale of the general obligation bonds. The District continues to be impacted by the suppressed economic climate in the state of California and increasingly significant reductions in state support resulting from the growing state budget deficit. This downturn has certainly impacted the District. Accounts receivable have increased by \$1,594,658, or approximately 28.9 percent, 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 \$5,034,811, or by 75.7 percent, mainly due to money owed to vendors for the bond projects and the increase in salaries payable.

The following chart reflects the breakdown of the District’s total net assets:



ANTELOPE VALLEY COLLEGE

Management's Discussion and Analysis
June 30, 2008

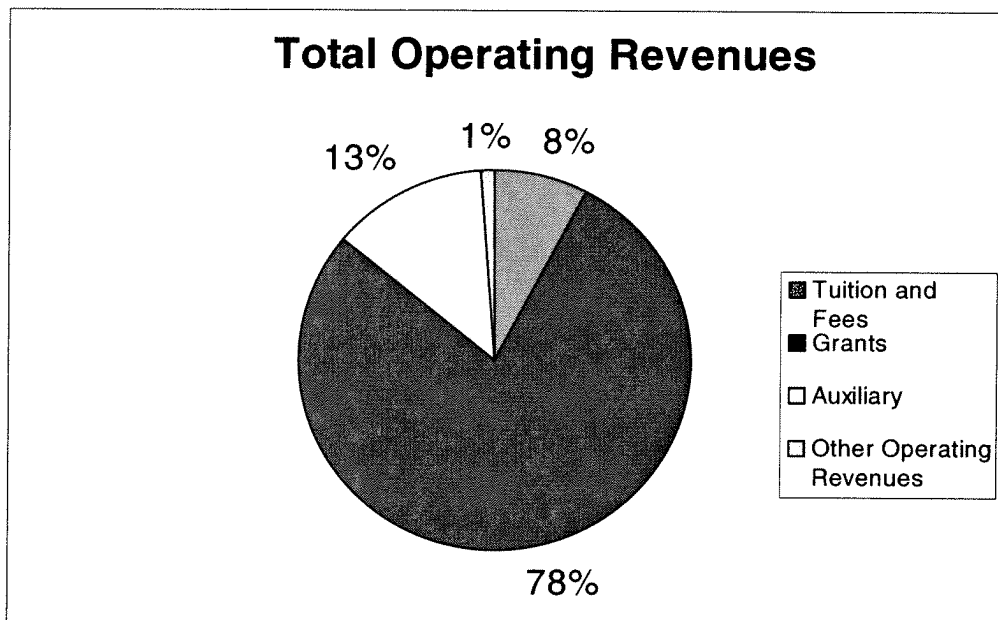
Statement of Revenues, Expenses, and Changes in Net Assets

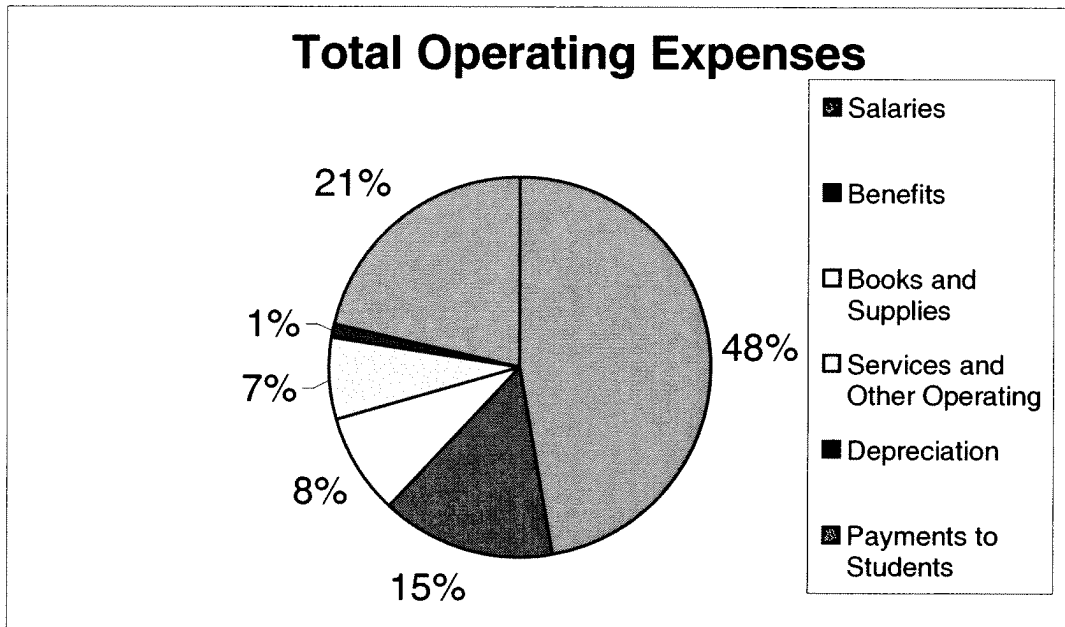
The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District. State general apportionment funds, while 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 Changes 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 Changes in Net Assets reflects a negative year due to an increase in salaries and benefits. Salaries increased \$5,725,056 or 14.3 percent from the previous year due to additional hires of faculty and classified positions. Employee benefits of \$3,220,281, or about 28.1 percent also increased from the previous year mainly due to hiring additional personnel. Net assets decreased at the end of the year by \$2,587,672. Although the Statement shows an operating loss of \$57,236,969, that balance does not reflect the \$50,178,093 in non-operating revenues and the \$4,471,204 in local property taxes and revenues capital received by the District. The District reports an increase in total operating revenues of \$4,772,770 over fiscal year 2007. The total operating revenues increase is due to the increase in Federal and State grants from 2007 and 2008.

The following charts reflect the breakdown of the District's total operating revenues and expenses:





Statement of Cash Flows

The Statement of Cash Flows 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 to 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 District. 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, 2008 was \$56,551,305.

THE 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. Unfortunately, State finance officials are estimating a California budget deficit for fiscal year 2008-2009 of \$11.2 billion, significantly larger than the \$9.8 billion gap previously forecasted by state budget analysts. 2009-2010 predictions are a deficit of \$13 billion. These new calculations are based on the sluggish housing market, drops in property tax revenues and increased expenditures from the Southern California wildfires, among other factors. With such large deficits, there is an anticipation of midyear budget cuts for 2008-2009. As of December 2008, the midyear cut projections from the Chancellor's Office is \$3.3 million to Antelope Valley College.

In the last ten years, 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.

In 2007-2008, there was a property tax shortfall of approximately \$92 million, which negatively impacted the District by \$900 thousand. Analysts are predicting a property tax shortfall in fiscal year 2008-2009 of \$460 million below projections, particularly in the Los Angeles County area. It is anticipated that the District will not be receiving a property tax backfill in the 2008-2009 budget year.

With the state unemployment rate between 7 and 8 percent, it is estimated that the labor force will be increasing their competitiveness through the pursuit of education. The projected unemployment rate for 2009-2010 is expected to reach 10 percent. In 2007-2008, the District's growth rate was 5.6 percent. The state funded growth rate for 2007-2008 was 2 percent, but was adjusted to 3.04 percent for the District. The draft final apportionment for 2007-2008 indicates an unfunded FTES of 306 students or an equivalent of \$1.36 million in unfunded revenue. The 2008-2009 growth rate is 2%, but is expected to adjust throughout the year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general 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 Office of Business Services, Antelope Valley College, 3041 West Avenue K, Lancaster, California 93536-5426.

ANTELOPE VALLEY COLLEGE

Statement of Net Assets
June 30, 2008

	<u>District</u>	<u>Foundation</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 133,692,139	\$ 355,521
Investments	-	1,686,791
Accounts receivable	7,111,717	-
Stores inventories	644,456	-
Other current assets	475,935	-
	<hr/>	<hr/>
Total current assets	141,924,247	2,042,312
Capital assets, net	<hr/>	<hr/>
	60,056,233	
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 201,980,480</u>	<u>\$ 2,042,312</u>
LIABILITIES		
Current liabilities:		
Deficit cash	\$ 60,772	\$ -
Current liabilities	11,686,000	22,885
Deferred revenue	437,722	-
Current portion of long-term debt	2,426,657	-
	<hr/>	<hr/>
Total current liabilities	14,611,151	22,885
Non-current liabilities	<hr/>	<hr/>
	148,178,862	-
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>162,790,013</u>	<u>22,885</u>
NET ASSETS		
Invested in capital assets	40,118,207	-
Restricted:		
Non-expendable	-	1,916,504
Expendable	374,097	432,189
Unrestricted	<hr/>	<hr/>
	(1,301,837)	(329,266)
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>39,190,467</u>	<u>2,019,427</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 201,980,480</u>	<u>\$ 2,042,312</u>

The accompanying notes are an integral part of these financial statements.

ANTELOPE VALLEY COLLEGE

Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2008

	<u>District</u>	<u>Foundation</u>
OPERATING REVENUES		
Tuition and fees	\$ 3,212,727	\$ -
Less: scholarship discounts and allowances		
Net tuition and fees	3,212,727	-
Grants and contracts, non-capital		
Federal	20,958,388	-
State	10,771,879	-
Local	138,089	945,967
Auxiliary enterprise sales and charges	5,336,465	-
Other operating revenues	510,968	7,734
Total operating revenues	40,928,516	953,701
OPERATING EXPENSE		
Salaries	45,810,287	60,941
Employee benefits	14,685,427	27,849
Books and supplies	8,172,186	-
Services and other operating expenses	7,679,691	62,567
Program support	-	281,860
Depreciation	1,141,507	-
Payment to students	20,676,387	-
Total operating expenses	98,165,485	433,217
OPERATING INCOME/(LOSS)	(57,236,969)	520,484
NON-OPERATING REVENUES/(EXPENSES)		
State apportionments, non-capital	47,218,988	-
Property taxes	6,636,657	-
State taxes and other revenues	50,509	-
Investment income - non-capital	5,520,353	89,165
Unrealized loss on assets	-	(181,208)
Gain/(loss) on sales of assets	(40,699)	(2,919)
Interest expense - capital asset-related debt	(7,329,926)	-
Other non-operating revenues	3,573,799	-
Other non-operating expenses	(5,451,588)	-
Total non-operating revenues	50,178,093	(94,962)
Income Before Other Revenues, Expenses, Gains, or Losses	(7,058,876)	425,522
Local property taxes and revenues, capital	4,471,204	-
CHANGE IN NET ASSETS	(2,587,672)	425,522
NET ASSETS		
Net Assets - Beginning	41,778,139	1,593,905
Net Assets - Ending	\$ 39,190,467	\$ 2,019,427

The accompanying notes are an integral part of these financial statements.

ANTELOPE VALLEY COLLEGE

Statement of Cash Flows For the Year Ended June 30, 2008

	<u>District</u>	<u>Foundation</u>
Cash Flows from Operating Activities		
Tuition and fees	\$ 3,062,617	\$ -
Grants and contracts	31,871,565	-
Payments to suppliers	(15,592,069)	-
Payments to/on-behalf of employees	(61,066,077)	(97,964)
Student loans/grants	(20,661,961)	(374,728)
Auxiliary enterprise sales and charges	5,314,216	-
Other receipt	520,404	953,701
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(56,551,305)	481,009
Cash Flows from Non-Capital Financing Activities		
State apportionments and receipts	46,581,246	-
Property taxes	6,636,657	-
Other receipts	4,869,275	-
	<hr/>	<hr/>
Net cash provided by non-capital financing activities	58,087,178	-
Cash Flows from Capital Financing Activities		
State apportionments for capital purposes	1,492,458	-
Purchases of capital assets	(20,975,218)	-
Proceeds from sale of bonds	109,728,355	-
Interest paid on capital debt	(3,149,293)	-
Principal paid on capital debt	(4,012,651)	-
Local property taxes and other revenues for capital purposes	4,471,204	-
	<hr/>	<hr/>
Net cash provided by captial financing activities	87,554,855	-
Cash Flows from Investing Activities		
Unrealized change in market value	-	(181,207)
Interest on investments	4,886,681	86,243
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	4,886,681	(94,964)
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,977,409	386,045
CASH AND CASH EQUIVALENTS		
Beginning of year	<hr/> 39,714,730	<hr/> 1,656,267
End of year	<hr/> <u>\$ 133,692,139</u>	<hr/> <u>\$ 2,042,312</u>

The accompanying notes are an integral part of these financial statements.

ANTELOPE VALLEY COLLEGE

Statement of Cash Flows
For the Year Ended June 30, 2008

**Reconciliation of operating income (loss) to cash used in
operating activities**

Operating income (loss)	\$ (57,236,969)	\$ 520,484
Depreciation	1,141,507	-
Decrease in accounts receivable	81,400	-
Decrease in inventory	29,800	-
Increase in other current assets	(329,015)	-
Decrease in accounts payable	(325,929)	(39,475)
Increase in deferred revenue	87,901	-
	<u>87,901</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (56,551,305)</u>	<u>\$ 481,009</u>

The accompanying notes are an integral part of these financial statements.

ANTELOPE VALLEY COLLEGE

Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets
June 30, 2008

	<u>Agency Funds</u> <u>ASO</u>
ASSETS	
Cash and cash equivalents	\$ 27,564
LIABILITIES	
Accounts payable	\$ 7,762
Due to student groups	19,802
Total liabilities	<u>\$ 27,564</u>

Statement of Changes in Fiduciary Net Assets

Additions	
Contributions to benefit fund	\$ -
Investment earnings	
Student activities	215,342
Total Additions	<u>215,342</u>
Deletions	
Benefits	-
Student activities	222,903
NET CHANGE IN FUND BALANCE	<u>(7,561)</u>
Net Assets - Beginning	<u>27,363</u>
Net Assets - Ending	<u>\$ 19,802</u>

The accompanying notes are an integral part of these financial statements.

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial 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. The District consists of one community college located in Lancaster, California. 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) Statement No. 14. The District is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from federal taxes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Statement 14 as amended by GASB Statement 39. The three criteria for requiring a legally separate, tax-exempt organization to be discretely presented as a component unit are the “direct benefit” criterion, the “entitlement/ability to access” criterion, and the “significance” criterion. The District identified the Antelope Valley Community College Foundation (the “Foundation”) as its only potential component unit.

B. Component Unit

The District will report the Foundation as a component unit. The Foundation was established as a legally separate, not-for-profit corporation to support the District and its students. It contributes to various scholarship funds for the benefit of District students and contributes directly to the college. The funds contributed directly by the Foundation are significant to the District’s financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District’s annual financial statements. The Foundation also issues a stand-alone audited, financial report which can be obtained from the District or the Foundation.

C. Basis of Presentation

GASB released Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, in June 1999 which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38. The District adopted and applied these new standards beginning in 2001-02 as required. In May 2002, GASB released Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends GASB Statement 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2003-04 fiscal year as required.

The District now follows the financial statement presentation required by GASB Statements No. 34, 35, 37, 38 and 39. This presentation provides a comprehensive, entity-wide perspective of the District’s assets, cash flows, and replaces the fund-group perspective previously required.

Fiduciary Funds

These funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District’s own programs.

Student Body Fund – The Student Body Fund is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (Education Code Sections 48930–48938).

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

D. Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All material intra-agency transactions have been eliminated.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. It has also elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's Budget and Accounting Manual.

E. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2008, based on market process. The individual fund's portions of the pool's fair value are presented as "Cash in County". Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable 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 does not record an allowance for uncollectible accounts. When receivables are determined to be uncollectible, a direct write-off is recorded.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50
Portable buildings	15
Land improvements	10
Equipment and vehicles	8
Technology equipment	3

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. 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 - expendable*** – Restricted expendable net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- ***Restricted net assets – nonexpendable*** – 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. Although the governing board may designate these funds for special purposes, the funds remain unrestricted.

When an expense is incurred that can be paid using either restricted or unrestricted funds, the District's policy is to utilize available restricted resources, followed by unrestricted resources.

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Any prior year corrections due to the recalculation in February 2005 will be recorded in the year computed by the State.

On-Behalf Payments

GASB Statement 24 requires that direct on-behalf payments for fringe 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 to the State Teachers and Public Employees Retirement Systems 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.

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Operating Revenues

Operating revenues include all revenues from programmatic sources. Non-operating revenues include state apportionments, state and local tax revenues, investment income, and gifts.

Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, local property taxes, and investment income. Revenues 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) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.
- **Non-operating revenues** – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 35, such as state appropriations and investment income.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes 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 or nongovernmental programs, are recorded as operating 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

As provided for by Education Code Section 41001, a significant portion of the District's cash balances is deposited with the County Treasurer to enhance interest earnings through county investment activities. The California Government Code Sections 16520 through 16522 require California banks and savings and loan associations to secure the District'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 in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

At June 30, 2008, the District's cash and cash equivalents primarily consist of:

Business - Type Activities	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balances</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Cash on hand	\$ -	\$ -	\$ -	\$ -	\$ 78,304	N/A
Deposits in financial institutions	345,672	1,328,306	-	1,673,978	1,690,213	\$ 1,690,213
Cash in county treasury	-	131,923,622	-	-	131,923,622	131,923,622
Total	<u>\$ 345,672</u>	<u>\$ 133,251,928</u>	<u>\$ -</u>	<u>\$ 1,673,978</u>	<u>\$ 133,692,139</u>	<u>\$ 133,613,835</u>
Fiduciary Funds						
Deposits in financial institutions	\$ -	\$ 11,872	\$ -	\$ 11,872	\$ 27,564	\$ 27,564

Cash in banks and financial institutions are classified according to credit risk into one of three categories and summarized as follows:

- Category 1** – includes investments that are insured or registered or for which securities are held by the District or its agent in the District's name and deposits insured or collateralized with securities held by the District;
- Category 2** – includes uninsured and unregistered investments for which the securities are held by the bank's or dealer's trust department or agent in the District's name and deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name;
- Category 3** – Includes uninsured and unregistered investments for which the securities are held by the bank or dealer, or by its trust department or agent, but not in the District's name.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2008, consist of the following and are considered collectable in full:

	<u>Business-Type Activities</u>
Federal Government	
Categorical aid	\$ 215,381
State Government	
Apportionment	2,769,936
Construction aid	1,635,208
Lottery	489,286
Local Government	
Interest	1,192,546
Other Local Sources	809,360
	<u>\$ 7,111,717</u>

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

Business-Type Activities	<u>Balance July 01, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated				
Land	\$ 2,430,691	\$ -	\$ -	\$ 2,430,691
Construction in progress	<u>12,709,582</u>	<u>14,867,767</u>	<u>9,750</u>	<u>27,567,599</u>
Total capital assets not being depreciated	<u>15,140,273</u>	<u>14,867,767</u>	<u>9,750</u>	<u>29,998,290</u>
Capital assets being depreciated				
Site, buildings, and improvements	33,881,232	8,505,516	-	42,386,748
Machinery and equipment	<u>7,220,593</u>	<u>396,346</u>	<u>172,010</u>	<u>7,444,929</u>
Total capital assets being depreciated	<u>41,101,825</u>	<u>8,901,862</u>	<u>172,010</u>	<u>49,831,677</u>
Less accumulated depreciation				
Site, buildings, and improvements	14,857,475	633,384	-	15,490,859
Machinery and equipment	<u>3,906,063</u>	<u>508,123</u>	<u>131,311</u>	<u>4,282,875</u>
Total accumulatd depreciation	<u>18,763,538</u>	<u>1,141,507</u>	<u>131,311</u>	<u>19,773,734</u>
Capital Assets, net	<u>\$ 37,478,560</u>	<u>\$ 22,628,122</u>	<u>\$ 50,449</u>	<u>\$ 60,056,233</u>

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2008 consisted of the following:

	<u>Business-Type Activities</u>
Payroll	\$ 3,400,254
Construction	4,536,309
Interest payable	1,945,400
Vendors payable	<u>1,804,037</u>
	<u>\$ 11,686,000</u>

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

NOTE 6 – DEFERRED REVENUE

Deferred revenue at June 30, 2008 consisted of the following:

	<u>Business-Type Activities</u>
State sources	\$ 85,749
Other sources	<u>351,973</u>
	<u>\$ 437,722</u>

NOTE 7 – LONG-TERM LIABILITIES

A. Long-term Liabilities Summary

The changes in the District’s long-term obligations during the year consist of the following:

	<u>Balance July 01, 2007</u>	<u>Additions</u>	<u>Accretion</u>	<u>Deductions</u>	<u>Due in One Year</u>	<u>Long-term Balance</u>
Governmental Activities						
General obligation bonds (GO) Bonds:						
Series 2006						
Current interest	\$ 17,535,000	\$ -	\$ -	\$ -	\$ -	\$ 17,535,000
Capital appreciation	6,801,792	-	1,520,398	900,000	1,090,000	6,332,190
Series 2004						
Current interest	-	87,495,000	-	2,875,000	615,000	84,005,000
Capital appreciation	-	26,606,532	1,204,524	-	-	27,811,056
Issuance costs and premiums, net	-	731,823	-	24,394	-	707,429
Loan payable	870,806	-	-	237,651	187,624	445,531
Compensated absences	1,040,070	176,675	-	-	-	1,216,745
Early retirement incentive	293,840	-	-	146,920	146,920	-
SERP	-	1,935,565	-	-	387,113	1,548,452
Other postemployment benefits	8,206,350	371,109	-	-	-	8,577,459
	<u>\$ 34,747,858</u>	<u>\$ 117,316,704</u>	<u>\$ 2,724,922</u>	<u>\$ 4,183,965</u>	<u>\$ 2,426,657</u>	<u>\$ 148,178,862</u>

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

B. 2006 Series Bonded Debt

In August of 2006, the District issued \$24,336,792 in bonds to refund a portion of the 2004 election Series A. This issuance came out of the 2004 election. The bonds mature in August of 2022, and have stated interest rates of between 3.65% and 4.22%. The maturity of the bonds is as follows:

Year	Series 2006		
	Principal	Interest	Total
2009	\$ 871,804	\$ 1,094,946	\$ 1,966,750
2010	800,820	1,200,930	2,001,750
2011	738,062	1,303,688	2,041,750
2012	682,246	1,404,504	2,086,750
2013	629,772	1,501,978	2,131,750
2014 - 2018	4,500,276	4,690,724	9,191,000
2019 - 2023	15,305,000	2,063,625	17,368,625
Accreted Interest	1,429,210	(1,429,210)	-
Total	\$ 24,957,190	\$ 11,831,185	\$ 36,788,375

C. 2004 Series Bonded Debt

In August 2006, the District partially refunded its 2004 election, Series A issuance except for \$5,105,000. In August of 2007, the District issued two series of bonds out of the 2004 election. Series B was in the amount of \$52,536,256, which consisted of both current interest and capital appreciation bonds. The stated interest rates are between 5.25% and 5.67%. Series C was in the amount of \$56,460,276 which consisted of both current interest and capital appreciation bonds. The stated interest rates for Series C is between 4.00% and 5.63%.

The 2004 Election, Series A through C mature through 2040 as follows:

Year	Series 2004		
	Principal	Interest	Total
2009	\$ 615,000	\$ 4,025,307	\$ 4,640,307
2010	255,000	4,253,832	4,508,832
2011	415,000	4,241,781	4,656,781
2012	575,000	4,223,166	4,798,166
2013	755,000	4,197,390	4,952,390
2014 - 2018	4,445,000	20,348,573	24,793,573
2019 - 2023	8,875,000	18,778,237	27,653,237
2024 - 2028	31,354,315	19,365,498	50,719,813
2029 - 2033	13,768,333	45,521,729	59,290,062
2034 - 2038	22,208,885	45,832,121	68,041,006
2039 - 2040	27,960,000	1,497,563	29,457,563
Accreted Interest	1,204,523	(1,204,523)	-
Total	\$ 112,431,056	\$ 171,080,674	\$ 283,511,730

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

D. Loans Payable

The District entered into two loan agreements with the California Energy Commission during 2002 and 2003 for the installation of energy conservation measures on the District campus. The original amount of the loans was \$1,696,227 payable in two semi-annually installments with an interest rate of 3.0%. The loans mature as follows:

	<u>Loan Payments</u>
2009	\$ 205,186
2010	199,733
2011	199,733
2012	<u>65,789</u>
Less: amount representing interest	<u>670,441</u> <u>(37,286)</u>
	<u><u>\$ 633,155</u></u>

F. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$1,216,745.

NOTE 8 – EARLY RETIREMENT INCENTIVE

In prior fiscal years the District entered into agreements to provide both its academic and classified personnel with early retirement incentive.

District Sponsored – Certificated Program

Eligibility: Be at least 50 years of age on date of retirement and a full-time employee for at least 8 years.

Benefits: A retiring employee may choose either the Cash Incentive or the Service Credit option described below:

- **Cash Option** – Unit member retiring under this option shall receive a \$26,000 cash incentive payable in four equal installments of \$6,500 over the next four years.
- **Service Credit** – Under this option a qualifying retiree shall receive two additional years of STRS service credit, paid for by the District, pursuant to the provision of Education Code Sections 22726 and 87488.
- **Health Insurance Benefits** – In addition to the Cash Option or the Service Credit, each qualified retiree shall receive District-paid health insurance premiums up to \$6,000 per year until the age of 65 or 5 years, whichever is longer, with the following exceptions:
 - Qualified retirees under the age of 55 would be limited to a maximum of 10 years District-paid health insurance.
 - Retirees eligible for health benefits may choose to waive the benefits option of the retirement incentive and instead receive a \$3,000 cash payment each year they would have been eligible to receive those benefits.

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

- **Retirees with 35 Years of Service** – Retirees with 35 or more years of service with the District could choose to receive 10 years of District-paid health insurance premiums up to \$6,000 per year but would not be eligible to receive either the Cash Option or the Service Credit.

District Sponsored – Classified Program

Eligibility: Be at least 55 years of age on date of retirement and a full-time employee for at least 10 years.

Benefits: A retiring employee will receive \$15,000 paid over a 3-year period. The retiree may choose to receive the \$5,000 per year in cash or use it towards purchasing the District's health insurance.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the District provides post retirement health care benefits as follows:

Certificated Personnel

This plan is a retirement incentive program for academic employees who retire prior to age 65. An employee may choose one plan or the other, but may not combine the benefits of the two plans. Recipients of the benefit shall receive all health and accident, dental, vision, and life insurance coverage for the employee and dependents that, insofar as possible, are the same plans and contain the same benefits as the health and accident insurance coverage that remain in force for regular and active certificated employees of the District during the period covered by this benefit. The following specific regulations will apply to retirees under this plan:

- For employees retiring before the year in which they reach their 65th birthday, the employee must have been continuously employed in a position requiring certification for ten (10) years and by the District for a period of eight (8) years immediately prior to retirement, of which the immediately preceding five (5) years were full-time employment.
- During the entire period of this benefit, the retired employee must be actively drawing service retirement benefits from either the State Teachers' Retirement System (STRS) or the Public Employees Retirement System (PERS).
- To be eligible for health and accident insurance coverage under this plan, an employee must have been eligible for health insurance while an active employee and immediately prior to receiving this benefit.
- This benefit is to terminate on the 65th birthday of the retired employee.
- The applicant must be at least 55 years of age prior to July 1 of the year of early retirement.
- The effective date of this benefit shall be July 1, following the receipt of a qualified application.
- Applications to participate in this program must be directed to the President by February 1 of the academic year preceding the effective date of early retirement.

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

Classified Personnel

The plan is an incentive benefit for classified employees who retire between the ages of 60 and 65. Recipients of the benefit shall receive all health and accident, dental, vision and life insurance coverage for the employee and dependents, that insofar as possible, are the same plans and contain the same benefits as the health and accident insurance that remains in force for regular active classified employees of the District during the period covered by this benefit.

The following specific regulations shall apply to classified retirees under this plan:

- The minimum age shall be 55.
- The employee must have been employed full-time by the District for a period of:

<u>Classified:</u>	<u>Faculty and Management:</u>
Twenty (20) years prior to retirement at ages 57 to 59.	Ten (10) years prior to retirement at age 55.
Ten (10) years prior to retirement at age 60.	
Nine (9) years prior to retirement at age 61.	
Eight (8) years prior to retirement at age 62.	
- During the entire period of this benefit, the retired employee must be actively drawing service retirement from the Public Employees' Retirement System (PERS).
- The Employee must have been eligible for health insurance while an active employee and immediately prior to receiving this benefit.
- This benefit is to terminate on the 65th birthday of the retired employee.

Funding Status

During the year the District provided a total of \$507,002 of post retirement benefits to 22 certificated and classified retiree participants.

In September of 2006, the District had an actuarial valuation of their post retirement health benefit obligation. This valuation calculated the present value of future benefit obligations for the current group of certificated and management employees and the value, less payments made, is estimated to be \$8,206,350 and, as of June 30, 2008, is estimated to be \$8,577,459. This obligation has been reflected in the District's government-wide financial statement. Additional disclosures as required under GASB 12 are as follows:

Actuarial cost method:	Entry age normal
Interest rate assumption:	5%
Projected salary increase assumption:	3%
Health inflation assumption:	4%
Normal cost	\$ 766,452
Accrued liability as of June 30, 2007	\$ 8,206,350
Increase in future obligations 2007/08	\$ 878,111
Payments to retirees	<u>(507,002)</u>
Estimated balance - June 30, 2008	<u>\$ 8,577,459</u>

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

A. STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-08, was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2006, 2007, and 2008 were \$1,625,516, \$1,892,346, and \$2,125,167, respectively, and equal 100 percent of the required contributions for each year.

B. PERS

Plan Description

The District contributes to the School Employer Pool under the 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' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and 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 CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.3 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contribution to CalPERS for the fiscal years ending June 30, 2006, 2007, and 2008 were \$763,597, \$881,376, and \$1,076,502, respectively, and equal 100 percent of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement systems (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use the social security as its alternative plan.

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. Litigation

The District may be involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June, 30 2008.

C. Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Capital Projects		
Health and science	\$ 3,590,432	Winter 2011
Maintenance and operations	10,290,023	Ongoing
Theater arts	1,149,726	Fall 2010
Design standards	72,017	TBD
Infrastructure	7,079,031	Ongoing
Auto body	88,687	Winter 2009
Ag lab	1,268,749	Summer 2009
West campus	12,685,699	Spring 2009
Palmdale campus	56,757	TBD
Scheduled maintenance	899,158	Ongoing
	<u>\$ 37,180,279</u>	

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

NOTE 12 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of three joint powers authorities (JPAs). The District pays an annual premium to the entities for their coverage. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

A. <u>Entity</u>	PIPS	SIRMA	SIRMA
B. <u>Purpose</u>	Workers' Compensation Coverage	Liability and property insurance	Employee benefits
C. <u>Participants</u>	K -12 School Districts, Charter Schools, & Community College Districts in California	Public school districts and other governmental agencies	Public school districts and other governmental agencies
D. <u>Governing Board</u>	Member Agencies	Member agencies	Member agencies
E. <u>Condensed Audited Financial Information</u>	<u>June 30, 2008</u>	<u>June 30, 2008</u>	<u>June 30, 2007*</u>
Assets	\$ 65,758,281	\$ 2,481,592	\$ 2,054,012
Liabilities	<u>(41,930,893)</u>	<u>(2,599,137)</u>	<u>(1,445,159)</u>
Fund Equity	<u>\$ 23,827,388</u>	<u>\$ (117,545)</u>	<u>\$ 608,853</u>
Revenues	\$ 7,013,422	\$ 3,233,453	\$ 6,180,672
Expenses	<u>(4,430,778)</u>	<u>(3,892,220)</u>	<u>(6,295,684)</u>
Net Increase in Fund Equity	<u>\$ 2,582,644</u>	<u>\$ (658,767)</u>	<u>\$ (115,012)</u>

* - Most current available

ANTELOPE VALLEY COLLEGE

Notes to Financial Statements
June 30, 2008

NOTE 13 – FUNCTIONAL EXPENDITURES

At June 30, 2008, the District had the following functional expenditures:

	Employee Salaries & Benefits	Supplies, Materials & Other Expenses & Services	Depreciation	Other Outgo	Total
Instructional activities	\$ 36,593,415	\$ 1,717,709	\$ -	\$ -	\$ 38,311,124
Academic support	2,793,886	794,573	-	-	3,588,459
Student Services	8,154,741	1,040,531	-	20,676,387	29,871,659
Plant operations and maint.	3,689,046	3,652,474	-	-	7,341,520
Instructional support services	7,158,727	2,908,664	-	-	10,067,391
Community services and economic development	45,217	47,996	-	-	93,213
Ancillary services and auxiliary operations	1,925,972	4,618,212	-	-	6,544,184
Physical property and related acquisitions	134,710	1,071,718	-	-	1,206,428
Depreciation expense	-	-	1,141,507	-	1,141,507
	<u>\$ 60,495,714</u>	<u>\$ 15,851,877</u>	<u>\$ 1,141,507</u>	<u>\$ 20,676,387</u>	<u>\$ 98,165,485</u>

***SUPPLEMENTARY
INFORMATION***

REPORT ON SUPPLEMENTARY INFORMATION

The Governing Board
Antelope Valley Community College District

We have audited the basic financial statements of Antelope Valley Community College District (the “District”) for the year ended June 30, 2008, and have issued our report thereon dated November 28, 2008. The basic financial statements are the responsibility of the 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards identified by the *California Community Colleges Contracted District Audit Manual*, issued by the Chancellor’s Office. 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 opinion.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information, presented for purposes of additional analysis, is not a required part of the basic financial statements. The supplementary information includes the following:

- Schedule of Expenditures of Federal Awards (required by OMB Circular A-133)
- Schedule of State Financial Awards
- Schedules of Workload Measures for Program Based Funding and Annual Apprenticeship Hours of Instruction
- Fund Balance Sheets and Statements of Revenues, Expenditures and Changes in Fund Balances for the District’s various funds
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
- Note to Supplementary Information

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The information contained in the supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
November 28, 2008

ANTELOPE VALLEY COLLEGE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Dept. of Education:			
Student Financial Aid Cluster [1]	84.007, 84.033, 84.063 & 84.268	90004	\$ 19,110,196
TRIO	84.042A	24304	237,168
Vocational and Applied Technology Educational Act - Opportunities	84.048	15040	500,295
Title V - Developing Hispanic Institutions [1]	84.031S	50040	730,858
Veterans Cost of Instruction	84.098	81600	2,597
Minority Science and Engineering Improvement	84.120A	82050	<u>76,354</u>
Total			<u>20,657,468</u>
U. S. Dept. of Agriculture:			
Forest Reserve	10.665	10044	<u>15,527</u>
U. S. Dept. of Health and Human Services:			
Independent Living Skills - Part A	93.674	21040	4,884
Independent Living Skills - Part B	93.674	22040	35,380
Temporary Assistance to Needy Families (TANF)	93.558	25040	<u>67,114</u>
Total			<u>107,378</u>
National Science Foundation:			
Advanced Technological Education	47.075	N/A	61,186
Advanced Technological Education - Space Tech	47.075	N/A	14,116
Advanced Technological Education - Wired	47.076	N/A	<u>101,833</u>
Total			<u>177,135</u>
Total Federal Expenditures			<u><u>\$ 20,957,508</u></u>

[1] - Major Program

See accompanying note to supplementary information.

ANTELOPE VALLEY COLLEGE

Schedule of State Financial Awards
For the Year Ended June 30, 2008

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
State Awards					
Disabled Students Programs and Services	\$ 814,437	\$ 99,989	\$ -	\$ 914,426	\$ 915,265
Extended Opportunity Programs and Service	634,643	-	4,825	629,818	629,818
BFAP	445,643	1,398	-	447,041	447,041
Basic Skills	405,310	-	206,416	198,894	192,802
CalWorks	847,932	3,235	-	851,167	773,735
Capacity Grant	342,375	-	268,012	74,363	342,442
Care Program	114,364	-	54,808	59,556	59,556
Child Development Center	5,390	-	2,642	2,748	2,749
Community Ed.	64,265	10,056	-	74,321	74,321
EEO	10,392	-	6,469	3,923	10,392
Early College High	181,789	-	87,769	94,020	94,021
Enrollment Fee	51,066	-	51,066	-	-
Food Contract	921	11,514	-	12,435	12,435
Foster Parent	87,213	22,921	-	110,134	110,134
General Purpose	-	192,801	-	192,801	192,801
Block Grant	117,980	-	96,574	21,406	21,406
Matriculation - Credit	763,488	-	-	763,488	763,488
Matriculation - Noncredit	12,764	-	777	11,987	11,987
Nursing Co-Op	26,566	180	-	26,746	26,746
Nursing Enrollment	57,142	-	-	57,142	57,142
Nursing Facilities	34,120	1,210	-	35,330	35,330
Prop 20	21,157	101,740	-	122,897	305,934
State Funds for Instructional Materials	75,000	-	13,786	61,214	61,214
State Preschool	390,302	137,763	-	528,065	528,065
Temporary Assistance to Needy Family (TANF) - State	67,114	-	230	66,884	66,884
Temporary Assistance to Needy Family (TANF) - CDC	29,009	-	1,035	27,974	27,974
Transfer Articulation	5,000	-	5,000	-	-
Infrastructure Program (TTIP)	50,708	21,311	-	72,019	72,019
Staff Development	-	39,386	-	39,386	39,386
Total State Programs	\$ 5,656,090	\$ 643,504	\$ 799,409	\$ 5,500,185	\$ 5,875,087

See accompanying note to supplementary information.

ANTELOPE VALLEY COLLEGE

Schedule of Workload Measures for State General Apportionment
For the Year Ended June 30, 2008

	<u>Reported Data</u>
A. Summer Intersession (Summer 2007)	
1. Noncredit	11
2. Credit	759
B. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	9,222
(b) Daily Census Contact Hours	974
2. Actual Hours of Attendance	
(a) Noncredit	83
(b) Credit	313
3. Independent Study/Work Experience	
(a) Weekly Census Contact Hours	38
(b) Daily Census Contact Hours	<u>4</u>
C. Total FTES	<u>11,404</u>
D. Basic Skills Courses and Immigrant Education	
1. Noncredit	89
2. Credit	1,755

See accompanying note to supplementary information.

ANTELOPE VALLEY COLLEGE

Schedule of Annual Apprenticeship Hours of Instruction
For the Year Ended June 30, 2008

There were no apprenticeship hours of instruction for the 2007-2008 fiscal year.

See accompanying note to supplementary information.

ANTELOPE VALLEY COLLEGE

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
For the Year Ended June 30, 2008

	<u>Bookstore</u>	<u>Capital Projects Fund</u>
FUND BALANCE		
June 30, 2008, Annual Financial and Budget Report (Form CCFS-311) Fund Balances	<u>\$ 1,820,636</u>	<u>\$ 118,790,804</u>
Adjustments and reclassifications increasing/ (decreasing) fund balance:		
Cash in county	31,855	
Accounts payable	<u>(391,635)</u>	<u>(305,854)</u>
Net adjustments and reclassifications	<u>(359,780)</u>	<u>(305,854)</u>
Audited financial statements fund balance	<u>\$ 1,460,856</u>	<u>\$ 118,484,950</u>

See accompanying note to supplementary information.

ANTELOPE VALLEY COLLEGE

**Combining Fund Balance Sheets
June 30, 2008**

	Governmental Funds										Fiduciary Funds			
	Special Revenue Funds			Capital Projects Funds				Debt Service			Agency Funds		Trust Funds	
General Fund	Bookstore	Cafeteria	Child Development	Capital Projects Bond Fund	AVC	Scheduled Maintenance	Capital Outlay	Bond Interest & Redemption Fund	ASO	Student Financial Aid	Auxiliary Service	Student Representation	Total Funds	
ASSETS														
Cash and cash equivalents	\$ 4,643,727	\$ 93,207	\$ -	\$ 119,316,680	\$ 161,493	\$ 714,404	\$ 29	\$ 6,445,235	\$ 27,564	\$ 320,828	\$ 324,583	\$ 249,829	\$ 133,719,703	
Accounts receivable	4,126,297	6,788	52,409	1,134,050	1,806	23,376	1,635,308	-	-	7,535	-	2,407	7,111,717	
Due from other funds	-	-	-	-	-	1,517,400	-	-	-	-	-	-	1,517,400	
Stores inventory	-	616,240	-	-	-	-	-	-	-	-	-	-	644,456	
Other assets	475,935	-	-	-	-	-	-	-	-	-	-	-	475,935	
Total Assets	\$ 9,245,959	\$ 2,110,405	\$ 52,409	\$ 120,500,730	\$ 163,299	\$ 2,255,180	\$ 1,635,337	\$ 6,445,235	\$ 27,564	\$ 328,363	\$ 324,583	\$ 252,036	\$ 143,469,211	
LIABILITIES														
Deficit Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,772	\$ -	\$ -	\$ 60,772	
Accounts payable	4,174,362	640,031	46,067	4,175,408	83,196	63,109	230,380	-	7,762	139,072	-	200	9,798,362	
Due to other funds	-	-	-	-	-	-	1,517,400	-	-	-	-	-	1,517,400	
Due to student groups	-	-	-	-	-	-	-	-	19,802	-	-	-	19,802	
Deferred revenue	437,722	-	-	-	-	-	-	-	-	-	-	-	437,722	
Total Liabilities	4,612,084	640,031	46,067	4,175,408	83,196	63,109	1,747,780	-	27,564	199,844	-	200	11,784,058	
FUND BALANCES/NET ASSETS														
Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-	
Designated	-	-	-	-	-	-	-	-	-	-	-	-	-	
Undesignated, reported in:														
General fund	4,633,875	-	-	116,325,322	80,103	2,192,071	(112,543)	6,445,235	-	128,519	324,583	251,836	4,633,875	
Special revenue funds	-	1,470,374	6,342	-	-	-	-	-	-	-	-	-	1,476,716	
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	-	118,484,953	
Debt service funds	-	-	-	-	-	-	-	-	-	-	-	-	6,445,235	
Net assets	-	-	-	-	-	-	-	-	-	-	-	-	704,938	
Total Fund Balances/Net Assets	4,633,875	1,470,374	6,342	116,325,322	80,103	2,192,071	(112,543)	6,445,235	-	128,519	324,583	251,836	131,685,153	
Total Liabilities and Fund Balances	\$ 9,245,959	\$ 2,110,405	\$ 52,409	\$ 120,500,730	\$ 163,299	\$ 2,255,180	\$ 1,635,337	\$ 6,445,235	\$ 27,564	\$ 328,363	\$ 324,583	\$ 252,036	\$ 143,469,211	

See accompanying note to supplementary information.

ANTELOPE VALLEY COLLEGE

**Combining Fund Statements of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2008**

	Governmental Funds										Fiduciary Funds				Total Funds
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service	Agency Funds	Trust Funds	Student Financial Aid	Auxiliary Service	Student Representation						
	Booksstore	Cafeteria	Child Development	Capital Projects Bond Fund	AVC	Scheduled Maintenance	Bond Interest & Redemption Fund	ASO	Student Financial Aid	Auxiliary Service	Student Representation				
REVENUES															
Revenue limit sources															
State aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Local sources	6,636,657	-	-	-	-	-	-	-	-	-	-	-	-	6,636,657	
Total revenue limit sources	6,636,657	-	-	-	-	-	-	-	-	-	-	-	-	6,636,657	
Federal sources	53,855,645	-	-	-	-	-	-	-	-	-	-	-	-	53,855,645	
Other State sources	2,016,554	-	-	-	-	-	-	-	18,941,834	-	-	-	-	20,958,388	
Other local sources	7,060,090	-	391,324	-	-	117,992	-	-	1,473,872	-	-	-	-	10,822,388	
Total Revenues	3,794,301	4,614,810	557,915	4,901,165	451,983	2,926,204	5,485,637	215,342	242,511	279,742	44,391	-	-	23,563,970	
	66,726,590	4,614,810	557,915	4,901,165	451,983	3,044,196	5,485,637	215,342	20,658,217	279,742	44,391	-	-	109,200,391	
EXPENDITURES															
Current:															
Salaries	44,167,397	587,968	270,174	93,735	-	-	-	-	-	-	-	-	-	45,633,612	
Benefits	12,045,555	194,726	68,448	36,571	-	-	-	-	-	-	-	-	-	12,525,673	
Books and supplies	3,169,099	3,231,756	23,193	181,858	479,575	878,324	-	206,979	-	-	(24,082)	-	-	8,379,165	
Contracted services/other operating expenditures	5,983,112	785,502	(73,136)	6,750	-	-	-	15,924	-	249,995	-	-	-	7,012,788	
Capital outlay	333,903	-	-	21,719,403	83,654	313,576	1,940,022	-	-	-	-	-	-	24,390,558	
Other outgo	546,050	-	-	-	-	-	6,385,596	-	20,677,700	-	-	-	-	27,609,346	
Total Expenditures	66,245,116	4,799,952	615,726	22,031,567	569,979	1,191,900	6,385,596	222,903	20,677,700	249,995	(24,082)	-	-	125,551,142	
Excess (Deficiency) of Revenues Over Expenditures	481,474	(185,142)	(57,811)	(17,130,402)	(117,996)	1,852,296	(899,959)	(7,561)	(19,483)	29,747	68,473	-	-	(16,350,751)	
Other Financing Sources (Uses):															
Transfers In	-	-	162,426	-	-	-	-	-	-	-	-	-	-	162,426	
Other Sources	-	-	-	108,996,533	-	-	-	-	-	-	-	-	-	108,996,533	
Contributions	-	-	-	-	-	-	-	(19,802)	-	-	-	-	-	(19,802)	
Transfers Out	(162,426)	-	-	-	-	-	-	-	-	-	-	-	-	(162,426)	
Net Financing Sources (Uses)	(162,426)	-	162,426	108,996,533	-	-	-	(19,802)	-	-	-	-	-	108,976,731	
NET CHANGE IN FUND BALANCES	319,048	(185,142)	(57,811)	91,866,131	(117,996)	1,852,296	(899,959)	(27,363)	(19,483)	29,747	68,473	-	-	92,625,980	
Net Assets - Beginning	4,314,827	1,655,516	(2,753)	24,459,191	198,099	339,775	7,345,194	27,363	148,002	294,836	183,363	-	-	39,059,173	
Net Assets - Ending	\$ 4,633,875	\$ 1,470,374	\$ (60,564)	\$ 116,325,322	\$ 80,103	\$ 2,192,071	\$ 6,445,235	\$ -	\$ 128,519	\$ 324,583	\$ 251,836	\$ -	\$ -	\$ 131,685,153	

See accompanying note to supplementary information.

ANTELOPE VALLEY COLLEGE

Note to Supplementary Information
June 30, 2008

NOTE 1 – PURPOSE OF SCHEDULES

The audit of Antelope Valley Community College District for the year ended June 30, 2008 was conducted in accordance with OMB Circular A-133. Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133 and State requirements, the Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards were prepared for Antelope Valley Community College District.

The Schedules of Workload Measures for State General Apportionment and Annual Apprenticeship Hours of Instruction represent the basis of apportionment of Antelope Valley Community College District's annual source of funding.

The Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements provides the information necessary to reconcile the fund balances of all funds reported on the State submitted Form CCFA-311 to the audited financial statements.

The combining fund balance sheets and fund statements of revenues, expenditures and changes in fund balances provide information on the District's various funds.

***OTHER INDEPENDENT
AUDITORS' REPORTS***

**REPORT ON INTERNAL CONTROL AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Governing Board
Antelope Valley Community College District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Antelope Valley Community College District (the “District”), as of and for the year ended June 30, 2008, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 28, 2008. 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

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District’s financial statements that is more than inconsequential will not be prevented or detected by the District’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governing Board, others within the entity, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
November 28, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Governing Board
Antelope Valley Community College District

Compliance

We have audited the compliance of Antelope Valley Community College District (the “District”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of 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 the District’s management. Our responsibility is to express an opinion on the 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 of the District’s compliance with those requirements.

In our opinion, Antelope Valley Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the 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 the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Governing Board, others within the entity, California Department of Education, the State Controllers Office, and 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.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
November 28, 2008

REPORT ON STATE COMPLIANCE

The Governing Board
Antelope Valley Community College District

We have audited the basic financial statements of Antelope Valley Community College District (the "District") for the year ended June 30, 2008, and have issued our report thereon dated November 28, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, 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*:

General Directives

Management Information System Implementation
– Required Data Elements

Administration

Open Enrollment

Student Fees

– Instructional Materials Fees and Health Fees

Apportionments

- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Apportionment for Instructional Service Agreements / Contracts
- Enrollment Fees

Fiscal Operations

– Salaries of Classroom Instructors (50 Percent Law)

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Student Services

Matriculation

- Uses of Matriculation Funds

CalWorks

- Uses of State and Federal TANF Funding

Facilities

Scheduled Maintenance Programs

Management is responsible for the District's compliance with the above listed requirements. Our responsibility is to express an opinion on the District's compliance 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 the 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 year ended June 30, 2008.

This report is intended solely for the information and use of management, the Governing Board, audit committee and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
November 28, 2008

***FINDINGS AND QUESTIONED
COSTS SECTION***

ANTELOPE VALLEY COLLEGE

Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION 2 – FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS

2008-1 30000 and 60000

FORM CCFS-311

Specific Requirement Balances reflected on the District's Annual Financial and Budget Report (Form CCFS-311) as reported to the Chancellor's Office must be supported by underlying District accounting records.

Finding We noted instances where the beginning fund balance reported on the CCFS-311 report did not tie to the District's prior year audited ending fund balance.

Questioned Costs None, as we were able to verify correct amounts.

Effect The District is not able to support all financial information reported to the State with underlying detailed accounting records.

Recommendation Procedures should be established to reconcile fund state reports to underlying / supporting District financial records.

District Response The District will verify that prior year adjustments to the fund balance on the CCFS-311 report reconcile to the audit adjustments.

ANTELOPE VALLEY COLLEGE

Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION 2 – FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS, Continued

2008-2 30000 and 60000

BANK RECONCILIATION

Specific Requirement All financial aid activity should be properly recorded and verified.

Finding While testing the student financial aid fund, we noted four bank accounts which were not being properly recorded to the underlying documents and bank statements.

Questioned Costs

	<u>Per FS</u>	<u>Per Rec.</u>	<u>Difference</u>
Cal Grant	20,526	18,890	1,636
AVCC Education	7,018	6,268	750
Revolving	30,000	31,593	(1,593)
Student Financial Aid Fund	32,482	32,342	140
Scholarship and Loan Fund	20,808	17,342	3,466

Effect The lack of proper bank/cash reconciliations can lead to the mistaken and/or improper use of student financial aid cash.

Recommendation Procedures should be immediately established to properly reconcile all student financial aid bank accounts and have these reconciliations reviewed and approved by appropriate District personnel.

District Response The District will work with the financial aid personnel to establish procedures that will ensure the reconciled totals of the separate financial aid bank accounts are properly recorded on the District accounting records and State submitted financial reports.

ANTELOPE VALLEY COLLEGE

Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION 2 – FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS, Continued

2008-3 60000

LABOR COMPLIANCE PROGRAM

Specific Requirement 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 Districts have always had to comply with the California prevailing wage law, Proposition 47 also now requires Districts obtaining state bond funds to establish a “labor compliance program” in order to enforce prevailing wage laws. Finally, Circular A-133 requires that Districts receiving financial aid establish monitoring procedures to assure compliance with prevailing wage laws.

Finding 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.

Questioned Costs None.

Effect By not having a formal “labor compliance program”, the District is potentially out of compliance with both State and Federal laws.

Recommendation The District should establish a comprehensive “labor compliance program” and related procedures to assure the monitoring of payment of prevailing wages on District construction projects.

District Response Procedures will be established to help ensure labor compliance, including enforcing prevailing wage.

ANTELOPE VALLEY COLLEGE

Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION 2 – FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS, Continued

2008-4 30000 and 60000

BOOKSTORE / CAFETERIA

Specific Requirement The District maintains the general ledgers for the Bookstore and the Cafeteria on two separate systems: the County system and a vendor provided system. Because they use two separate systems, we noted there is some overlap in the amounts reported. Further, we noted the absence of any type of reconciliations of amounts between these two systems.

Finding The Bookstore currently maintains a cash balance of over \$70,000. During our audit, we noted the lack of any type of imprest balance that would be used to agree to the bank balance.

Questioned Costs None.

Effect Without a pre-set imprest amount, the District may not question the actual necessity of keeping this large amount of cash on hand.

Recommendation The District should, at least quarterly, make journal entries into the County's system to reflect the financial activity accurately. The District should perform an analysis to determine the amount of cash the District requires at any given point of time, then keep the cash at that level. Once the cash balance is decided, the Bookstore or business office should perform a count and reconciliation of the cash inflows relative to that balance, plus make sure by month-end that the total is back at the stated imprest amount.

District Response Procedures will be established to reconcile variances in using different systems. Procedures will also be put in place to address the cash ceiling with respect to peak activity.

ANTELOPE VALLEY COLLEGE

Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION 3 – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs in 2007-08.

ANTELOPE VALLEY COLLEGE

Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION 4 – STATE AWARDS FINDINGS AND QUESTIONED COSTS

There were no state award findings or questioned costs in 2007-08.

ANTELOPE VALLEY COLLEGE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

FINANCIAL STATEMENT FINDINGS

2007-1 20000 and 30000

Finding The District has established a detailed listing of their fixed assets as required under the GASB 34 and GASB 35 guidelines. The current year additions to this detail were not reconciled with the capital outlay accounts for expenditures for fixed assets reported in the District's main accounting system, nor are these additions verified to an updated year-end inventory listing.

Recommendation The District should establish new documentation procedures that allow for the acquisition cost, date of purchase, and related information to be conveyed to the personnel responsible for the maintenance of the District's fixed asset detail on a regular basis. Once this information is received and recorded, the current year acquisitions, as reported on the District's fixed asset inventory, must be reconciled to the amounts reported on the District's financial records for capital outlay cost for equipment. Also, subsequent to the end of the year, and updated fixed asset listing should be generated to properly capture all current year activity.

Current Status Implemented.

2007-2 30000 and 60000

Finding During testing of the District's accounting records, it was noted that a substantial number of "Due to / Due From" accounts remain outstanding from the previous year.

Recommendation The District should establish procedures to ensure that all interfund balances are paid and cleared within one year.

Current Status Implemented.

2007-3 30000 and 60000

Finding Instances were noted where the beginning fund balance reported on CCFS-311 did not tie to the District's prior year audited ending fund balance.

Recommendation Procedures should be established to reconcile the fund state reports to underlying / supporting District financial records.

Current Status Not Implemented. See Finding 2008-1.

ANTELOPE VALLEY COLLEGE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

FINANCIAL STATEMENT FINDINGS, Continued

2007-4 30000 and 60000

Finding During testing of the student financial aid fund, it was noted four bank accounts were not being properly recorded to the underlying documents and bank statements.

Recommendation Procedures should be established to properly reconcile all student financial aid bank accounts and have these reconciliations reviewed and approved by appropriate District personnel.

Current Status Not Implemented. See Finding 2008-2.

2007-5 60000

Finding The District has not established a general “labor compliance program” nor has it established alternative procedures to monitor and ensure prevailing wages are being paid on its construction projects.

Recommendation The District should establish a comprehensive “labor compliance program” and related procedures to ensure the monitoring of prevailing wages on District construction projects.

Current Status Not Implemented. See Finding 2008-3.

ANTELOPE VALLEY COLLEGE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

FEDERAL AWARDS FINDINGS

2007-6 20000 and 50000

Finding *Code of Federal Regulations*, Title 34, Part 74, Sections 51, 53, and 71; Part 75, Sections 730 and 732; and Part 76, Section 730; and the *Office of Management and Budget Circular No. A-110*, Section -.51 require that procedures for managing equipment purchased with federal funds, until transfer or disposition takes place, shall meet certain requirements. The District has established the use of data entry sheets provided by an outside vendor to track equipment purchases and additions. These sheets and the related reports contain all information, including fund source, which are required by Federal grantors. The District is reconciling the current year additions acquired with Federal funds to its detailed fixed asset listing. However, the District has not identified and reconciled all prior year federally funded equipment acquisitions to the detailed fixed asset listing.

Recommendation The District should attempt to identify all prior year additions of equipment purchased with Federal funds with the current fixed asset inventory listing.

Current Status Implemented.