Antelope Valley College

Los Angeles County
Lancaster, California

Report on Audit
June 30, 2009

Antelope Valley College

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Messner
Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Antelope Valley Community College District

We have audited the accompanying basic financial statements of Antelope Valley Community College District (the "District"), as of and for the year ended June 30, 2009, 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 basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of Antelope Valley Community College District, as of June 30, 2009, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as the management's discussion and analysis and the schedules of funding progress and employer contributions, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The Board of Trustees
Antelope Valley Community College District

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The supplementary sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information, including the schedule of expenditures of federal awards, have been subjected to the auditing procedures in the audit of the basic financial statements and, in our opinion, are fairly stated 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
December 22, 2009

This section of Antelope Valley Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2009.

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 financial position and activities of the District's Financial Report for the fiscal year ended June 30, 2009. The previous year's financial information is also provided for comparison. 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 receivables 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 $40,073,549 at June 30, 2009.
- During the fiscal year, the District's total expenses were $119,547,324. Combined operating and non-operating revenues totaled $118,580,687, for a loss of $966,367.
- In November 2004, voters authorized the District to sell up to $139 million in bonds over the next several years. The first series of bonds was sold to private investors in 2007, with the District receiving $30 million to fund construction projects. In fiscal year 2007-2008, the District received the remaining $109 million from the sale of G.O. Bonds.
- The general fund reported a fund balance this year of $6,002,545, which represents an overall 8.89 percent ending balance. Of this amount, 13.18 percent is the restricted reserve and 8.29 percent is the unrestricted reserve. The Chancellor's Office recommends that the District maintain a reserve of approximately 5 percent.

Statement of Net Assets

The *Statement of Net Assets* (see page 10, *Basic Financial Statements* section) presents the assets, liabilities and net assets of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to the accounting basis used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way to measure the financial health of the District. The data allows readers to determine the assets available to continue the operations of the District.

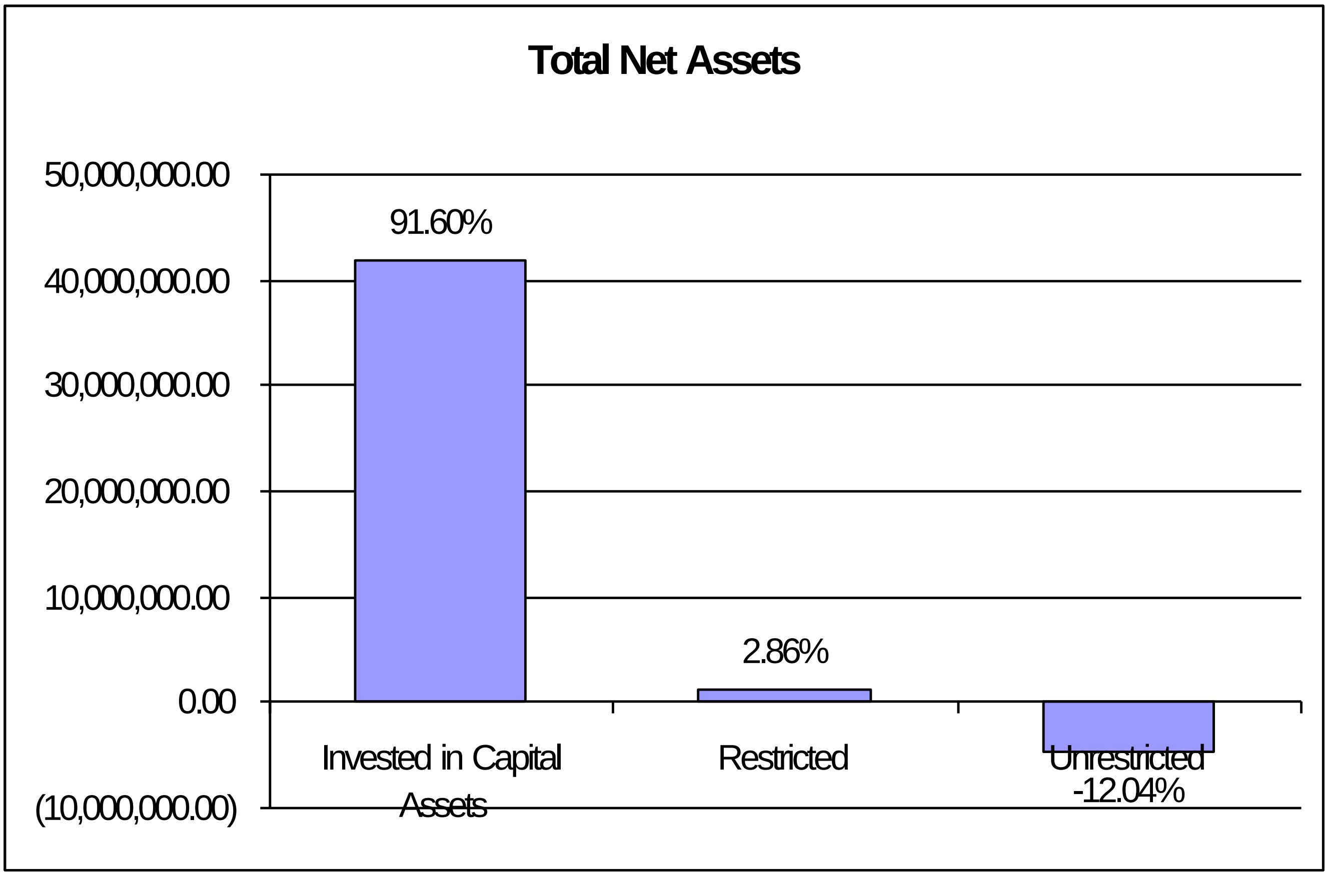
(amounts in thousands)	2009	2008	Net Change
ASSETS			
Current assets	$ 121,145	$ 141,924	$ (20,779)
Non-current assets	93,034	60,056	32,978
Total Assets	$ 214,179	$ 201,980	$ 12,199
LIABILITIES			
Current liabilities	$ 26,709	$ 14,611	$ 12,098
Non-current liabilities	149,247	148,179	1,068
Total Liabilities	175,956	162,790	13,166
Net Assets			
Invested in capital assets, net of related debt	41,993	40,118	1,875
Restricted	1,102	374	728
Unrestricted	(4,872)	(1,302)	(3,570)
Total Net Assets	38,223	39,190	(967)
Total Liabilities and Net Assets	$ 214,179	$ 201,980	$ 12,199

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 2009. During the fiscal year ending June 30, 2009, the total net assets decreased $966,367, or about 2.5 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 $3,321,069 or approximately 46.7 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 $12,096,817, or by 82.8 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:



Statement of Revenues, Expenses, and Changes in Net Assets

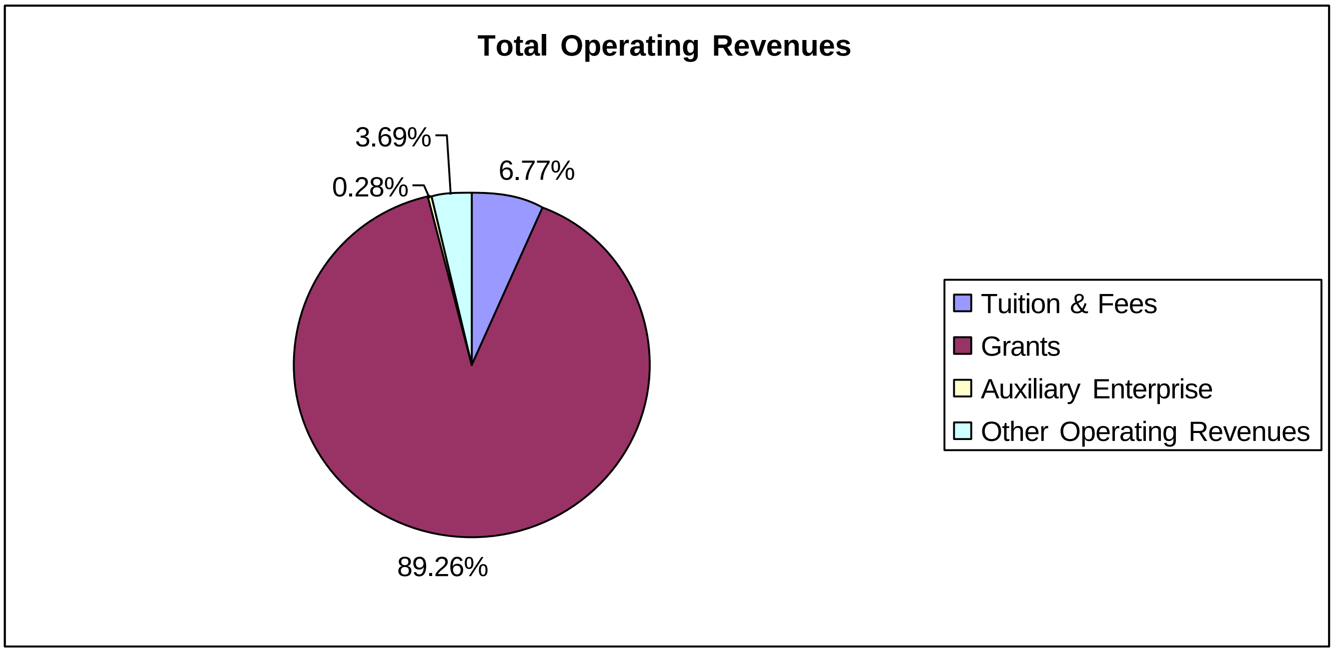
The *Statement of Revenues, Expenses and Changes in Net Assets* (see page 11, *Basic Financial Statements* section) presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the District, both 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.

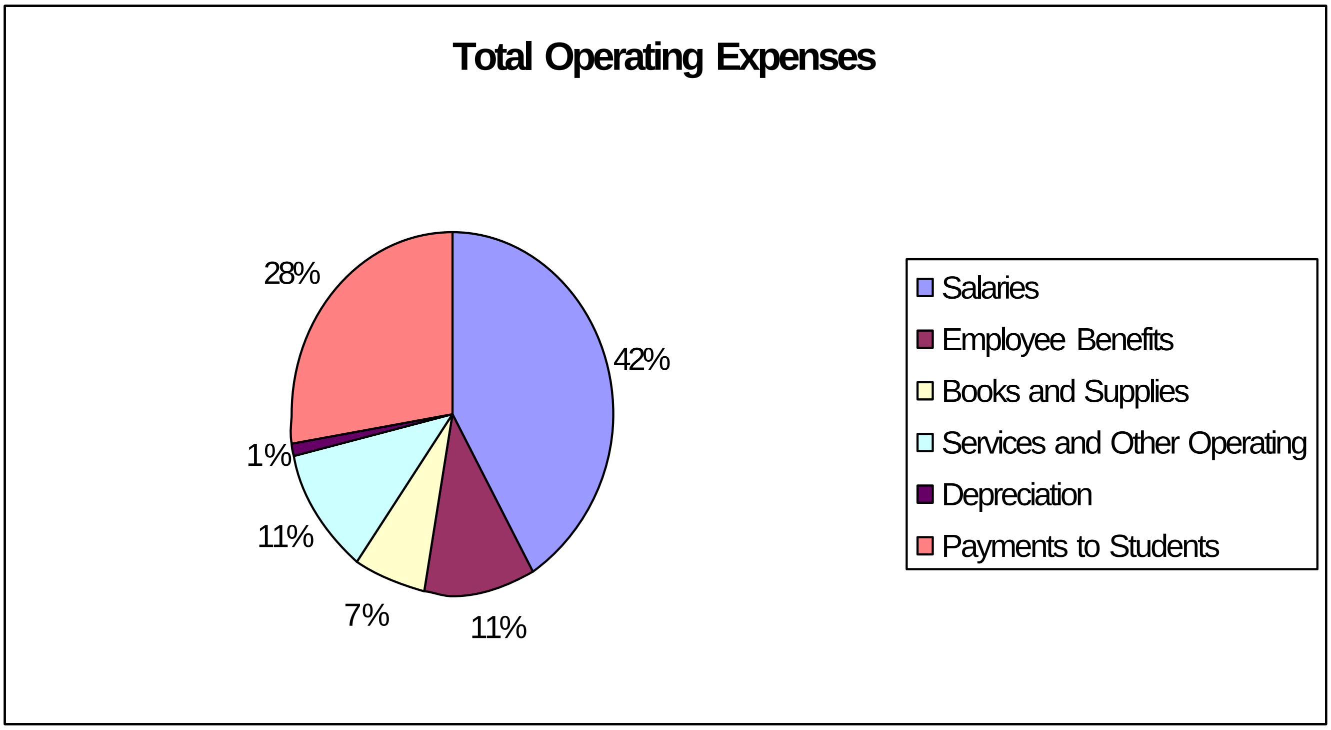
Changes in total net assets on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. Generally speaking, operating revenues are received for those expenses paid to acquire or produce the goods and services provided in return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

(amounts in thousands)	2009	2008	Net Change
Revenues			
Operating revenue	$ 47,486	$ 40,904	$ 6,582
Non-operating revenue	65,579	63,000	2,579
Other revenue	5,516	4,470	1,046
Total Revenue	118,580	108,374	10,207
Expenses			
Operating expense	110,956	96,938	14,018
Non-Operating expense	257	5,492	(5,235)
Interest	8,335	7,330	1,005
Total Expenses	119,548	109,760	9,788
Excess (deficiency)	(968)	(1,386)	(418)
Net Assets - Beginning	39,191	41,778	2,587
Net Assets - Ending	$ 38,223	$ 39,191	$ 968

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative year due to an increase in salaries and benefits. Salaries increased $386,710 or .8 percent from the previous year due to additional hires of faculty and classified positions. Employee benefits decreased by $2,206,703, or about 15.0 percent due to recording of the SERP liability in 2008. Net assets decreased at the end of the year by $966,637. Although the Statement shows an operating loss of $58,935,347, that balance does not reflect the $66,560,234 in non-operating revenues. The District reports an increase in total operating revenues of $11,091,937 over fiscal year 2008. 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* (see page 12, *Basic Financial Statements* section) provides additional information about the District's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first part deals with operating cash flows and shows 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 the period ending June 30, 2009 was $57,422,525.

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.

Capital Assets

A comparison of capital assets, net of depreciation, is summarized below:

(amounts in thousands)	2009	2008	Net Change
Land and construction in progress	$ 63,734	$ 29,998	$ 33,736
Buildings and equipment	50,168	49,832	336
Accumulated depreciation	(20,868)	(19,774)	(1,094)
Total Capital Assets	$ 93,034	$ 60,056	$ 32,978

Debt

At June 30, 2009, the District had $150.96 million in debt. A comparison of long-term debt is summarized below:

(amounts in thousands)	2009	2008	Net Change
General obligation bonds	$ 138,742	$ 138,097	$ 645
Loans	448	633	(185)
Retiree health benefits	9,239	8,576	663
Compensated absences	1,222	1,217	5
Other long-term liabilities	1,548	2,082	(534)
Total Long-term Liabilities	$ 151,199	$ 150,605	$ 594

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 2009-2010 of $24 billion, in addition to the 35.8 billion gap previously forecasted by State budget analysts. 2010-2011 predictions are a deficit of $20.7 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 2009-2010. While there has been no definite figure from the Chancellor's Office regarding the midyear cut projections, Antelope Valley College has budgeted $1 million in anticipated cuts.

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 2008-2009, there was a property tax shortfall of approximately $41.1 million, which negatively impacted the District. Analysts are predicting a property tax shortfall in fiscal year 2009-2010 of $116.7 million below projections; however, the State legislature has addressed $63 million, leaving a shortfall of $53 million, particularly in the Los Angeles County area. Therefore, it is anticipated that the District will not be receiving a property tax backfill in the 2009-2010 budget year.

With the state unemployment rate at 12.5 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 be between 12 to 15 percent. In 2008-2009, the District's unadjusted growth rate was 13.54 percent. The State funded growth rate for 2008-2009 was 4.18 percent, but was adjusted to 1.95 percent for the District. The draft final apportionment for 2008-2009 indicates an unfunded FTES of 1,389 students or an equivalent of $6.325 million in unfunded revenue. Growth figures have not yet been issued, but it is expected to adjust throughout the year. It is forecasted that the 2009-2010 budget year will also have over cap growth; however, we are reducing the FTES to 11,500 to align more with the State funding levels.

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.

BASIC FINANCIAL STATEMENTS

Antelope Valley College

Statement of Net Assets
June 30, 2009

	District	Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	$ 109,472,863	$ 72,367
Investments	-	1,797,425
Accounts receivable	10,432,786	-
Due from other funds	-	-
Stores inventories	663,096	-
Other current assets	575,727	-
Total current assets	121,144,472	1,869,792
Capital assets, net	93,034,140	-
TOTAL ASSETS	$ 214,178,612	$ 1,869,792
LIABILITIES		
Current liabilities:		
Current liabilities	$ 16,264,947	$ 20,071
Deferred revenue	1,115,597	-
Short term borrowing	7,374,972	-
Current portion of long-term debt	1,952,452	-
Total current liabilities	26,707,968	20,071
Non-current liabilities	149,246,816	-
TOTAL LIABILITIES	175,954,784	20,071
NET ASSETS		
Invested in capital assets	41,993,329	-
Restricted:		
Non-expendable	-	1,510,225
Expendable	1,101,579	382,730
Unrestricted	(4,871,080)	(43,234)
TOTAL NET ASSETS	38,223,828	1,849,721
TOTAL LIABILITIES AND NET ASSETS	$ 214,178,612	$ 1,869,792

See the accompanying notes to the financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2009

	District	Foundation
OPERATING REVENUES		
Tuition and fees	$ 3,216,755	$ -
Grants and contracts, non-capital		
Federal	31,356,543	-
State	10,912,094	-
Local	116,520	546,541
Auxiliary enterprise sales and charges	133,463	-
Other operating revenues	1,750,956	-
Total operating revenues	47,486,331	546,541
OPERATING EXPENSE		
Salaries	46,196,997	54,893
Employee benefits	12,478,724	22,957
Books and supplies	7,991,487	-
Services and other operating expenses	12,566,887	63,074
Program support	-	356,075
Depreciation	1,274,331	-
Payment to students	30,447,374	-
Total operating expenses	110,955,800	497,000
OPERATING INCOME/(LOSS)	(63,469,469)	49,541
NON-OPERATING REVENUES/(EXPENSES)		
State apportionments, non-capital	47,629,457	-
Property taxes	7,081,048	-
State taxes and other revenues	55,690	-
Investment income - non-capital	7,487,084	38,554
Unrealized loss on assets	-	(257,801)
Interest expense - capital asset-related debt	(8,334,263)	-
Other non-operating revenues	3,325,225	-
Other non-operating expenses	(257,261)	-
Total non-operating revenues	56,986,980	(219,247)
Income Before Other Revenues, Expenses, Gains, or Losses	(6,482,489)	(169,706)
Local property taxes and revenues, capital	5,515,852	-
CHANGE IN NET ASSETS	(966,637)	(169,706)
NET ASSETS		
Net Assets - Beginning	39,190,465	2,019,427
Net Assets - Ending	$ 38,223,828	$ 1,849,721

See the accompanying notes to the financial statements.

Statement of Cash Flows
For the Year Ended June 30, 2009

	District	Foundation
Cash Flows from Operating Activities		
Tuition and fees	$ 3,216,755	$ -
Grants and contracts	44,529,002	-
Payments to suppliers	(13,222,634)	(65,888)
Payments to/on-behalf of employees	(61,748,257)	(77,850)
Student loans/grants	(30,447,374)	(356,075)
Auxiliary enterprise sales and charges	133,463	-
Other receipt	116,520	546,541
Net cash provided by (used in) operating activities	(57,422,525)	46,727
Cash Flows from Non-Capital Financing Activities		
State apportionments and receipts	43,874,435	-
Property taxes	7,081,048	-
Other receipts	3,067,964	-
Net cash provided by non-capital financing activities	54,023,447	-
Cash Flows from Capital Financing Activities		
State apportionments for capital purposes	-	-
Purchases of capital assets	(34,252,238)	-
Proceeds from sale of tax anticipation revenue notes	7,374,972	-
Interest paid on capital debt	(5,116,548)	-
Principal paid on capital debt	(2,426,657)	-
Local property taxes and other revenues for capital purposes	5,515,852	-
Net cash provided by capital financing activities	(28,904,619)	-
Cash Flows from Investing Activities		
Unrealized change in market value	-	(257,801)
Interest on investments	8,145,193	38,554
Net cash provided by (used in) investing activities	8,145,193	(219,247)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(24,158,504)	(172,520)
CASH AND CASH EQUIVALENTS		
Beginning of year	133,631,367	2,042,312
End of year	$ 109,472,863	$ 1,869,792

See the accompanying notes to the financial statements.

Antelope Valley College

Statement of Cash Flows
For the Year Ended June 30, 2009

	District	Foundation
Reconciliation of operating income (loss) to cash used in operating activities		
Operating income (loss)	$ (63,469,469)	$ 49,541
Depreciation	1,274,331	-
Decrease in accounts receivable	849,039	-
Decrease in inventory	(18,640)	-
Increase in other current assets	(99,792)	-
Decrease in accounts payable	4,381,636	(2,814)
Increase in deferred revenue	(339,630)	-
Net cash provided by (used in) operating activities	$ (57,422,525)	$ 46,727

See the accompanying notes to the financial statements.

Antelope Valley College

Statement of Fiduciary Net Assets
June 30, 2009

	Agency Funds ASO
ASSETS	
Cash and cash equivalents	$ 28,444
LIABILITIES	
Accounts payable	$ 2,510
Due to student groups	25,934
Total liabilities	$ 28,444

See the accompanying notes to the financial statements.

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2009

	Agency Funds ASO
Additions	
Student activities	$ 150,940
Total Additions	150,940
Deletions	
Student activities	150,060
NET CHANGE IN FUND BALANCE	880
Net Assets - Beginning	25,054
Net Assets - Ending	$ 25,934

See the accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Antelope Valley Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. 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.

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.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments* and including Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis of Public Colleges and Universities*, issued in June and November 1999 and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements.

Basis of Accounting

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

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

The budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control devise during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 13, 1989 until subsequently amended, superseded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury and investments in the Local Agency Investment Fund are recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

Accounts Receivable

Accounts receivable consists primarily of 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. Accounts receivable are recorded net of estimated uncollectible amounts. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts, and debt service requirements.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

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

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

Accounts Payable

Accounts payable consists of amounts due to vendors.

Accrued Liabilities

Accrued liabilities consist of salaries and benefits payable, deferred summer pay and load banking.

Deferred Revenue

Tuition and fees received prior to June 30 for classes and programs offered in the subsequent fiscal year are reported as deferred revenue. Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceed qualified expenditures.

Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Assets. The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of full-time load which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

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 outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable – Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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 available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes. 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 2010 will be recorded in the year computed by the State.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The District reports real and personal property tax revenues in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has been accrued in these financial statements to reflect the amount of property taxes receivable as of June 30, 2009.

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 was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments.

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: student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Non-operating revenues – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such as investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported, net of scholarship discounts and allowances, in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge 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 for the Board of Governors (BOG) waivers.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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.

At June 30, 2009, the District's cash and cash equivalents primarily consist of:

	Category 1	Category 2	Category 3	Total Bank Balances	Carrying Amount	Market Value
Business - Type Activities						
Cash on hand	$ -	$ -	$ -	$ -	$ 34,000	N/A
Deposits in financial institutions	250,000	1,047,815	-	1,297,815	1,313,715	$ 1,313,715
Cash in county treasury	-	108,125,148	-	-	108,125,148	108,125,148
Total	$ 250,000	$ 109,172,963	$ -	$ 1,297,815	$ 109,472,863	$ 109,438,863
Fiduciary Funds						
Deposits in financial institutions	$ -	$ 27,336	$ -	$ 27,336	$ 28,444	$ 28,444

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 – RECEIVABLES

Receivables at June 30, 2009, consist of the following and are considered collectable in full:

	Business-Type Activities
Federal Government	
Categorical aid	$ 661,539
State Government	
Apportionment	7,560,021
Categorical aid	822,669
Lottery	527,418
Local Government	
Interest	534,437
Other Local Sources	326,702
	$ 10,432,786

NOTE 4 – INTERFUND TRANSACTIONS

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

NOTE 5 – CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2009:

Business-Type Activities	Balance July 01, 2008	Additions	Deductions	Balance June 30, 2009
Capital assets not being depreciated				
Land	$ 2,430,691	$ -	$ -	$ 2,430,691
Construction in progress	27,567,599	33,735,783	-	61,303,382
Total capital assets not being depreciated	29,998,290	33,735,783	-	63,734,073
Capital assets being depreciated				
Site, buildings, and improvements	42,386,748	-	-	42,386,748
Machinery and equipment	7,444,929	516,455	179,685	7,781,699
Total capital assets being depreciated	49,831,677	516,455	179,685	50,168,447
Less accumulated depreciation				
Site, buildings, and improvements	15,490,859	634,802	-	16,125,661
Machinery and equipment	4,282,875	639,529	179,685	4,742,719
Total accumulated depreciation	19,773,734	1,274,331	179,685	20,868,380
Capital Assets, net	$ 60,056,233	$ 32,977,907	$ -	$ 93,034,140

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2009 consisted of the following:

	Business-Type Activities
Payroll	$ 327,718
Construction	11,497,540
Vendor payable	2,300,042
Interest payable	2,139,648
	$ 16,264,948

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2009 consisted of the following:

	Business-Type Activities
State sources	$ 1,103,254
Other sources	12,343
	$ 1,115,597

NOTE 8 – LONG-TERM LIABILITIES

Summary

A schedule of changes in long-term debt for the year ended June 30, 2009 is shown below:

	Balance July 01, 2008	Additions	Accretion	Deductions	Due in One Year	Long-term Balance
Governmental Activities						
General obligation bonds (GO) Bonds:						
Series 2006						
Current interest	$ 17,535,000	$ -	$ -	$ -	$ -	$ 17,535,000
Capital appreciation	7,422,190	-	794,225	1,090,000	1,125,000	6,001,415
Series 2004						
Current interest	84,620,000	-	-	615,000	255,000	83,750,000
Capital appreciation	27,811,056	-	1,581,098	-	-	29,392,154
Issuance costs and premiums, net	707,429	-	-	24,394	-	683,035
Loan payable	633,155	-	-	185,256	185,339	262,560
Compensated absences	1,216,745	5,282	-	-	-	1,222,027
Early retirement incentive	146,920	-	-	146,920	-	-
SERP	1,935,565	-	-	387,113	387,113	1,161,339
Other postemployment benefits	8,577,459	1,119,675	-	457,848	-	9,239,286
	$ 150,605,519	$ 1,124,957	$ 2,375,323	$ 2,906,531	$ 1,952,452	$ 149,246,816

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:

	Series 2006		
Year	Principal	Interest	Total
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	580,593	1,596,157	2,176,750
2015 - 2019	6,399,683	7,304,817	13,704,500
2020 - 2022	12,825,000	1,360,375	14,185,375
Accreted Interest	2,005,239	(2,005,239)	-
Total	$ 24,661,415	$ 13,667,210	$ 38,328,625

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 are between 4.00% and 5.63%. The 2004 Election, Series A through C mature through 2040 as follows:

	Series 2004		
Year	Principal	Interest	Total
2010	$ 255,000	$ 4,253,831	$ 4,508,831
2011	415,000	4,241,781	4,656,781
2012	575,000	4,223,166	4,798,166
2013	755,000	4,197,391	4,952,391
2014	940,000	4,163,953	5,103,953
2015 - 2019	5,745,000	20,095,419	25,840,419
2020 - 2024	12,810,000	17,190,069	30,000,069
2025 - 2029	28,078,142	18,100,872	46,179,015
2030 - 2034	13,426,844	53,754,392	67,181,235
2035 - 2039	33,066,547	37,275,403	70,341,950
2040	14,545,000	763,613	15,308,613
Accreted Interest	2,785,621	(2,785,621)	-
Total	$ 113,397,154	$ 165,474,268	$ 278,871,422

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:

	Loan Payments
2010	$ 199,017
2011	199,017
2012	65,073
	463,107
Less: amount representing interest	(15,208)
	$ 447,899

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2009, amounted to $1,222,027.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2009, was $1,119,675 and contributions made by the District during the year were $457,848 which resulted in a net OPEB obligation for 2009 of $661,827. See Note 10 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

NOTE 9 – 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.

- **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 10 – 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 65^{th} 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 65^{th} 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.

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:

  Classified:
  Twenty (20) years prior to retirement at ages 57 to 59.
  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.

  Faculty and Management:
  Ten (10) years prior to retirement at age 55.

- 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 Policy

Currently there is no funding policy.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess over a period not to exceed thirty years.

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

Annual required contribution	$ 1,119,675
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,119,675
Contributions made	(457,848)
Increase in net OPEB obligation	661,827
Net OPEB obligation, beginning of year	8,577,459
Net OPEB obligation, end of year	$ 9,239,286

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the May 1, 2006 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5% percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost increases were estimated at 4 percent annually. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2008, was 29 years. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2009, the Trust held net assets in the amount of $0.

NOTE 11 – 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).

State Teachers’ Retirement System (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 2008-09, 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, 2007, 2008, and 2009 were $1,892,346, $2,125,167, and $2,103.083 respectively, and equal 100 percent of the required contributions for each year.

Public Employees' Retirement System (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, 2007, 2008, and 2009 were $881,376, $1,076,502, and $1,108,181 respectively, and equal 100 percent of the required contributions for each year.

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.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

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 2009.

Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
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
	$ 37,180,279	

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

The District participates in 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 none of the JPAs are a component unit 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.

Entity	PIPS	SIRMA	SIRMA
Purpose	Workers' compensation coverage	Liability and property insurance	Employee benefits
Participants	K -12 School Districts, Charter Schools, and Community College Districts in California	Public school districts and other governmental agencies	Public school districts and other governmental agencies
Governing Board	Member agencies	Member agencies	Member agencies

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Postemployment Healthcare Benefits Funding Progress
For the Year Ended June 30, 2009

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2006	$ -	$ 7,974,678	$ 7,974,678	$ -	$ 46,196,997	17.26%

Note: Fiscal year 2008 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively; therefore, prior year comparative valuation data is not available. In future years, as valuations are performed, three year valuation trend information will be presented.

See the accompanying note to the required supplementary information.

Antelope Valley College

Schedule of Employer Contributions
For the Year Ended June 30, 2009

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2009	$ 1,119,675	40.89%	$ 661,827

See the accompanying note to the required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of Employer Contributions

This schedule is prepared in accordance with Statement No. 43 of the Governmental Accounting Standards Board, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

SUPPLEMENTARY INFORMATION

Antelope Valley Community College District was established in 1929. It is a political subdivision of the State of California and provides education services to the local residents of the surrounding area. The District consists of one community college located in Lancaster, California.

BOARD OF TRUSTEES

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

DISTRICT EXECUTIVE OFFICERS

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

See the accompanying note to the supplementary information.

Antelope Valley College

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Dept. of Education:			
Federal College Work Study **[1]**	84.033	*	$ 183,573
SEOG **[1]**	84.007	*	259,238
Pell **[1]**	84.063	*	17,111,548
TRIO	84.042A	24304	213,418
Vocational and Applied Technology Educational Act - Opportunities	84.048	15040	684,723
Title V - Developing Hispanic Institutions	84.031S	50040	994,710
Minority Science and Engineering Improvement	84.120A	82050	63,267
Total			19,510,476
U. S. Dept. of Health and Human Services:			
Independent Living Skills - Part B	93.674	21040	41,838
Temporary Assistance to Needy Families (TANF)	93.558	25040	141,356
Total			183,194
National Science Foundation:			
Advanced Technological Education	47.075	N/A	134,309
Advanced Technological Education - Space Tech	47.075	N/A	6,220
Advanced Technological Education - Wired	47.076	N/A	84,411
Total			224,939
Total Federal Expenditures			$ 19,918,609

[1] - Major Program

See the accompanying note to the supplementary information.

Antelope Valley College

Schedule of State Financial Assistance – Grants
For the Year Ended June 30, 2009

Program Name	Program Revenues: Cash Received	Program Revenues: Accounts Receivable	Program Revenues: Accounts Payable/Deferred Revenue	Total	Total Program Expenditures
State Awards					
Disabled Students Programs and Services	$ 943,554	$ -	$ 17,515	$ 926,039	$ 954,789
Extended Opportunity Programs and Service	1,006,531	10,337	-	1,016,868	1,016,868
BFAP	465,971	-	15,142	450,829	450,829
Basic Skills	860,957	-	327,136	533,820	533,820
CalWorks	961,622	-	-	961,622	924,857
Capacity Grant	268,012	-	149,149	118,863	118,863
Care Program	326,661	13,611	-	340,272	340,272
Career Tech	400,000	-	397,473	2,527	13,166
DSS/CalWORKS	62,441	17,456	-	79,897	79,897
EEO	21,327	-	15,886	5,441	5,441
Enrollment Fee	56,067	-	-	56,067	-
Foster Parent	92,295	20,934	-	113,229	113,229
General Purpose	-	-	-	-	950
Block Grant	214,229	-	122,469	91,761	91,761
Matriculation - Credit	790,780	-	183,874	606,906	606,906
Matriculation - Noncredit	18,489	-	3,857	14,632	14,632
Nursing Enrollment	372,910	-	80,884	292,026	292,026
Nursing Facilities	72,830	-	43,710	29,120	29,120
Prop 20	29,129	118,316	-	147,445	193,917
RTF	341,401	-	341,401	-	-
SB 70 CTE	369,700	-	237,919	131,781	131,781
State Funds for Instructional Materials	-	-	-	-	(1,850)
Temporary Assistance to Needy Family (TANF) - State	141,368	-	-	141,368	141,368
Temporary Assistance to Needy Family (TANF) - CDC	23,530	14,384	-	37,914	34,893
Transfer Articulation	4,000	-	3,816	184	184
Staff Development	-	-	-	-	1,190
Total State Programs	$ 7,843,804	$ 195,039	$ 1,940,230	$ 6,098,613	$ 6,088,910

See the accompanying note to the supplementary information.

Antelope Valley College

Schedule of Workload Measure(s) for State General Apportionment
Annual (Actual) Attendance
For the Year Ended June 30, 2009

	Reported Data
A. Summer Intersession (Summer 2007)	
1. Noncredit	10
2. Credit	1,375
B. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	10,067
(b) Daily Census Contact Hours	1,015
2. Actual Hours of Attendance	
(a) Noncredit	68
(b) Credit	260
3. Independent Study/Work Experience	
(a) Weekly Census Contact Hours	45
(b) Daily Census Contact Hours	2
C. Total FTES	12,842
D. Basic Skills Courses and Immigrant Education	
1. Noncredit	81
2. Credit	2,017

See the accompanying note to the supplementary information.

Reconciliation of Annual Financial and Budget Report with Audited Fund Balances
For the Year Ended June 30, 2009

	General Fund
FUND BALANCE	
June 30, 2009, Annual Financial and Budget Report (Form CCFS-311) Fund Balances	$ 6,002,545
Adjustments and reclassifications increasing/ (decreasing) fund balance:	
Cash in county	-
Accounts receivable	-
Prepaid expenditures	146,920
Accounts payable	-
Net adjustments and reclassifications	146,920
Audited financial statements fund balance	$ 6,149,465

See the accompanying note to the supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

History and Organization
This schedule provides information about the District, members of the governing board, and members of the administration.

Schedules of Expenditures of Federal Awards and State Financial Assistance
The audit of the Antelope Valley College for the year ended June 30, 2009 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared for the District on the modified accrual basis of accounting.

Schedule of Workload Measures for State General Apportionment
This schedule represents the basis of apportionment of the District's annual source of funding for many of its programs.

Reconciliation of Annual Financial and Budget Report with Audited Fund Balances
This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311.

OTHER INDEPENDENT AUDITORS' REPORTS

Messner
& Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

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

The Board of Trustees
Antelope Valley Community College District

We have audited the financial statements of Antelope Valley Community College District (the "District"), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 22, 2009. 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 opinion 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.

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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 an instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as finding 2009-1.

The District's response to the finding identified in our audit is 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 audit committee, the Governing Board, the California Department of Finance, the State Chancellor'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
December 22, 2009

Messner
& Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

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

The Board of Trustees
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, 2009. 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, 2009. 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.

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The Board of Trustees
Antelope Valley Community College District

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 below.

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.

This report is intended solely for the information and use of management, the audit committee, the Governing Board, the California Department of Finance, the State Chancellor'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
December 22, 2009

Messner
Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

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, 2009, and have issued our report thereon dated December 22, 2009.

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. 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 connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM). Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination:

General Directives
Management Information System Implementation
– State General Apportionment Funding 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)
– Gann Limit Calculation

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Student Services
Matriculation
– Uses of Matriculation Funds

CalWorks
– Uses of State and Federal TANF Funding

Facilities
Scheduled Maintenance Programs

In our opinion, the Antelope Valley Community College District complied with the compliance requirements for the state programs listed and tested above. Nothing came to our attention as a result of the aforementioned procedures to indicate that the District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

This report is intended solely for the information and use of management, the audit committee, the Governing Board, the California Department of Finance, the State Chancellor's Office and 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
December 22, 2009

FINDINGS AND RECOMMENDATIONS

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program of Cluster
84.007, 84.033 and 84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 597,558
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for State programs:	Unqualified

SECTION 2 – FINANCIAL STATEMENT FINDINGS

2009-1 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.

SECTION 3 – FEDERAL AWARDS FINDINGS

There were no federal award findings or questioned costs in 2008-09.

SECTION 4 – STATE AWARDS FINDINGS

There were no state award findings or questioned costs in 2008-09.

FINANCIAL STATEMENT FINDINGS

2008-1 30000 and 60000

FORM CCFS-311

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.

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

Current Status Not implemented. See finding 2009-1.

2008-2 30000 and 60000

BANK RECONCILIATION

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.

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.

Current Status Implemented.

2008-3 60000

LABOR COMPLIANCE PROGRAM

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.

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.

Current Status Implemented.

FINANCIAL STATEMENT FINDINGS, Continued

2008-4 30000 and 60000

BOOKSTORE / CAFETERIA

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.

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.

Current Status Implemented.

FEDERAL AWARDS FINDINGS

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

STATE AWARDS FINDINGS

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