

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

**2004 MEASURE R
GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**
June 30, 2016

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

2004 MEASURE R GENERAL OBLIGATION BONDS
June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on the Financial Statements

We have audited the accompanying financial statements of Antelope Valley Community College District (the "District") 2004 Measure R General Obligation Bond activity included in the Capital Outlay Projects Fund of the District (the "Bond Fund") as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure R General Obligation Bond activity of Antelope Valley Community College District, as of June 30, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Bond Fund, and do not purport to, and do not, present fairly the financial position of the Antelope Valley Community College District as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Bond Fund. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for the Bond Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Antelope Valley Community College District's internal control over financial reporting and compliance for the Bond Fund.



Crowe Horwath LLP

Sacramento, California
December 21, 2016

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2016

ASSETS

Cash and cash equivalents	\$ 250,356
Accounts receivable	<u>2,062</u>
Total assets	<u>\$ 252,418</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$ 260,246</u>
Unassigned fund balance	<u>(7,828)</u>
Total liabilities and fund balance	<u>\$ 252,418</u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the Year Ended June 30, 2016

Revenues:	
Interest income	\$ <u>6,674</u>
Expenditures:	
Capital outlay and other operating expenses	<u>1,436,533</u>
Net change in fund balance	(1,429,859)
Restricted fund balance, July 1, 2015	<u>1,422,031</u>
Unassigned fund balance, June 30, 2016	<u><u>\$ (7,828)</u></u>

See accompanying notes to financial statements.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Budgets and Budgetary Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government funds. By State law, the District's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

The District's Board of Trustees and Superintendent revise the budgets during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

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

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

At June 30, 2016 the District's unassigned fund balance totaled negative \$7,828.

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consisted of \$250,356 held in the County Treasury investment pool.

The California Government Code requires California banks and savings and loan associations to secure the Bond Fund's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Bond Fund. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk: In accordance with Education Code Section 41001, the Bond Fund maintains substantially all of its cash in the Los Angeles County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorate share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which is recorded on the amortized cost basis.

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

In accordance with applicable State laws, the Los Angeles County Treasurer may invest in derivative securities. However, at June 30, 2016, the Los Angeles County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
County Pooled Investment Fund	None	None	None

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

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

<u>Investment Type</u>	<u>Weighted Average Maturity (in Years)</u>
Los Angeles County Investment Pool	2.01

Concentration of Credit Risk: The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2016, the District had no concentration of credit risk.

NOTE 3 – GENERAL OBLIGATION BOND ISSUANCES

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

In April 2005, the District issued General Obligation Bonds Series 2004A, in the amount of \$30,000,000. The bonds were partially refunded during the year ended June 30, 2007 and the remaining bonds matured through August 2015.

In August 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$24,336,792. The purpose of the bonds were to refund portions of the General Obligation Bonds Series 2004A. The bonds consisted of Capital Appreciation bonds totaling \$6,801,792, maturing through August 2016 with interest accreting at rates ranging from 3.7% to 4.3% and Current Interest bonds totaling \$17,535,000. The Current Interest bonds were refunded during the year ended June 30, 2014.

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – GENERAL OBLIGATION BOND ISSUANCES (Continued)

In August 2007, the District issued the General Obligation Bonds Series 2004B and Series 2004C in the amounts of \$52,536,256 and \$56,460,276, respectively. The Series 2004B bonds consisted of Capital Appreciation bonds totaling \$12,231,256 and Current Interest Bonds totaling \$40,305,000. The Series 2004B bonds were refunded during the year ended June 30, 2015. The Series 2004C bonds consisted of Capital Appreciation bonds of \$14,375,276 and Current Interest bonds of \$42,085,000. The Series 2004C bonds were partially refunded during the years ended June 30, 2014 and June 30, 2015. The remaining Series C 2004C bonds mature through August 2017 with an interest rate of 5.0%.

In April 2014, the District issued \$42,845,000 and \$16,465,000 of 2014 General Obligation Refunding Bonds Series A and Series B, respectively. The proceeds from the sale of the bonds were used to advance refund the District's outstanding General Obligation Bonds Series 2004C and 2006 General Obligation Refunding Bonds, and to pay the costs of issuing the 2014 Refunding Bonds. The 2014 Refunding Bonds Series A and Series B mature through August 1, 2027 and August 1, 2022, respectively, with interest rates ranging from 0.5% to 5.0%. At June 30, 2016, \$58,036,459 of bonds outstanding are considered defeased.

In January 2015, the District issued \$77,818,682 of 2015 General Obligation Refunding Bonds. The proceeds from the sale of the bonds were used to advance refund the District's outstanding General Obligation Bonds Series 2004B and Series 2004C, and to pay the costs of issuing the 2015 Refunding Bonds. The 2015 Refunding Bonds were issued as \$40,880,000 in Current Interest bonds with interest rates ranging from 2.0% to 5.0% and \$36,938,682 in Capital Appreciation bonds with interest accreting at rates ranging from 3.9% to 4.1%. The 2015 Refunding Bonds mature through August 1, 2039. At June 30, 2016, \$116,613,467 of bonds outstanding are considered defeased.

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

NOTE 4 – CONSTRUCTION COMMITMENTS

As of June 30, 2016, the District has approximately \$674,000 in outstanding commitments on 2004 General Obligation Bond construction contracts.

NOTE 5 – FUND BALANCE

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Bonds is restricted, as described below.

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ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
2004 MEASURE R GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – FUND BALANCE (Continued)

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation

The unassigned fund balance classification reflects the residual balance that has not be assigned to other funds and that is not restricted, committed, or assigned to specific purposes. Deficits in fund balance that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

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

To the Board of Trustees
Antelope Valley Community College District
Lancaster, California

We have audited, in accordance with the 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, the financial statements of Antelope Valley Community College District (the "District") 2004 Measure R General Obligation Bonds activity included in the Capital Outlay Projects Fund (the "Bond Fund") of Antelope Valley Community College District as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated December 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Bond Fund financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Bond Fund.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Bond Fund financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance for the Bond Fund. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance for the Bond Fund. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California
December 21, 2016