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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Citizens' Oversight Committee
Victor Valley Community College District
Victorville, California

We have audited the accompanying financial statements of the Measure JJ General Obligation Bonds (the Bond Fund) of Victor Valley Community College District (the District) as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 of the Notes to Financial Statements, the financial statements present only the Bond Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note 1 of the Notes to Financial Statements, the Bond Fund's financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position - modified accrual basis of the Measure JJ General Obligation Bonds of Victor Valley Community College District as of June 30, 2012, and the results of its operations - modified accrual basis for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2012, on our consideration of the District's internal control over financial reporting for the Bond Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Vavrinek, Trine, Day & Co., LLP.
Rancho Cucamonga, California
December 19, 2012
<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>$ 31,452,211</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>41,580</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 31,493,791</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 446,312</td>
</tr>
</tbody>
</table>

**Fund Balance:**

<table>
<thead>
<tr>
<th>Restricted</th>
<th>31,047,479</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities and Fund Balance</strong></td>
<td><strong>$ 31,493,791</strong></td>
</tr>
</tbody>
</table>

See the accompanying notes to financial statements.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td></td>
</tr>
<tr>
<td>Local revenues</td>
<td>$206,083</td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td></td>
</tr>
<tr>
<td>Professional services and other operating expenditures</td>
<td>9,975</td>
</tr>
<tr>
<td>Capital outlay</td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$17,794,052</td>
</tr>
<tr>
<td>EXCESS OF EXPENDITURES OVER REVENUES</td>
<td>$(17,587,969)</td>
</tr>
<tr>
<td>NET CHANGE IN FUND BALANCE</td>
<td></td>
</tr>
<tr>
<td>FUND BALANCE, BEGINNING OF YEAR</td>
<td>$(17,587,969)</td>
</tr>
<tr>
<td>FUND BALANCE, END OF YEAR</td>
<td>$31,047,479</td>
</tr>
</tbody>
</table>

See the accompanying notes to financial statements.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of Victor Valley Community College District (the District) General Obligation Bond Funds (Measure JJ) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. Victor Valley Community College District Bond Funds account for the financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Bond Funds of the Victor Valley Community College District used to account for Proposition 39 projects. This fund was established to account for the expenditures of general obligation bonds issued under the Proposition 39 Measure JJ General Obligation Bonds. These financial statements are not intended to present fairly the financial position and results of operations of Victor Valley Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Bond Funds are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Bond Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB No. 35.

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 governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.
Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balance Designations

As of June 30, 2012, the fund balance of the Measure JJ General Obligation Bond Fund was classified as follows:

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata 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 Treasurer, which is recorded on the amortized cost basis.
General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Remaining Maturity</th>
<th>Maximum Percentage of Portfolio</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Bonds, Notes, Warrants</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Registered State Bonds, Notes, Warrants</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Agency Securities</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Banker's Acceptance</td>
<td>180 days</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>1 year</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>92 days</td>
<td>20% of base</td>
<td>None</td>
</tr>
<tr>
<td>Medium-Term Corporate Notes</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>5 years</td>
<td>20%</td>
<td>None</td>
</tr>
<tr>
<td>County Pooled Investment Funds</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Joint Powers Authority Pools</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Summary of Investments

Investments as of June 30, 2012, consist of the following:

- San Bernardino County Investment Pool

<table>
<thead>
<tr>
<th></th>
<th>Reported Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 31,452,211</td>
</tr>
</tbody>
</table>

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. The District manages its exposure to interest rate risk by investing in the San Bernardino County Investment Pool. The District maintains an investment of $31,452,211 with the San Bernardino County Investment Pool. The fair value of this investment is approximately $31,530,598 with a weighted average maturity of 357 days.
Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Bernardino County Investment Pool is rated AAA/V1 by Fitch Ratings.

**NOTE 3 - ACCOUNTS RECEIVABLE**

The accounts receivable at June 30, 2012, in the amount of $41,580 represents interest earnings that have yet to be received. All amounts have been determined by management to be fully collectable.

**NOTE 4 - ACCOUNTS PAYABLE**

The accounts payable at June 30, 2012, represent amounts owed to vendors for both ongoing and completed construction projects in the amount of $446,312.

**NOTE 5 - FUND BALANCE**

Fund balance is composed of the following element:

| Restricted            | $ 31,047,479 |

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

Litigation

The District is not currently a party to any legal proceedings.
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Citizens' Oversight Committee
Victor Valley Community College District
Victorville, California

We have audited the accompanying financial statements of the Measure JJ General Obligation Bonds (the Bond Fund) of Victor Valley Community College District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

As discussed in Note 1 of the Notes to Financial Statements, the financial statements present only the Bond Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note 1 of the Notes to Financial Statements, the Bond Funds' financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Management of Victor Valley Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's Bond Fund's (Measure JJ) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Bond Funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Bond Fund's (Measure JJ) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's Bond Fund's (Measure JJ) internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Bond Fund's (Measure JJ) financial statements will not be prevented, or detected and corrected on a timely basis.
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's Bond Fund's (Measure JJ) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees, District Management, and the Citizens' Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]
Vaurinek, Price & Co., LLP
Rancho Cucamonga, California
December 19, 2012
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
None reported.
None reported.
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INDEPENDENT AUDITORS’ REPORT
ON PERFORMANCE AUDIT

Board of Trustees
Citizens' Oversight Committee
Victor Valley Community College District
Victorville, California

We were engaged to conduct a performance audit of Victor Valley Community College District (the District) Proposition 39 Measure JJ General Obligation Bond Funds (the Bond Funds) for the year ended June 30, 2012.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Proposition 39 Measure JJ General Obligation Bond Funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP.
Rancho Cucamonga, California
December 19, 2012
VICTOR VALLEY COMMUNITY COLLEGE DISTRICT
MEASURE JJ GENERAL OBLIGATION BOND
ELECTION 2008

PERFORMANCE AUDIT
JUNE 30, 2012

AUTHORITY FOR ISSUANCE

The General Obligation Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code and other applicable provisions of law.

In November of 2008, a general obligation bond proposition (Measure JJ Election of 2008) of Victor Valley Community College District was approved by more than 55 percent of the voters of the District. The Election of 2008 authorized the District to issue up to $297,500,000 of general obligation bonds to upgrade, expand, and construct school facilities. On June 17, 2009, the District issued Series A in the amount of $54,004,963. Also on June 17, 2009, the District issued Series B in the amount of $12,000,000. Lastly, on June 17, 2009, the District issued Series C in the amount of $70,017,065.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include the financing of the construction, modernization, and equipping of certain District property and facilities, to refund the Refunded Certificates, and to pay certain costs of issuance of the Bonds.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.

3. Requires the community college district to appoint a citizens' oversight committee.

4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Bond Funds have been made in accordance with the Bond project list approved by the voters through the approval of the Measure JJ.

2. Determine whether salary transactions charged to the Bond Funds were in support of Measure JJ and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2011 to June 30, 2012. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2012, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2012, for the Bond Funds (Measure JJ). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the Measure JJ as to the approved Bond projects list. We performed the following procedures:

1. We reviewed and evaluated the original bond initiatives placed before the voters for the Measure JJ Bond elections to determine the scope of projects that are approved through the Bond. We reviewed and evaluated the District's approved policies and procedures related to the Bond activity.

2. We reviewed construction expenditures totaling 88 percent of all expenditures from the detailed accounting of expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. Our sample included transactions totaling $15,696,347 of the total expenditures of $17,794,052.
3. We selected a total of 88 percent of actual expenditures incurred through the Measure JJ Bonds, and verified that expenditures were charged to the appropriate object code classification within the general ledger.

4. We reviewed the general ledger and noted that funds were accounted for separately in the accounting records to allow for accountability.

5. We reviewed the detailed accounting of expenditures to determine if proceeds are being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund. We noted no salary transactions charged to the Measure JJ Bond Funds.

6. We analyzed the balance of Measure JJ Bond Funds available at June 30, 2012, for future expenditures. The available unspent funds as of June 30, 2012, were $31,047,479.

CONCLUSION

The results of our tests indicated that, in all significant respects, Victor Valley Community College District has properly accounted for the expenditures held in the Bond Funds (Measure JJ), and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Bond Funds for District general administration or operations.
None reported.