

**VICTOR VALLEY  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE JJ GENERAL OBLIGATION BONDS  
ELECTION 2008**

**AUDIT REPORT**

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**JUNE 30, 2011**

**VICTOR VALLEY  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE JJ GENERAL OBLIGATION BONDS  
ELECTION 2008**

**FINANCIAL AUDIT**

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**JUNE 30, 2011**

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT  
MEASURE JJ GENERAL OBLIGATION BONDS  
ELECTION 2008

JUNE 30, 2011

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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, 2011, 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, 2011, 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 above 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, 2011, 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 January 18, 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 conjunction with this report in considering the results of our audit.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
January 18, 2012

**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT  
MEASURE JJ GENERAL OBLIGATION BONDS  
ELECTION 2008**

**BALANCE SHEET - MODIFIED ACCRUAL BASIS  
JUNE 30, 2011**

**ASSETS**

Investments	\$ 50,326,653
Accounts receivable	108,399
<b>Total Assets</b>	<u><u>\$ 50,435,052</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 1,793,863
Due to other funds	5,741
<b>Total Liabilities</b>	<u><u>1,799,604</u></u>

**FUND BALANCE**

Unreserved	
Designated	48,635,448
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 50,435,052</u></u>

See the accompanying notes to financial statements.

**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT  
MEASURE JJ GENERAL OBLIGATION BONDS  
ELECTION 2008**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - MODIFIED ACCRUAL BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>REVENUES</b>	
Local revenues	<u>\$ 606,811</u>
<b>EXPENDITURES</b>	
Professional services and other operating expenditures	482,869
Capital outlay	<u>16,306,819</u>
<b>Total Expenditures</b>	<u>16,789,688</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(16,182,877)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(16,182,877)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>64,818,325</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 48,635,448</u></u>

See the accompanying notes to financial statements.



**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT  
MEASURE JJ GENERAL OBLIGATION BONDS  
ELECTION 2008**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

***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 Statement 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.

**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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**

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses.

**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.

**New Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.



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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

***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.

**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**General Authorizations**

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

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

**Summary of Investments**

Investments as of June 30, 2011, consist of the following:

	Reported Value
San Bernardino County Investment Pool	<u>\$ 50,326,653</u>

**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 \$50,326,653 with the San Bernardino County Investment Pool. The fair value of this investment is approximately \$50,478,787 with a weighted average maturity of 360 days.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 by Standard and Poor's.

***NOTE 3 - ACCOUNTS RECEIVABLE***

The accounts receivable at June 30, 2011, in the amount of \$108,399 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, 2011, represent amounts owed to vendors for both ongoing and completed construction projects in the amount of \$1,793,863.

***NOTE 5 - INTERFUND TRANSACTIONS***

Interfund payable balances at June 30, 2011, between the Bond Fund and the General Fund were \$5,741.

***NOTE 6 - FUND BALANCE***

Fund balance is composed of the following element:

Unreserved	
Designated	<u>\$ 48,635,448</u>

***NOTE 7 - 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, 2011, and have issued our report thereon dated January 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The 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 above.

## 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.

Vallinck, Time, Day & Co., LLP

Rancho Cucamonga, California  
January 18, 2012



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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**VICTOR VALLEY COMMUNITY COLLEGE DISTRICT  
MEASURE JJ GENERAL OBLIGATION BONDS  
ELECTION 2008**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2011**

None reported.