

Victor Valley Community College District
Proposition 39 General Obligation Bonds
General Obligation Bonds Measure JJ 2008
Series A, B and C

PERFORMANCE AUDIT
June 30, 2010

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Victor Valley Community College District
Victorville, California

We have examined Victor Valley Community College District's compliance with the performance requirements for the Proposition 39/Measure JJ General Obligation Bonds for the fiscal year ended June 30, 2010, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. 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.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Victor Valley Community College District complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2010.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
January 12, 2011

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OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Bond Construction Fund.
- Determine whether expenditures charged to the Bond Construction Fund have been made in accordance with the bond project list approved by the voters through the approval of the Election of 2008, General Obligation Bonds, Series A, B, and C.
- Note any incongruities or system weaknesses and provide recommendations for improvement .
- Provide the District Board and the Citizens Oversight Committee with a performance audit as required under the guidelines of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year from July 1, 2009 to June 30, 2010. The 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 the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2010 were not reviewed or included within the scope of our audit or within this report.

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BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. In November of 2008, a general obligation bond proposition (Measure JJ Election of 2008) of the Victor Valley Community College District was approved by more than fifty-five percent of the voters of that 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 \$54,004,962.90. 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.

Pursuant to the requirements of Proposition 39 and related State legislation, the Board of Trustees of the District has appropriately established a Citizens' Bond Oversight Committee and appointed its members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in State law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Election of 2008 bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Building Capital Projects Fund have been expended only for the authorized bond projects.

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PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2010 for the Capital Projects Bond Fund. Within the fiscal year audited, the client expended \$17,766,695 of the General Obligation bond funds during the fiscal year ended June 30, 2010. We performed the following procedures:

- Review and evaluate the Bond Program financial records to confirm that bond expenditures were in compliance with bond language and project requirements .
- Review and evaluate compliance with selected Federal, State and local requirements as well as relevant Proposition 39 requirements.
- Evaluate the processes used to identify facility needs, programming and coordination to comprehensively address site requirements and coordination with various user groups and stakeholders.
- Review and assessment of procurement controls for consistency, adherence to District purchasing policies and application of competitive and fair sub-contracting policies.
- Evaluate the District's policies, procedures and practices to obtain lien releases, prevent claims and project closeout issues and compare to bond project practices for conformity.
- Review and evaluate Bond Program staffing patterns/plans, program workflow, and analysis of relevant expenditures in relation to need.
- Review and evaluate District policies, procedures and practices related to the on-going management of change orders and related costs.
- Identify areas of effective practice and areas needing improvement within the framework of each of the major scope areas identified above.

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CONCLUSION

Based upon our procedures performed, we found that, for the items tested, Victor Valley Community College District has properly accounted for the Capital Projects Bond Fund. Furthermore, it was noted that the funds held in the Capital Projects Bond Fund, were not expended for salaries of school administrators or other operating expenditures .

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

No current year findings were noted.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No prior year findings were noted.