

**WEST HILLS  
COMMUNITY COLLEGE DISTRICT**

---

**CAPITAL OUTLAY PROJECTS AND REVENUE BOND  
CONSTRUCTION FUNDS (MEASURES E, L, Q AND T)  
FINANCIAL AND PERFORMANCE AUDITS**

---

**JUNE 30, 2016**



**Vavrinek, Trine, Day & Co., LLP**

Certified Public Accountants

**WEST HILLS  
COMMUNITY COLLEGE DISTRICT**

---

**CAPITAL OUTLAY PROJECTS AND REVENUE BOND  
CONSTRUCTION FUNDS (MEASURES E, L, Q AND T)  
FINANCIAL AUDIT**

---

**JUNE 30, 2016**

**WEST HILLS COMMUNITY COLLEGE DISTRICT  
CAPITAL OUTLAY PROJECTS FUND AND  
REVENUE BOND CONSTRUCTION FUND**

**TABLE OF CONTENTS  
JUNE 30, 2016**

---

***FINANCIAL SECTION***

Independent Auditor's Report	2
Capital Outlay Projects Fund 41 and Revenue Bond Construction Fund 42	
Balance Sheet	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Notes to Financial Statements	6

***SUPPLEMENTARY INFORMATION***

Schedule of Long-Term Obligations	14
Reconciliation of Annual Financial Report With Audited Capital Outlay Projects and Revenue Bond Construction Funds (Measures E, L, Q and T)	20
Note to Supplementary Information	21

***INDEPENDENT AUDITOR'S REPORT***

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23
---	----

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

Financial Statement Findings	26
Summary Schedule of Prior Audit Findings	27

---

---

*FINANCIAL SECTION*

---

---

*This page left blank intentionally.*



## INDEPENDENT AUDITOR'S REPORT

Governing Board and  
Citizens Oversight Committee  
West Hills Community College District  
Coalinga, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the West Hill's Community College District's (the District), Capital Outlay Projects and Revenue Bond Construction Funds (Measures E, L, Q and T) 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 of 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 financial statements, whether due to error or fraud. 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Capital Outlay Projects and Revenue Bond Construction Funds (Measures E, L, Q and T) of the West Hill's Community College District at June 30, 2016, and the respective 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 Building Fund specific to Measures E, L, Q and T, and are not intended to present fairly the financial position and changes in financial position of West Hills Community College District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements of the West Hills Community College District's Building Fund (Measures E, L, Q and T). The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, on our consideration of the District's Building Fund (Measures E, L, Q and T) internal control over financial reporting 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* in considering the District's Building Fund (Measures E, L, Q and T) internal control over financial reporting and compliance.

Vannink, Trini, Day & Co, LLP

Fresno, California  
December 27, 2016

**WEST HILLS COMMUNITY COLLEGE DISTRICT  
CAPITAL OUTLAY PROJECTS FUND AND  
REVENUE BOND CONSTRUCTION FUND**

**BALANCE SHEET  
JUNE 30, 2016**

	Capital Outlay Projects Fund 41	Revenue Bond Construction Fund 42
<b>ASSETS</b>		
Cash and cash equivalents-Cash in County Treasury	\$ 5,947,413	\$ 17,647,297
Accounts receivable	868,094	65,431
Due from other funds	2,214,634	34,172
<b>Total Assets</b>	<u>\$ 9,030,141</u>	<u>\$ 17,746,900</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 1,210,184	\$ -
Due to other funds	34,172	1,886,565
<b>Total Liabilities</b>	<u>1,244,356</u>	<u>1,886,565</u>
<b>FUND EQUITY</b>		
Restricted	<u>7,785,785</u>	<u>15,860,335</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 9,030,141</u>	<u>\$ 17,746,900</u>

The accompanying notes are an integral part of these financial statements.



**WEST HILLS COMMUNITY COLLEGE DISTRICT  
CAPITAL OUTLAY PROJECTS FUND AND  
REVENUE BOND CONSTRUCTION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

	Capital Outlay Projects Fund 41	Revenue Bond Construction Fund 42
<b>REVENUES</b>		
State revenues	\$ 145,910	\$ -
Local revenues	272,594	438,278
<b>Total Revenues</b>	418,504	438,278
<b>EXPENDITURES</b>		
Current Expenditures		
Books and supplies	2,545	-
Services and operating expenditures	1,006,561	(333,890)
Capital outlay	13,286,681	-
Debt service - principal	267,675	-
Debt service - interest and other issuance costs	22,537	-
<b>Total Expenditures</b>	14,585,999	(333,890)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(14,167,495)	772,168
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	12,164,406	-
Operating transfers out	-	(11,731,374)
Other sources	845,000	12,655,000
<b>Total Other Financing Sources (Uses)</b>	13,009,406	923,626
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(1,158,089)	1,695,794
<b>FUND BALANCE, BEGINNING OF YEAR</b>	8,943,874	14,164,541
<b>FUND BALANCE, END OF YEAR</b>	\$ 7,785,785	\$ 15,860,335

The accompanying notes are an integral part of these financial statements.

**WEST HILLS COMMUNITY COLLEGE DISTRICT  
CAPITAL OUTLAY PROJECTS FUND AND  
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the West Hills Community College District's Capital Outlay Projects Fund 41 and the Revenue Bond Construction Fund 42 (Measures E, L, Q and T) 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 (AICPA). The West Hills Community College District's Capital Outlay Projects Fund 41 and the Revenue Bond Construction Fund 42 accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

**Financial Reporting Entity**

The financial statements include only the Capital Outlay Projects Fund 41 and the Revenue Bond Construction Fund 42 of the West Hills Community College District used to account for Measures E, L, Q and T projects. These Fund's were established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Elections for the School Facilities Improvement Districts (SFID) 1 Northern area and SFID 3 Lemoore. These financial statements are not intended to present fairly the financial position and results of operations of the West Hills Community College District in compliance with accounting principles generally accepted in the United States of America.

**Fund Accounting**

The operations of the Funds are accounted for in a separate set of self-balancing accounts that comprise their 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 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables".

**WEST HILLS COMMUNITY COLLEGE DISTRICT  
CAPITAL OUTLAY PROJECTS FUND AND  
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

---

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

**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 lapse at June 30.

**Fund Balance - Capital Outlay Projects and Revenue Bond Construction Funds (Measures E, L, Q and T)**

As of June 30, 2016, the fund balance is 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.



**WEST HILLS COMMUNITY COLLEGE DISTRICT  
CAPITAL OUTLAY PROJECTS FUND AND  
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

---

**Change in Accounting Principles**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should Measures E, L, Q and Their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should Measures E, L, Q and Their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

**WEST HILLS COMMUNITY COLLEGE DISTRICT  
CAPITAL OUTLAY PROJECTS FUND AND  
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

---

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

**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 instrument; 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 agreement; 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 statement 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.

**WEST HILLS COMMUNITY COLLEGE DISTRICT  
CAPITAL OUTLAY PROJECTS FUND AND  
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 Deposits and Investments**

Deposits and investments of the Bond Funds as of June 30, 2016, consist of the following:

Governmental activities	\$ 23,594,710
Total Deposits and Investments	<u>\$ 23,594,710</u>

Deposits and investments of the Bond Funds as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 1,109,748
Investments	22,484,962
Total Deposits and Investments	<u>\$ 23,594,710</u>