

**WEST HILLS COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

WEST HILLS COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
West Hills Community College District
Coalinga, California

We have audited the accompanying basic financial statements of the business-type activities of the West Hills Community College District (the District) as of and for the years ended June 30, 2008 and 2007, and its discretely presented component unit West Hills Community College Foundation as of and for the years ended December 31, 2007 and 2006, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the West Hills Community College District as of June 30, 2008 and 2007, and its discretely presented component unit as of December 31, 2007 and 2006, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

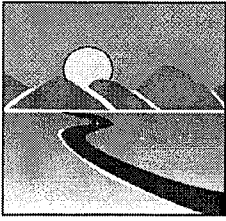
In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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* and is important for assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vankinck, Orinck, Day & Co., LLP

Fresno, California
January 5, 2009



WEST
HILLS
COMMUNITY
COLLEGE
DISTRICT

West Hills College Coalinga

North District Center, Firebaugh

West Hills College Lemoore

Naval Air Station Lemoore

Business Services

In June 1999, the Government Accounting Standards Board (GASB) issued Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*," which established a new reporting format for annual financial statements of governmental entities. In November 1999, GASB issued Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*," which applies these new reporting standards to public colleges and universities such as the West Hills Community College District (the District). The following discussion and analysis provides an overview of the District's financial activity. This report presents this information in a comparative format. Responsibility for the completeness and fairness of this information rests with the District.

USING THIS ANNUAL REPORT

As required by accounting principles, the annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

WEST HILLS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

FINANCIAL HIGHLIGHTS

- The District's primary funding source is "State Apportionment as defined by SB 361" received from the State of California through the State Chancellor's Office. These funds are comprised of State apportionment, local property taxes, and student enrollment fees. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2007-08 fiscal year, the District's actual FTES were comprised of 4,595 credit FTES and 454 non-credit FTES for a total of 5,049 FTES, an increase of 99 FTES (2%) from the 2006-07 fiscal year. These FTES are generated at the District's Coalinga and Lemoore College campuses, as well as various satellite locations.
- The District ended the year with an Unrestricted General Fund balance of \$3.9 million. The State Chancellor's Office recommends reserve levels of five percent of unrestricted General Fund expenditures be set aside for economic uncertainties. The District met this requirement with 12.51% reserves.
- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. These costs increased over the 2006-07 fiscal year by approximately \$4.6 million. In addition to the costs for current employees' insurance coverage, the District provides insurance benefits to retirees meeting plan eligibility requirements.
- The District began several construction and modernization projects throughout the District. These projects will be funded through various financial vehicles, including various maintenance and construction projects funded through the State Chancellor's Office.
- The District provides student financial aid to qualifying students of the District in the amount of approximately \$8,167,000. This aid is provided through grants, and loans from the Federal government, State Chancellor's Office, and local funding.

WEST HILLS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Condensed financial information is as follows: (in thousands)

NET ASSETS As of June 30, 2008, 2007 and 2006

	June 30, 2008	June 30, 2007	Change	June 30, 2006	Change
ASSETS					
Current Assets					
Cash and investments	\$ 79,535	\$ 79,805	\$ (270)	\$ 72,935	\$ 6,870
Accounts receivable	5,529	4,527	1,002	5,747	(1,220)
Inventory	422	418	4	422	(4)
Prepaid	14	8	6	9	(1)
Total Current Assets	<u>85,500</u>	<u>84,758</u>	<u>742</u>	<u>79,112</u>	<u>5,646</u>
Non-Current Assets					
Capital assets, net of depreciation	<u>65,628</u>	<u>62,584</u>	<u>3,044</u>	<u>62,688</u>	<u>(104)</u>
Total Assets	<u>\$ 151,128</u>	<u>\$ 147,342</u>	<u>\$ 3,786</u>	<u>\$ 141,800</u>	<u>\$ 5,542</u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	4,415	2,768	1,647	4,395	(1,627)
Deferred revenue	2,162	2,241	(79)	1,707	534
Long-term liabilities - current portion	1,048	840	208	108	732
Total Current Liabilities	<u>7,625</u>	<u>5,849</u>	<u>1,776</u>	<u>6,210</u>	<u>(361)</u>
Non-Current Liabilities					
Long-term liabilities	<u>85,043</u>	<u>85,533</u>	<u>(490)</u>	<u>86,008</u>	<u>(475)</u>
Total liabilities	<u>92,668</u>	<u>91,382</u>	<u>1,286</u>	<u>92,218</u>	<u>(836)</u>
NET ASSETS					
Invested in capital assets	42,610	37,839	4,771	27,176	10,663
Restricted for expendable purposes	13,802	13,287	515	15,150	(1,863)
Unrestricted	2,048	4,834	(2,786)	7,256	(2,422)
Total Net Assets	<u>58,460</u>	<u>55,960</u>	<u>2,500</u>	<u>49,582</u>	<u>6,378</u>
Total Liabilities and Net Assets	<u>\$ 151,128</u>	<u>\$ 147,342</u>	<u>\$ 3,786</u>	<u>\$ 141,800</u>	<u>\$ 5,542</u>

This schedule has been prepared from the District's Statements of Net Assets (page 11), which is presented on an accrual basis of accounting whereby capital assets are capitalized and depreciated.

The changes in the cash position are explained in the Statements of Cash Flows (pages 13 and 14).

WEST HILLS COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Operating Results for the Year Ended June 30, 2008, 2007 and 2006

	June 30, 2008	June 30, 2007	Difference	June 30, 2006	Difference
OPERATING REVENUES					
Tuition and fees	\$ 2,657	\$ 2,457	\$ 200	\$ 1,809	\$ 648
Grants and contracts	22,585	19,415	3,170	15,749	3,666
Auxiliary sales and charges	2,473	2,293	180	2,001	292
Total Operating Revenues	<u>27,715</u>	<u>24,165</u>	<u>3,550</u>	<u>19,559</u>	<u>4,606</u>
OPERATING EXPENSES					
Salaries and benefits	35,606	30,935	4,671	25,065	5,870
Other expenses	24,466	22,460	2,006	16,337	6,123
Depreciation	1,990	2,528	(538)	2,471	57
Total Operating Expenses	<u>62,062</u>	<u>55,923</u>	<u>6,139</u>	<u>43,873</u>	<u>12,050</u>
NET LOSS ON OPERATIONS	<u>(34,347)</u>	<u>(31,758)</u>	<u>(2,589)</u>	<u>(24,314)</u>	<u>(7,444)</u>
NONOPERATING REVENUES AND (EXPENSES)					
State apportionments	24,915	23,525	1,390	19,660	3,865
Property taxes	2,904	3,160	(256)	2,820	340
State revenues	1,985	3,506	(1,521)	1,915	1,591
Interest income	1,934	2,624	(690)	2,234	390
Interest expense	(2,953)	(2,873)	(80)	(1,778)	(1,095)
Other non-operating revenues	7,354	7,249	105	244	7,005
Total Nonoperating Revenues	<u>36,139</u>	<u>37,191</u>	<u>(1,052)</u>	<u>25,095</u>	<u>12,096</u>
OTHER REVENUES					
State revenues, capital	708	791	(83)	5,726	(4,935)
Local revenues, capital	-	154	(154)	295	(141)
Total Other Revenues	<u>708</u>	<u>945</u>	<u>(237)</u>	<u>6,021</u>	<u>(5,076)</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>\$ 2,500</u>	<u>\$ 6,378</u>	<u>\$ (3,878)</u>	<u>\$ 6,802</u>	<u>\$ (424)</u>

This schedule has been prepared from the Statement of Revenues, Expenses and Changes in Net Assets presented on page 12.

The operating revenue for the District is specifically defined as revenues from users of the colleges' facilities and programs. Excluded from the operating revenues are the components of the primary source of District funding - the State apportionment process. These components include the State apportionment and local property taxes. As these sources of revenue are from the general population of the State of California, and not from the direct users of the educational services, they are considered to be nonoperating. As a result, the operating loss of \$34 million is balanced by the other funding sources leading to an overall increase in the District's net assets of \$2.5 million.

WEST HILLS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Auxiliary revenue consists of bookstore and Food Service revenues. The bookstore is maintained to provide books, supplies, and other items to the students and faculty of the District. The operations are self-supporting through product sales. The Food Service operation provides meals to the students and faculty of the college.

Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

The interest income is primarily the result of cash held at the Fresno County Treasurer. The interest expense relates to interest payments on the long-term debt which is described in Note 9 of the financial statements.

The District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 5.

Statement of Cash Flows for the Years Ended June 30, 2008, 2007 and 2006

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Difference</u>	<u>June 30, 2006</u>	<u>Difference</u>
CASH PROVIDED BY (USED IN)					
Operating activities	\$ (31,800)	\$ (26,464)	\$ (5,336)	\$ (17,721)	\$ (8,743)
Noncapital financing activities	37,105	34,607	2,498	23,771	10,836
Capital financing activities	(7,589)	(3,813)	(3,776)	(9,514)	5,701
Investing activities	2,015	2,540	(525)	1,995	545
Net Increase in Cash and Cash Equivalents	<u>\$ (269)</u>	<u>\$ 6,870</u>	<u>\$ (7,139)</u>	<u>\$ (1,469)</u>	<u>\$ 8,339</u>

The primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff, as well as District administrators.

While State apportionment and property taxes are the primary source of non-capital related revenue, the new GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it come from the general resources of the State and not from the primary users of the colleges' programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

WEST HILLS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Functional Expenditures

In accordance with requirements set forth by the California State System's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Year ended June 30, 2008:

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services	Other Outgo	Depreciation	Total
Instructional activities	\$ 10,585,327	\$ 2,719,724	\$ 502,815	\$ 58,465	\$ -	\$ 13,866,331
Academic support	2,409,461	672,097	872,232	-	-	3,953,790
Student services	4,685,381	1,541,224	1,475,534	8,353,468	-	16,055,607
Plant operations and maintenance	743,170	307,497	1,233,367	11,250	-	2,295,284
Instructional support services	2,873,097	1,104,717	1,981,487	4,877,500	-	10,836,801
Community services and economic development	875,109	243,079	498,666	27,674	-	1,644,527
Ancillary services and auxiliary operations	4,643,354	1,573,644	3,927,517	292,291	-	10,436,805
Trust and agency activities	501,441	127,722	44,453	310,263	-	983,878
Depreciation expense-unallocated	-	-	-	-	1,989,662	1,989,662
Total	<u>\$ 27,316,341</u>	<u>\$ 8,289,703</u>	<u>\$ 10,536,070</u>	<u>\$ 13,930,910</u>	<u>\$ 1,989,662</u>	<u>\$ 62,062,686</u>

Year ended June 30, 2007:

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services	Other Outgo	Depreciation	Total
Instructional activities	\$ 9,456,673	\$ 2,835,515	\$ 397,588	\$ 59,042	\$ -	\$ 12,748,817
Academic support	2,787,488	531,080	559,494	122,505	-	4,000,566
Student services	3,239,503	1,349,618	1,485,115	7,527,977	-	13,602,213
Plant operations and maintenance	696,620	272,716	1,244,015	10,750	-	2,224,101
Instructional support services	2,559,492	1,337,994	1,952,661	4,189,796	-	10,039,943
Community services and economic development	486,235	133,833	380,364	43,275	-	1,043,708
Ancillary services and auxiliary operations	3,679,425	1,262,031	3,550,244	678,805	-	9,170,505
Trust and agency activities	234,724	72,077	54,459	204,401	-	565,661
Depreciation expense-unallocated	-	-	-	-	2,527,291	2,527,291
Total	<u>\$ 23,140,161</u>	<u>\$ 7,794,864</u>	<u>\$ 9,623,941</u>	<u>\$ 12,836,550</u>	<u>\$ 2,527,291</u>	<u>\$ 55,922,806</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Year ended June 30, 2006:

	Salaries	Employee Benefits ¹	Supplies Material and Other Expenses and Services	Other Outgo	Depreciation	Total
Instructional activities	\$ 9,230,136	\$3,248,217	\$ 891,135	\$ 81,256	\$ 123,573	\$13,574,317
Academic support	859,831	254,049	184,233	-	123,573	1,421,686
Student services	3,860,728	1,180,900	1,555,567	253,717	123,573	6,974,485
Plant operations and maintenance	909,630	268,762	1,249,537	2,367,733	1,730,016	6,525,678
Instructional support services	2,601,327	768,597	950,955	-	123,573	4,444,452
Community services and economic development	476,536	140,799	803,298	-	49,429	1,470,062
Ancillary services and auxiliary operations	941,725	323,491	-	-	123,573	1,388,789
Student aid	-	-	1,183,888	6,815,146	74,144	8,073,178
Total	<u>\$18,879,913</u>	<u>\$6,184,815</u>	<u>\$ 6,818,613</u>	<u>\$ 9,517,852</u>	<u>\$ 2,471,454</u>	<u>\$43,872,647</u>

ECONOMIC FACTORS AFFECTING THE FUTURE OF WEST HILLS COMMUNITY COLLEGE DISTRICT

The 2008-09 State Budget represents an increase in funding for the District of \$447,131, which was based upon a growth amount of 2%. There was no COLA funding this year from the State and likely will not be funded in 2009-10 fiscal year.

While the State Budget was passed in September 2008, 85 days late, the Governor has blue penciled several million dollars of expenditures which did not have any significant impact on the community college system.

While the State is currently facing a \$41.5 billion shortfall through 2009-10 fiscal year, it appears that the community college system will have limited impact. Until the economic picture in the State gets better there will continue to be challenges. The WHCCD is well positioned to handle any negative impact that may be required.

There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets) of the District. There is currently a concern that the economy continues to slow which the District is monitoring and will take the appropriate action necessary to remain fiscally sound.

WEST HILLS COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash and investments	\$ 5,098,384	\$ 6,791,309
Accounts receivable	5,223,749	4,253,166
Student loans receivable	305,227	274,206
Prepaid expenses - current portion	14,212	7,531
Stores inventories	421,557	417,910
Total Current Assets	<u>11,063,129</u>	<u>11,744,122</u>
Noncurrent Assets		
Restricted cash and cash equivalents	74,437,367	73,013,679
Nondepreciable capital assets	10,859,176	5,359,448
Depreciable capital assets	78,450,703	78,916,947
Less: Accumulated depreciation	(23,682,268)	(21,692,606)
Total Noncurrent Assets	<u>140,064,978</u>	<u>135,597,468</u>
TOTAL ASSETS	<u>151,128,107</u>	<u>147,341,590</u>
LIABILITIES		
Current Liabilities		
Accounts payable	3,249,506	1,964,369
Deferred revenue	2,161,698	2,240,810
Amounts held in custody on behalf of others	1,164,557	804,411
Long-term liabilities - current portion	1,048,299	839,365
Total Current Liabilities	<u>7,624,060</u>	<u>5,848,955</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	948,629	722,843
Long-term liabilities - noncurrent portion	84,094,731	84,809,613
Total Noncurrent Liabilities	<u>85,043,360</u>	<u>85,532,456</u>
TOTAL LIABILITIES	<u>92,667,420</u>	<u>91,381,411</u>
NET ASSETS		
Invested in capital assets, net of related debt	42,609,851	37,839,296
Restricted for:		
Debt service	12,312,097	11,978,835
Postemployment obligations	934,983	634,983
Other activities	554,170	673,004
Unrestricted	2,049,586	4,834,061
TOTAL NET ASSETS	<u>\$ 58,460,687</u>	<u>\$ 55,960,179</u>

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

WEST HILLS COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Tuition and Fees	\$ 2,798,143	\$ 2,579,711
Less: Scholarship discount and allowance	(140,782)	(122,408)
Net tuition and fees	<u>2,657,361</u>	<u>2,457,303</u>
Grants and Contracts, noncapital:		
Federal	10,614,897	10,241,620
State	11,889,211	8,945,935
Local	81,292	227,361
Auxiliary Sales and Charges		
Bookstore	1,758,848	1,684,181
Cafeteria	697,189	594,793
Farm	16,561	13,840
TOTAL OPERATING REVENUES	<u>27,715,359</u>	<u>24,165,033</u>
OPERATING EXPENSES		
Salaries	27,316,341	23,140,161
Employee benefits	8,289,703	7,794,864
Supplies, materials, and other operating expenses and services	24,466,981	22,460,490
Depreciation	1,989,662	2,527,291
TOTAL OPERATING EXPENSES	<u>62,062,687</u>	<u>55,922,806</u>
OPERATING LOSS	<u>(34,347,328)</u>	<u>(31,757,773)</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	24,914,670	23,524,926
Local property taxes, levied for general purposes	2,904,132	3,160,326
State taxes and other revenues	1,984,546	3,506,263
Investment income, net	1,934,204	2,624,390
Interest and other expenses on debt	(2,953,151)	(2,873,617)
Other non-operating revenues	7,355,014	7,248,565
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>36,139,415</u>	<u>37,190,853</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>1,792,087</u>	<u>5,433,080</u>
OTHER REVENUES AND EXPENSES		
State revenues, capital	708,421	791,357
Local revenues, capital	-	153,666
TOTAL OTHER REVENUES AND EXPENSES	<u>708,421</u>	<u>945,023</u>
CHANGE IN NET ASSETS	2,500,508	6,378,103
NET ASSETS, BEGINNING OF YEAR	55,960,179	49,582,076
NET ASSETS, END OF YEAR	<u>\$ 58,460,687</u>	<u>\$ 55,960,179</u>

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

WEST HILLS COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS – DIRECT METHOD
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,616,013	\$ 2,446,940
Non-capital grants and contracts	22,912,449	20,306,292
Payments to vendors for supplies and services	(23,456,349)	(13,694,421)
Auxiliary sales	2,472,598	2,292,814
Payments to or on behalf of employees	(36,344,384)	(35,522,315)
Net Cash Flows From Operating Activities	<u>(31,799,673)</u>	<u>(26,463,504)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	24,965,102	24,509,447
Property taxes - nondebt related	2,700,952	3,102,126
State taxes and other apportionments	1,984,546	3,530,782
Other nonoperating	7,454,634	3,464,244
Net Cash Flows From Noncapital Financing Activities	<u>37,105,234</u>	<u>34,606,599</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(4,838,719)	(2,609,729)
Proceeds from capital debt	500,000	2,830,194
State revenue, capital projects	708,421	791,357
Local revenue, capital projects	-	153,666
Principal paid on capital debt and current loan	(1,005,948)	(2,105,130)
Interest paid on capital debt	(2,953,151)	(2,873,617)
Net Cash Flows From Capital Financing Activities	<u>(7,589,397)</u>	<u>(3,813,259)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,014,599	2,540,509
Net Cash Flows From Investing Activities	<u>2,014,599</u>	<u>2,540,509</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(269,237)	6,870,345
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79,804,988	72,934,643
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 79,535,751</u>	<u>\$ 79,804,988</u>

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

WEST HILLS COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS – DIRECT METHOD, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	<u>\$ (34,347,328)</u>	<u>\$ (31,757,773)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	1,989,662	2,527,291
Changes in Assets and Liabilities:		
Receivables, net	(997,850)	1,254,056
Stores inventories	(3,647)	4,055
Prepaid expenses	(6,681)	368
Accounts payable and accrued liabilities	1,285,137	194,526
Deferred revenue	(79,112)	534,296
Funds held for others	<u>360,146</u>	<u>779,677</u>
Total Adjustments	<u>2,547,655</u>	<u>5,294,269</u>
Net Cash Flows From Operating Activities	<u><u>\$ (31,799,673)</u></u>	<u><u>\$ (26,463,504)</u></u>
	<u>2008</u>	<u>2007</u>
NON CASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 560,454</u>	<u>\$ 491,288</u>

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

WEST HILLS COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT - WEST HILLS
COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$1,746,127	\$ 693,295
Investments	-	582,861
Accounts receivable	19,211	3,777
Total Current Assets	<u>1,765,338</u>	<u>1,279,933</u>
Rodeo stock	22,450	22,450
Property and leasehold improvements - net of accumulated depreciation	179,377	192,480
Total Assets	<u>\$1,967,165</u>	<u>\$1,494,863</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	-	25,988
Funds held for others	16,290	-
Total Current Liabilities	<u>16,290</u>	<u>25,988</u>
NET ASSETS		
Unrestricted	1,547,549	1,125,479
Temporarily restricted	289,145	265,938
Permanently restricted	114,181	77,458
Total Net Assets	<u>1,950,875</u>	<u>1,468,875</u>
Total Liabilities and Net Assets	<u>\$1,967,165</u>	<u>\$1,494,863</u>

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

WEST HILLS COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT - WEST HILLS
COMMUNITY COLLEGE DISTRICT FOUNDATION**

STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2007 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2007			Total	2006
	Unrestricted	Temporarily Restricted	Permanently Restricted		
CHANGES IN UNRESTRICTED NET ASSETS					
REVENUES					
Donations and special events	\$ 334,095	\$ 83,757	\$ 30,250	\$ 448,102	\$ 494,106
Federal revenue	600,582	-	-	600,582	677,169
Membership fees	34,989	-	-	34,989	19,786
Program fees	29,137	-	-	29,137	35,043
Program contracts	552,156	-	-	552,156	220,558
Fundraisers	180,776	-	-	180,776	195,353
Other revenue	47,985	-	7,473	55,458	49,732
Total Revenue	<u>1,779,720</u>	<u>83,757</u>	<u>37,723</u>	<u>1,901,200</u>	<u>1,691,747</u>
EXPENSES					
Scholarship	88,894	68,290	1,000	158,184	117,755
College Enhancement	281,241	-	-	281,241	291,836
Athletic Programs	197,428	-	-	197,428	147,182
Educational Programs	544,915	-	-	544,915	334,965
General Administrative	122,877	-	-	122,877	73,865
Fundraisers	114,555	-	-	114,555	104,037
Membership	-	-	-	-	34,554
Total Expenses	<u>1,349,910</u>	<u>68,290</u>	<u>1,000</u>	<u>1,419,200</u>	<u>1,104,194</u>
Increase/(Decrease) in Net Assets	<u>429,810</u>	<u>15,467</u>	<u>36,723</u>	<u>482,000</u>	<u>587,553</u>
TRANSFERS	(7,740)	7,740	-	-	-
INCREASE/(DECREASE) IN NET ASSETS	<u>422,070</u>	<u>23,207</u>	<u>36,723</u>	<u>482,000</u>	<u>587,553</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,125,479</u>	<u>265,938</u>	<u>77,458</u>	<u>1,468,875</u>	<u>881,322</u>
NET ASSETS, END OF YEAR	<u>\$1,547,549</u>	<u>\$ 289,145</u>	<u>\$ 114,181</u>	<u>\$1,950,875</u>	<u>\$1,468,875</u>

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

WEST HILLS COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT - WEST HILLS
COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 482,000	\$ 587,553
Adjustments to Reconcile Change in Net Assets to Net Cash Used By Operating Activities		
Depreciation and amortization	19,603	18,327
(Increase)/Decrease in accounts receivable	(15,434)	1,658
Increase/(Decrease) in accounts payable	(25,988)	4,066
Increase/(Decrease) in due to other groups	16,290	-
Net Cash Flows Provided By Operating Activities	<u>476,471</u>	<u>611,604</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in investments	582,861	(245,391)
(Increase)/Decrease in rodeo stock	-	4,840
(Purchase)/Disposal of fixed assets	<u>(6,500)</u>	<u>(52,016)</u>
Net Cash Flows Provided By Investing Activities	<u>576,361</u>	<u>(292,567)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,052,832	319,037
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>693,295</u>	<u>374,258</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,746,127</u>	<u>\$ 693,295</u>

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

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - ORGANIZATION

The West Hills Community College District (District) is a political subdivision of the State of California and provides postsecondary education to the students of Coalinga-Huron Unified School District, Lemoore Union High School District, Riverdale Joint Unified School District, Golden Plains Unified School District, Firebaugh-Las Deltas Unified School District, Reef-Sunset Unified School District, and Mendota Unified School District. The District maintains a Coalinga Campus, a Lemoore Campus, and the North District Center in Firebaugh. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District operates under a locally elected seven-member Board of Trustees form of government and provides higher education in the County of Fresno. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

A reporting entity is comprised of the primary government, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For West Hills Community College District, this includes general operations, food services, bookstores, and student related activities of the District.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit"; the "environment and ability to access/influence reporting," and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component unit:

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consist of the primary government (the District), as well as the following component units.

- **West Hills Community College District Foundation**

The West Hills Community College District Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The ten-member board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The Foundation is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Financial statements for the Foundation can be obtained from the Foundation's Business Office at 9900 Cody Street, Coalinga, CA 93210.

The following entities do not meet the above criteria for inclusion as component units of the District. Additional information is included in Note 14 to the financial statements.

Joint Powers Agencies (JPAs) The District is associated with two joint powers agencies (JPAs). These organizations are:

- Central Valley Schools Health and Welfare Trusts (CVSHWT)
- Valley Insurance Program (VIP).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges System's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represented balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

