

**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, 2018

**WEST HILLS
COMMUNITY COLLEGE DISTRICT**

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

JUNE 30, 2018

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

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FINANCIAL SECTION

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, 2018, 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, 2018, 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 Capital Outlay Projects and Revenue Bond Construction Funds (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 Capital Outlay Projects and Revenue Bond Construction Funds (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 January 18, 2019, on our consideration of the District's Capital Outlay Projects and Revenue Bond Construction Funds (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 Capital Outlay Projects and Revenue Bond Construction Funds (Measures E, L, Q and T) internal control over financial reporting and compliance.

Preliminary Draft For Discussion Purposes Only

Fresno, California
January 18, 2019

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

**BALANCE SHEET
JUNE 30, 2018**

	Capital Outlay Projects Fund 41	Revenue Bond Construction Fund 42
ASSETS		
Cash and cash equivalents-Cash in County Treasury	\$ 6,870,495	\$ 5,081,977
Cash in banks	15,184,082	-
Accounts receivable	18,894	2,488
Due from other funds	245,768	-
Total Assets	\$ 22,319,239	\$ 5,084,465
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 238,567	\$ -
FUND EQUITY		
Restricted	22,080,672	5,084,465
Total Liabilities and Fund Equity	\$ 22,319,239	\$ 5,084,465

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, 2018**

	Capital Outlay Projects Fund 41	Revenue Bond Construction Fund 42
REVENUES		
State revenues	\$ 381,864	\$ -
Local revenues	310,566	95,399
Total Revenues	692,430	95,399
EXPENDITURES		
Current Expenditures		
Books and supplies	5,330	-
Services and operating expenditures	549,937	-
Capital outlay	3,815,400	-
Debt service - principal	525,580	-
Debt service - interest and other issuance costs	182,235	-
Total Expenditures	5,078,482	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,386,052)	95,399
OTHER FINANCING SOURCES (USES)		
Operating transfers in	3,172,376	-
Operating transfers out	-	(2,468,113)
Other sources, lease financing	13,762,192	-
Total Other Financing Sources (Uses)	16,934,568	(2,468,113)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	12,548,516	(2,372,714)
FUND BALANCE, BEGINNING OF YEAR	9,532,156	7,457,179
FUND BALANCE, END OF YEAR	\$ 22,080,672	\$ 5,084,465

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, 2018**

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, 2018**

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, 2018, 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, 2018**

New Accounting Pronouncements

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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 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, 2018**

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, 2018, consist of the following:

Governmental activities	<u>\$ 27,136,554</u>
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Deposits and investments of the Bond Funds as of June 30, 2018, consist of the following:

Cash and cash equivalents in County Treasury	\$ 11,952,472
Cash in banks	15,184,082
Total Deposits and Investments	<u><u>\$ 27,136,554</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 is to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District's Capital Outlay Projects Fund 41 and Revenue Bond Construction Fund 42 maintain investments of \$11,952,472 with the Fresno County Investment Pool, with an average maturity of 2.17 years.

	Amortized Cost	Fair Value
Deposits with county treasurer	\$ 11,952,472	\$ 11,772,432

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the Funds bank balance of \$14,183,845 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consist of the following:

	Capital Outlay Projects Fund 41	Revenue Bond Construction Fund 42
Interest	\$ 18,894	\$ 2,488

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consist of the following:

	Capital Outlay Projects Fund 41
Vendor payables	<u>\$ 238,567</u>

NOTE 5 - INTERFUND ACTIVITY

Interfund balances at June 30, 2018, consisted of the following:

	Capital Outlay Projects Fund 41
Amounts due from other District funds	<u>\$ 245,768</u>

NOTE 6 - CONTINGENCIES

Litigation

The District is not currently a party to any legal proceedings related to either of the funds reported.

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF BONDED DEBT
JUNE 30, 2018**

Bonded Debt

A summary of the bonded debt (Measures E, L, Q and T) activity for the year is as follows:

Issue Year	Maturity Year	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Accreted/ Issued	Defeased/ Redeemed*	Bonds Outstanding June 30, 2018	Due Within 1 Year
Northern:								
2008	2034	3.41-4.950%	\$ 3,839,677	\$ 1,718,282	\$ 124,890	\$ 120,000	\$ 1,723,172	\$ 130,000
2012	2038	2.0-4.23%	7,957,059	7,812,974	19,467	100,000	7,732,441	120,000
2015	2029	2.42-3.56%	2,270,000	2,270,000	-	-	2,270,000	-
Coalinga:								
2009	2033	2.62-5.08%	2,998,815	576,520	18,660	100,000	495,180	100,000
2012	2039	2.0-4.21%	4,498,812	9,171,510	190,435	160,000	9,201,945	180,000
2017	2034	1.04-3.84%	2,195,000	2,195,000	-	55,000	2,140,000	-
Lemoore:								
2009	2034	2.62-5.42%	5,999,837	1,344,167	57,065	175,000	1,226,232	185,000
2011	2042	2.56-7.40%	12,343,909	6,126,795	367,936	65,000	6,429,731	95,000
2016	2046	2.00-5.50%	12,655,000	12,655,000	-	45,000	12,610,000	55,000
2017	2042	1.04-3.84%	14,455,000	14,455,000	-	365,000	14,090,000	120,000
Total				<u>\$ 58,325,248</u>	<u>\$ 778,453</u>	<u>\$ 1,185,000</u>	<u>\$ 57,918,701</u>	<u>\$ 985,000</u>

* Bond payments are funded through the collection of property taxes paid by the voters within the applicable voting areas. Annual debt service requirements can be found within the West Hills Community College District's Annual Independent Auditor's Report.

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

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED CAPITAL OUTLAY PROJECTS AND REVENUE BOND CONSTRUCTION
FUNDS (MEASURES E, L, Q AND T)
JUNE 30, 2018**

Summarized below is the fund balance reconciliation between the Unaudited Capital Outlay Projects Fund (Measures E, L, Q and T) and the audited Capital Outlay Projects Fund Fund (Measures E, L, Q and T).

	Capital Outlay Projects Fund ¹
	<u> </u>
FUND BALANCE	
Balance, June 30, 2017, (CCFS-311)	\$ 8,033,514
Increase in:	
Cash in banks	<u> 14,047,158</u>
Balance, June 30, 2017, Audited	<u><u> \$ 22,080,672</u></u>

¹ Fund 41, Capital Outlay Projects Fund, on the CCFS-311 is the combination of the MUSC New Market Tax Credit Fund, the FOF1 New Market Tax Credit Fund, and the Capital Outlay Projects Fund on the Financial Statements.

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

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Bonded Debt

This schedule provides a summary of the bond debt obligations outstanding for the issuances related to (Measures E, L, Q and T).

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of the Capital Outlay Projects Fund and Revenue Bond Construction Fund (Measures E, L, Q and T) reported on the CCFS-311 Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR'S 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***

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

We have audited, in accordance with the 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, the accompanying financial statements of the West Hill's Community College District (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, 2018, and the related notes of the financial statements, and have issued our report thereon dated January 18, 2019.

As discussed in Note 1, the financial statements present only the Capital Outlay Projects and Revenue Bond Construction Funds 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 Hill's Community College District in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Hills Community College District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Hills Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Hills Community College District's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Hill's Community College District's Capital Outlay Projects and Revenue Bond Construction Funds (Measures E, L, Q and T) 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Preliminary Draft For Discussion Purposes Only

Fresno, California
January 18, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2018**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.

**WEST HILLS
COMMUNITY COLLEGE DISTRICT**

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

JUNE 30, 2018

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

**PERFORMANCE AUDIT
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JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of the West Hill's Community College District (the District) Capital Outlay Projects and Revenue Bond Construction Funds (Measures E, L, Q and T) for the year ended June 30, 2018.

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, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. 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 Capital Outlay Projects and Revenue Bond Construction Funds (Measures E, L, Q and T) 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.

Preliminary Draft
For Discussion Purposes Only

Fresno, California
January 18, 2019

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

JUNE 30, 2018

AUTHORITY AND PURPOSE FOR ISSUANCE

The general obligation bonds associated with Measures E, L, Q and T were 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. The Bonds are authorized to be issued by a resolution adopted by the Board of Trustees of the District acting as the governing board of the Improvement Districts.

The School Facilities Improvement District 1 (Northern area) received authorization at an election held on June 3, 2008, to issue bonds of the District in an aggregate principal amount not to exceed \$11,800,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District.

The School Facilities Improvement District 3 (Lemoore area) received authorization at an election held on November 4, 2008, to issue bonds of the District in an aggregate principal amount not to exceed \$31,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District.

West Hills Community College District received reauthorization at an election held on November 6, 2012, to issue the 2008 current interest bonds in an amount not to exceed \$12,655,000 in aggregated principal at interest rates not in excess of the legal limit and to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District.

West Hills Community College District received authorization at an election held on November 4, 2014, to issue current interest bonds in an amount not to exceed \$20,000,000 in aggregated principal at interest rates not in excess of the legal limit and to provide financing for the specific school facilities technology projects listed in the Bond Project List. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District.

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 XIII A, 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.

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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 citizen's 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 school 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 Capital Outlay Projects Fund 41 and the Revenue Bond Construction Fund 42 have been made in accordance with the bond project list approved by the voters through the approval of Measures E, L, Q and T.
2. Determine whether salary transactions, charged to the funds, if any, were in support of Measures E, L, Q and T and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. 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, 2018, 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, 2018, for the Capital Outlay Projects Fund 41 and Revenue Bond Construction Fund 42 (Measures E, L, Q and T). 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 Measures E, L, Q and T as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.

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2. Our sample included transactions totaling \$1,496,285 of the total expenditures of \$3,929,731, which excludes activity reflected in the fund relating to the District Office project.
3. We verified that funds from the Capital Outlay Projects Fund 41 and Revenue Bond Construction Fund 42 (Measures E, L, Q and T) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, the West Hills Community College District has properly accounted for the expenditures held in the Capital Outlay Projects Fund 41 and Revenue Bond Construction Fund 42 (Measures E, L, Q and T) and that such expenditures were made for costs authorized by the voters of the District.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

None reported.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.