

BARSTOW COMMUNITY COLLEGE DISTRICT

**San Bernardino County
Barstow, California**

**Report on Audit
June 30, 2016**

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Barstow Community College District
Barstow, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Barstow Community College District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions 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 from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of Barstow Community College District, as of June 30, 2016, and the changes in net position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 8, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 37, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 38, and the Schedule of the District's Pension Contributions on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic 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 30, 2016, on our consideration of Barstow Community College 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 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 internal control over financial reporting and compliance.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of Barstow Community College District (the "District") as of June 30, 2016. The report consists of three basic financial statements: the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

Barstow Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements (GASB) No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenue and expenses categorized as operating and non-operating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community College Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

Financial Highlights Of The Past Year

- The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2015-2016 fiscal year, total reported resident FTES were 2,497 as compared to 2,582 in the 2014-2015 fiscal year.
- The Statement of Revenues, Expenses, and Changes in Net Position once again reflects a positive year due to increased state apportionments. Operating revenues decreased by \$153,368, while operating expenses increased by \$37,410. Non-operating revenues increased by \$4,290,917. Other revenues, which consist primarily of state apportionments for capital projects, were down \$1,323,430.
- During the 2015-2016 fiscal year, the District provided over \$7.6 million in federal and state financial aid to students attending the college.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The Statement of Net Position presents the assets, liabilities and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private sector organizations.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

The Net Position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets. These net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities, legislation and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted and is available to the District for any lawful purpose of the District. As illustrated in the following table, the June 30, 2016 fiscal year ended with an increase in total net position of \$3,663,747 to a grand total of \$53,177,834.

	Governmental Activities		
	2016	2015	Net Change
Assets			
Current assets	\$ 11,893,908	\$ 11,858,769	\$ 35,139
Non-current assets	52,117,116	48,926,715	3,190,401
Total Assets	64,011,024	60,785,484	3,225,540
Deferred outflows of resources	2,519,516	916,581	1,602,935
Liabilities			
Current liabilities	1,349,085	1,946,392	(597,307)
Non-current liabilities	9,938,073	7,540,263	2,397,810
Total Liabilities	11,287,158	9,486,655	1,800,503
Deferred inflows of resources	2,065,548	2,701,323	(635,775)
Net Position			
Net investment in capital assets	51,210,924	48,140,232	3,070,692
Restricted	4,757,138	6,241,939	(1,484,801)
Unrestricted	(2,790,228)	(4,868,084)	2,077,856
Total Net Position	\$ 53,177,834	\$ 49,514,087	\$ 3,663,747

The District's financial position, as a whole, strengthened. During the fiscal year ending June 30, 2016, the total net position increased \$3,663,747 from the previous year.

Change in Net Position

The change in total net position presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned (whether received or not) by the District, the operating and non-operating expenses incurred (whether paid or not) by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District.

Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. As an example, tuition fees paid by the student are considered an exchange for instructional services. This activity is considered an operating activity. The receipt of State apportionments and property taxes do not include this exchange relationship between payment and receipt of goods or services. These revenues and related expenses are classified as non-operating activities.

A summary of the Statement of Revenues, Expenses, and Changes in Net Position, for the years ended June 30, 2016 and June 30, 2015, is shown below.

	Governmental Activities		
	2016	2015	Net Change
Operating revenues	\$ 4,809,262	\$ 4,962,630	\$ (153,368)
Operating expenses	20,745,883	20,708,473	37,410
Non-operating revenues	19,463,974	15,173,357	4,290,617
Other revenues	136,394	1,459,824	(1,323,430)
Net Increase (Decrease) in Net Position	3,663,747	887,338	2,776,409
Net Position - Beginning	49,514,087	57,321,315	(7,807,228)
Adjustments for restatements	-	(8,694,566)	8,694,566
Net Position - Beginning, as restated	49,514,087	48,626,749	887,338
Net Position - Ending	\$ 53,177,834	\$ 49,514,087	\$ 3,663,747

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment – non-capital, which, as a whole, increased in fiscal year 2015-2016.

Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. The statement also helps user assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement

of Revenues, Expenses and Changes in Net Position. The net cash used by the District for operating activities, for the year ending June 30, 2016, was \$14,419,367.

The District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of the students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Assets

A comparison of capital assets, net of depreciation, is summarized below:

	Governmental Activities		
	2016	2015	Net Change
Land, site improvements and construction in progress	\$ 5,100,613	\$ 13,708,699	\$ (8,608,086)
Buildings and equipment	59,362,069	46,498,613	12,863,456
Accumulated depreciation	(13,251,758)	(12,067,080)	(1,184,678)
Total Capital Assets	\$ 51,210,924	\$ 48,140,232	\$ 3,070,692

The increase in fixed assets is predominantly attributable to construction on the Wellness center.

Long-Term Liabilities

At June 30, 2016, the District had \$9,938,073 in long-term debt. A comparison of long-term debt is summarized below:

	Governmental Activities		
	2016	2015	Net Change
Compensated absences	\$ 427,025	\$ 365,276	\$ 61,749
Net pension liability	9,511,048	7,174,987	2,336,061
Total Long-term Liabilities	\$ 9,938,073	\$ 7,540,263	\$ 2,397,810

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures.

The District's final revised budget for the General Fund anticipated that expenditures would exceed revenue by \$1.5 million. The actual results for the year showed revenues exceeded expenditures by \$2.2 million.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The economic outlook is beginning to stabilize statewide. After several years of improved tax revenues, income is beginning to level off statewide. Cash flow for the district continues to be stable. Restricted funding continues to improve with several programs receiving additional funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Office of Business Services, Barstow Community College, 2700 Barstow Road, Barstow, California 92311-6608.

BASIC FINANCIAL STATEMENTS

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION-PRIMARY GOVERNMENT

June 30, 2016

Assets

Current assets:

Cash and cash equivalents	\$ 10,835,553
Accounts receivable	<u>1,058,355</u>
Total current assets	11,893,908

Non-Current assets:

Other postemployment benefits	906,192
Fixed assets, net	<u>51,210,924</u>
Total non-current assets	52,117,116
Total Assets	<u>\$ 64,011,024</u>

Deferred outflows of resources

Deferred outflows of resources - pensions only	<u>2,519,516</u>
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Liabilities

Current liabilities:

Current liabilities	1,277,251
Compensated absences-current portion	15,000
Deferred revenue	<u>56,834</u>
Total current liabilities	1,349,085
Non-Current Liabilities	9,938,073
Total Liabilities	<u>11,287,158</u>

Deferred inflows of resources

Deferred inflows of resources - pensions only	<u>2,065,548</u>
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Net Position

Invested in capital assets	51,210,924
Restricted for:	
Capital projects	3,776,519
Other activities	980,619
Unrestricted	<u>(2,790,228)</u>
Total Net Position	<u>\$ 53,177,834</u>

The accompanying notes are an integral part of these financial statements

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-PRIMARY GOVERNMENT

June 30, 2016

Operating Revenues	
Tuition and fees	\$ 3,296,096
Less: Scholarship discounts and allowances	<u>(2,504,033)</u>
Net Tuition and Fees	792,063
Grants and contracts	
Federal	375,547
State	3,453,992
Local	225,361
Auxiliary enterprise sales and charges	<u>(37,701)</u>
Total Operating Revenues	4,809,262
Operating Expenses	
Salaries	10,738,551
Benefits	4,537,405
Payments to students	579,233
Supplies, materials, and other expenses	3,228,600
Utilities	441,041
Depreciation	<u>1,221,053</u>
Total Operating Expenses	20,745,883
Operating Income/(Loss)	(15,936,621)
Non-Operating Revenues/(Expenses)	
State apportionments, non-capital	13,064,382
Local property taxes	3,455,938
State taxes and other revenues	2,876,795
Investment income, net	34,071
Financial aid revenues-federal	7,238,998
Financial aid revenues-state	382,093
Financial aid expenses	<u>(7,621,091)</u>
Other non-operating revenues	32,788
Total non-operating revenues (expenses)	19,463,974
Income Before Other Revenues, Expenses, Gains or Losses	3,527,353
Other Revenues, Expenses, Gains, Or Losses	
State apportionments, capital	113,929
Investment income-capital	<u>22,465</u>
Total Other Revenues, Expenses, Gains or Losses	136,394
Change In Net Position	3,663,747
Net Position - Beginning	49,514,087
Net Position - Ending	<u>\$ 53,177,834</u>

The accompanying notes are an integral part of these financial statements

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS-PRIMARY GOVERNMENT

For the Fiscal Year Ended June 30, 2016

Cash Flows from Operating Activities

Tuition and fees	\$ 624,844
Federal grants and contracts	354,682
State grants and contracts	3,963,629
Local grants and contracts	605,875
Payments to suppliers	(3,691,781)
Payments for utilities	(441,041)
Payments to/on-behalf of employees	(15,236,711)
Payments to/on-behalf of students	(561,163)
Auxiliary enterprise sales and charges	<u>(37,701)</u>
Net cash provided by (used in) operating activities	<u>(14,419,367)</u>

Cash Flows from Non-capital Financing Activities

State apportionments and receipts	13,064,382
Property taxes	3,464,287
State taxes and other revenues	<u>2,909,583</u>
Net cash provided by (used in) by non-capital financing activities	<u>19,438,252</u>

Cash Flows from Capital Financing Activities

State apportionments for capital purposes	113,929
Purchases of capital assets	<u>(4,291,745)</u>
Net cash provided by (used in) capital financing activities	<u>(4,177,816)</u>

Cash Flows from Investing Activities

Investment income	<u>12,954</u>
Net cash provided by (used in) investing activities	<u>12,954</u>

Net Increase in Cash and Cash Equivalents

854,023

Cash and Cash Equivalents

Beginning of year	<u>9,981,530</u>
End of year	<u>\$ 10,835,553</u>

Reconciliation of operating loss to cash used in operating activities

Operating loss	\$ (15,874,872)
Depreciation and amortization	1,221,053
Pension expense	2,336,061
(Increase) decrease in accounts receivable	785,778
(Increase) decrease in inventory	68,340
(Increase) decrease in OPEB assets	(119,709)
(Increase) decrease in deferred outflows	(1,602,935)
Increase (decrease) in accounts payable	(604,905)
Increase (decrease) in deferred revenues	7,597
Increase (decrease) in deferred inflows	<u>(635,775)</u>
Net cash used in operating activities	<u>\$ (14,419,367)</u>

The accompanying notes are an integral part of these financial statements

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2016

	<u>ASB</u>	<u>Scholarship and Loan</u>
Assets		
Cash and cash equivalents	\$ 144,525	\$ 168,604
Accounts Receivable	5,399	48,832
Total Assets	<u>\$ 149,924</u>	<u>\$ 217,436</u>
Liabilities		
Due to student groups	\$ 149,228	\$ 217,436
Accounts Payable	696	-
Total Liabilities	<u>149,924</u>	<u>217,436</u>
Liabilities and Net Position	<u>\$ 149,924</u>	<u>\$ 217,436</u>

The accompanying notes are an integral part of these financial statements

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2016

	<u>ASB Trust Fund</u>	<u>Scholarship and Loan Trust Fund</u>
Additions		
Student activities	\$ 119,989	\$ 105,587
Total Additions	<u>119,989</u>	<u>105,587</u>
Deductions		
Student activities	<u>97,640</u>	<u>84,959</u>
Change in Net Position	22,349	20,628
Net Position - Beginning	<u>126,879</u>	<u>196,808</u>
Net Position - Ending	<u><u>\$ 149,228</u></u>	<u><u>\$ 217,436</u></u>

NOTE 1 – ORGANIZATION

Barstow Community College District (the “District”) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. The District consists of one community college located in Barstow, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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”) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the “direct benefit” criterion, the “entitlement/ability to access” criterion, 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.

Basis of Presentation and Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District’s financial statements provide a comprehensive entity-wide perspective of the District’s financial position and activities. 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 the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level.

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 three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

The District records its investment in San Bernardino County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Changes in Net Position. The fair value of investments, at June 30, 2016, approximated their carrying value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets are classified on the Statement of Net Position because their use is limited by enabling legislation, applicable bond covenants, and other laws of other governments. Also, resources have been set aside to satisfy certain requirements of the bonded debt issuance and to fund certain capital asset projects.

Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District’s grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The District recognized for budgetary and financial reporting purposes any amount of State appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of cafeteria food and supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District’s capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings, as well as renovations to buildings, infrastructures, and land improvements, that significantly increase the value or extend the useful life of the structure are capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

Asset Class	Estimated Useful Life
Buildings	50
Land Improvements	10
Equipment and vehicles	8
Technology equipment	3

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the District-wide Statement of Net Position. This represents the effects of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (PERS and STRS) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Position. The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of full-time load which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Unearned Revenue

Tuition and fees received prior to June 30 for classes and programs offered in the subsequent fiscal year are reported as unearned revenue. Cash received for Federal and State special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, and OPEB obligations with maturities greater than one year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees Retirement Plan (PERS) and the State Teachers Retirement Plan (STRS) and additions to/deductions from PERS and STRS' fiduciary net position have been determined on the same basis as they are reported by PERS and STRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represents the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following categories:

- **Invested in capital assets, net of related debt** – This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- **Restricted** – Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.
- **Unrestricted** – Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The District reports real and personal property tax revenues in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has been accrued in these financial statements to reflect the amount of property taxes receivable as of June 30, 2016.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenues and certain other revenues are reported, net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods, and the goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Program

The District participates in federally funded Pell Grants, SEOG grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is reported as other revenue. The amount reported as other revenue represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.

On-Behalf Payments

GASB Cod. Sec N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement Systems on behalf of all Community Colleges in California. These payments consist of state general fund contributions to CalSTRS.

Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB Cod. Sec. C05.101, including state appropriations, local property taxes, and investment income. Nearly all of the District's expenses are from exchange transactions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues are classified according to the following criteria:

- **Operating revenues and expenses** – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of fee waivers and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital asset related debt.
- **Non-operating revenues and expenses** – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated within the primary government funds during the consolidation process in the entity-wide financial statements.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2016, the District implemented the following new standards issued by GASB:

- GASB Statement 72, “Fair Value Measurement and Application”, effective for the year ending June 30, 2016.
- GASB Statement 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, effective for the year ended June 30, 2016.

Future Changes in Accounting Standards

GASB has issued Statement 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB has issued Statement 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 District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

GASB has issued Statement 80, *“Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14”*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

GASB has issued Statement 81, *“Irrevocable Split-Interest Agreements”*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 82, *“Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73”*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

As provided for by the Education Code, Section 41001, a significant portion of the District’s cash balances of most funds is deposited with the San Bernardino County Treasurer for the purpose of increasing interest earnings through County investment activities. The California Government Code requires California banks and savings and loan associations to secure the District’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency’s deposits. California law also allows financial institutions to secure an agency’s deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency’s total deposits and collateral is considered to be held in the name of the District. Substantially all cash held by financial institutions is entirely insured or collateralized.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments, as of June 30, 2016, consist of the following:

Business-type activities	\$ 10,835,553
Fiduciary funds	<u>313,129</u>
Total Cash and Investments	<u>\$ 11,148,682</u>

Cash on hand and in banks	\$ 463,048
Cash in County treasury	<u>10,685,634</u>
Total Cash and Investments	<u>\$ 11,148,682</u>

Policies and Practices

Under provision of the District’s investment policy, and in accordance with Section 53601 and 53602 of the California Government Code, the District may invest in the following types of investments: The District is authorized under California Government Code to make direct investments in local agency bonds, notes or warrants with the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized obligations.

Investment in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains a significant portion of its cash in the San Bernardino County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District’s deposits in this pool, as of June 30, 2016, as provided by the pool sponsor, was \$10,712,131, with an average maturity of 311 days. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule 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
Bankers 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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Government Code Sections 16430 and 53601 allow governmental entities to invest surplus moneys in certain eligible securities. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

Custodial credit risk 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, but all public funds are invested in bonds or governmental backed (collateralized) securities at 110% on the amount of deposit.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government’s investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 4 – RECEIVABLES

Receivables, at June 30, 2016, consist of the following and are considered collectible in full:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
General fund	\$ 69,196	\$ 297,874	\$ 409,483	\$ 776,553
Capital outlay fund	-	-	129,399	129,399
Financial aid fund	147,167	4,647	292	152,106
Other funds	-	-	297	297
	<u>\$ 216,363</u>	<u>\$ 302,521</u>	<u>\$ 539,471</u>	<u>\$ 1,058,355</u>

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

The following provides a summary of changes in capital assets for the year ended June 30, 2016:

	<u>Balance</u> <u>July 01, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets not being depreciated				
Land	\$ 119,462	\$ -	\$ -	\$ 119,462
Construction in progress	11,318,845	1,187,165	12,506,010	-
Total capital assets not being depreciated	11,438,307	1,187,165	12,506,010	119,462
Capital assets being depreciated				
Building	44,306,307	12,506,510	-	56,812,817
Furniture and equipment	2,192,306	393,321	36,375	2,549,252
Site improvements	2,270,392	2,710,759	-	4,981,151
Total capital assets being depreciated	48,769,005	15,610,590	36,375	64,343,220
Total capital assets	60,207,312	16,797,755	12,542,385	64,462,682
Less accumulated depreciation				
Building	9,244,589	935,125	-	10,179,714
Furniture and equipment	1,442,020	127,844	36,375	1,533,489
Site improvements	1,380,471	158,084	-	1,538,555
Total accumulated depreciation	12,067,080	1,221,053	36,375	13,251,758
Net capital assets	<u>\$48,140,232</u>	<u>\$15,576,702</u>	<u>\$12,506,010</u>	<u>\$51,210,924</u>

Depreciation expense for the year was \$1,221,053.

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable, at June 30, 2016, consisted of the following:

	<u>Business-Type</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Payroll	\$ 353,383	\$ -	\$ 353,383
Construction	307,331	-	307,331
Vendor payable	424,727	696	425,423
Financial aid	191,810	-	191,810
	<u>\$ 1,277,251</u>	<u>\$ 696</u>	<u>\$ 1,277,947</u>

NOTE 7 – INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity, within the governmental funds and fiduciary funds, have been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process.

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

Long-term liabilities, for the fiscal year ended June 30, 2016, are summarized as follows:

	<u>Balance July 01, 2015</u>	<u>Additions</u>	<u>Due in One Year</u>	<u>Long-term Balance</u>
Governmental Activities				
Compensated absences	\$ 380,276	\$ 61,749	\$ 15,000	\$ 427,025
Net pension liability	<u>7,174,987</u>	<u>2,336,061</u>	<u>-</u>	<u>9,511,048</u>
	<u>\$ 7,555,263</u>	<u>\$ 2,397,810</u>	<u>\$ 15,000</u>	<u>\$ 9,938,073</u>

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District’s annual required contribution, for the year ended June 30, 2016, was \$137,553 and contributions made by the District during the year were \$168,400 which resulted in a net increase in the OPEB asset for 2016 of \$30,847. See Note 9 for additional information regarding the OPEB Obligation and the postemployment plan.

NOTE 9 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits to eligible retirees in accordance with negotiated contracts with various bargaining units of the District. The District implemented the new reporting requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)* prospectively for the fiscal year ended June 30, 2010.

Plan Description

In addition to the pension benefits described in Note 11, the District provides post-retirement health care benefits as follows:

	<u>Faculty</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical, dental, vision and life	Medical, dental, vision and life	Medical, dental, vision and life
Duration of Benefits	To age 65	10 years plus one year for each 2 years of service over 10; but not beyond age 65	10 years plus one year for each 2 years of service over 10; but not beyond age 65
Required Service	10 years	10 years	10 years
Minimum Age	55	50	50
Dependent Coverage	Yes	Yes	Yes
College Contribution %	100%	100%	100%
College Cap	\$16,400	\$16,400	\$16,400

Funding Policy

The contribution requirements are established and may be amended by the District. In fiscal year 2008-09, the District committed \$1,900,000 to the California Employers’ Retiree Benefits Trust (CERBT) for the sole purpose of paying retiree health benefits.

NOTE 9 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess over a period not to exceed thirty years. The District has elected to amortize the unfunded liability over thirty years.

The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 64,792
Interest on net OPEB obligation	(39,324)
Adjustment to annual required contribution	<u>67,490</u>
Annual OPEB cost (expense)	92,958
Contributions made	<u>(212,667)</u>
Increase in net OPEB obligation	(119,709)
Net OPEB obligation (asset), beginning of year	<u>(786,483)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (906,192)</u></u>

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
2014	\$ 137,231	107.19%	\$ (755,636)
2015	\$ 137,553	122.43%	\$ (786,483)
2016	\$ 92,958	228.78%	\$ (906,192)

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 9 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION (CONTINUED)

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.00% percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost increases were estimated at 4 percent annually. The UAAL is being amortized at a level dollar method. The actuarial value of assets held in the trust, at July 1, 2016, was \$3,207,735.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Funding Policy

Active 2% at 60 Non-PEPRA members and active 2% at 62 PEPRA plan members are required to contribute 9.20 and 8.56 percent of their salary, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016-2016 was 10.73 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,008,442 for the year ended June 30, 2016.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publicatons>.

Funding Policy

Active 2% at 60 Non-PEPRA members and 2% at 62 PEPRA plan members are required to contribute 7.0 percent and 6.0 percent of their salary, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016-2016 was 11.771 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$427,651 for the year ended June 30, 2016.

Pension Liabilities, Pension Expenses, and Deferred Outflows / Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$9,511,048 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 279,683	\$ 135,000
Changes of assumptions		300,683
Net difference between projected and actual earnings on pension plan investments	803,740	1,629,865
District contributions subsequent to the measurement date	<u>1,436,093</u>	<u>-</u>
Total	<u>\$ 2,519,516</u>	<u>\$ 2,065,548</u>

\$1,436,093 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows

<u>Year ended June 30:</u>	
2017	\$ 288,787
2018	288,787
2019	288,063
2020	(42,223)
2021	158,712
Total	<u>\$ 982,126</u>

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>STRS</u>	<u>PERS</u>
Valuation date	June 30, 2014	June 30, 2014
Measurement date	June 30, 2015	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	7.6%	7.65%
Investment rate of return	7.6%	7.65%
Consumer price inflation	3.0%	2.8%
Wage growth	3.75%	3.0%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2013. As a result of the 2013 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2015 actuarial valuation to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

STRS			PERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%	Global equity	47%	5.25%
Private equity	12%	6.20%	Global fixed income	19%	0.99%
Real estate	15%	4.35%	Private equity	12%	6.83%
Inflation sensitive	5%	3.20%	Real estate	11%	4.50%
Fixed income	20%	0.20%	Inflation sensitive	6%	0.45%
Cash/Liquidity	1%	0.00%	Infrastructure and forestlan	3%	4.50%
			Liquidity	2%	-0.55%
Total	100%		Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.6 percent for STRS and 7.65 percent for PERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.6 percent and 7.65 percent for STRS and PERS, respectively, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate for each plan:

	STRS		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.6%)	(7.6%)	(8.6%)
District's proportionate share of the net pension liability	\$ 11,098,164	\$ 5,036,495	\$ 2,902,111

	PERS		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.65%)	(7.65%)	(8.65%)
District's proportionate share of the net pension liability	\$ 7,282,707	\$ 4,474,552	\$ 2,139,384

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided pension benefits. During the measurement period, there were no changes of assumptions.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2016 is \$1,533,443.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

Social Security

As established by Federal law, all public sector employees who are not members of their employer’s existing retirement systems (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS of approximately \$422,011 (7.12589% of salaries subject to CalSTRS). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 11 – FUNCTIONAL EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net position for the year ended June 30, 2016.

	<u>Salaries and Benefits</u>	<u>Supplies, Materials & Other Expenses & Services</u>	<u>Payments to Students</u>	<u>Depreciation</u>	<u>Total</u>
Admissions and records	\$ 379,430	\$ 10,384	\$ 579,223	\$ -	\$ 969,037
Ancillary services	759,232	420,588	-	-	1,179,820
Auxilliary operations	7,878	13,186	-	-	21,064
Community services and economic development	751,541	47,366	-	-	798,907
General institutional support	1,493,579	1,133,596	-	-	2,627,175
Instructional activities	6,971,668	510,701	-	-	7,482,369
Instructional administration	924,571	70,879	-	-	995,450
Instructional support services	283,653	26,246	-	-	309,899
Physical property and acquisitions	467,264	-	-	-	467,264
Planning, policy making, coordination, general support	528,595	228,835	-	-	757,430
Plant operations and maintenance	464,762	678,187	-	-	1,142,949
Student services-counseling and guidance	685,506	42,450	-	-	727,956
Students services-other	1,496,528	437,223	-	-	1,933,751
Depreciation Expense	-	-	-	1,221,053	1,221,053
	<u>\$ 15,214,207</u>	<u>\$ 3,619,641</u>	<u>\$ 579,223</u>	<u>\$1,221,053</u>	<u>\$ 20,634,124</u>

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditures disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The District may be involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2017	50,808
2018	50,808
2019	50,808
2020	6,113
Total	<u><u>\$ 101,616</u></u>

Construction Commitments

As of June 30, 2016, the District had no commitments with respect to unfinished capital projects.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District’s risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPAs) for its health and welfare benefits, workers’ compensations benefits, and property/liability insurance. Refer to Note 14 for additional information regarding the JPAs.

NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of two joint ventures under joint powers agreements (JPAs): Southern California Schools Employee Benefits Association (SCSEBA) for dental, and vision insurance coverage; and Southern California Schools Risk Management (SCRSM) for workers’ compensation, general liability, and property insurance coverage. The District pays an annual premium to the entities for their coverage. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2016, the District made the following payments to the JPA:

<u>Joint Powers Authority</u>	<u>2016 Payments</u>
SCRSM	\$ 102,843

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 30, 2016, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2016, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	\$ 2,254,167	\$ 2,694,694	\$ 440,527	83.65%	\$ 10,118,790	4.35%
July 1, 2013	\$ 2,700,563	\$ 2,248,320	\$ 435,920	120.11%	\$ 9,706,829	4.49%
July 1, 2015	\$ 3,207,735	\$ 2,244,067	\$ 452,678	142.94%	\$ 10,472,007	4.32%

The accompanying notes are an integral part of these financial statements

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Two Years Ended June 30, 2016

	2015		2016	
	PERS	STRS	PERS	STRS
District's proportion of the net pension liability (asset)	0.0324%	0.0100%	0.0332%	0.0120%
District's proportionate share of the net pension liability (asset)	\$3,678,822	\$3,496,165	\$4,474,552	\$5,036,495
District's covered-employee payroll	3,737,820	5,855,960	\$3,620,323	\$5,799,896
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	98.42%	59.70%	123.60%	86.84%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	76.52%	79.43%	74.02%

**Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown*

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

For the Two Years Ended June 30, 2016

	2015		2016	
	PERS	STRS	PERS	STRS
Contractually required contribution	\$ 433,128	\$ 483,453	\$ 427,651	\$1,008,442
Contributions in relation to the contractually required contribution	<u>433,128</u>	<u>483,453</u>	<u>427,651</u>	<u>1,008,442</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$3,737,820	\$5,855,960	\$3,620,323	\$5,799,896
Contributions as a percentage of covered-employee payroll	11.59%	8.26%	11.81%	17.39%

**Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown*

SUPPLEMENTARY INFORMATION

BARSTOW COMMUNITY COLLEGE DISTRICT

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2016

Barstow Community College District was officially formed in September 1959. The District began instruction during the 1960-1961 school year.

The school districts within the boundaries of Barstow Community College District are:

- Baker Unified School District;
- Barstow Unified School District; and
- Silver Valley Unified School District.

Board of Trustees

The District is governed by a Board of Trustees, consisting of five members, who are elected to staggered four-year terms. The members and officers of the Board of Trustees, as of June 30, 2016, were as follows:

Member	Office	Term Expires
Philip M. Harris	President	2018
Dr. Ted Baca	Vice-President	2016
Timothy t. Heiden	Clerk	2018
Fernando (Fred) Baca	Member	2016
Marcia Zableckis	Member	2016

District Administration

Member	Office
Dr. Deborah DiThomas	Superintendent / President
Stephen Eaton	Vice-President: Academic Affairs
George Walters	Vice-President: Administrative Services
Dr. Khushner Dadabhoy	Vice-President: Student Services
Clint Dougherty	Associate Vice-President: Human Resources

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster: ^[1]			
Federal Pell Grants	84.063		\$ 7,034,908
Federal Supplement Education Opportunity (FSEOG)	84.007		90,947
Federal Work Study Program (FWS)	84.033		<u>113,144</u>
Subtotal Student Financial Assistance Cluster			<u>7,238,999</u>
Career and Technical Education Act			
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education, Title 1-C	84.048	13-112-910	<u>157,051</u>
Total U.S. Department of Education			<u>7,396,050</u>
U.S. Department of Health and Human Services			
Temporary Assistance to Needy Families (TANF)	93.558		<u>49,250</u>
Total U.S. Department of Health and Human Services			<u>49,250</u>
U.S. Department of Labor			
Passed through California Department of Education			
TAACT			<u>28,779</u>
Total U.S. Department of Labor			<u>28,779</u>
Total Federal Expenditures			<u>\$ 7,474,079</u>

[1]: Major Program

*Passthrough Identifying number not available

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended June 30, 2016

Program Name	Program Revenues			Total Program Expenditures
	Cash Received	Deferred Income	Total	
Lottery	134,298	48,706	85,592	85,592
Extended Opportunity program and Services	\$ 483,086	9,884	473,202	473,202
Cooperative Agencies Resources for Education	119,168	1,026	118,142	118,142
Disabled Student Program and Services (DSPS)	225,604	2,797	222,807	222,807
Child Development Training	9,650	-	9,650	9,650
Career Tech Education Enhancement	147,215	-	147,215	147,215
CEC Mentor Program	650	-	650	650
Basic Skills Funding	180,000	31,923	148,077	148,077
Physical Plant & Instructional Support Block grant	332,163	14,119	318,044	318,044
Financial Aid Administration	183,092	-	183,092	183,092
Foster and Kinship Care Education	112,238	-	112,238	112,238
Innovative & Effectiveness Grant	150,000	1,665	148,335	148,335
Student Success - Credit	800,264	333,602	466,662	466,662
Equal Employment Opportunity	3,534	-	3,534	3,534
Student Success Equity Plan through the Student Success and Support Unit	543,277	219,820	323,457	323,457
Proposition 39 Clean Energy Act	94,095		94,095	94,095
California Career Pathways Trust	292,008	197,848	94,160	94,160
STRS on Behalf	26,567		26,567	26,567
Calif Work Opportunity & Responsibility to Kids	214,931	286	214,645	214,645
Full Time Student Success	113,975	34,475	79,500	79,500
	\$ 2,533,981	\$ 34,761	\$ 3,269,664	\$ 3,269,664

See the accompanying notes to the supplementary information

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURE(S) FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL)

ATTENDANCE

For the Year Ended June 30, 2016

	<u>Reported Data</u>
Summer Intersession (Summer 2015 only)	
1. Noncredit	5
2. Credit	261
Summer Intersession (Summer 2016 - Prior to July 1, 2016)	
1. Noncredit	2
2. Credit	34
Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	755
(b) Daily Census Contact Hours	326
2. Actual Hours of Attendance	
(a) Noncredit	26
(b) Credit	11
3. Alternative Attendance Accounting Procedure	
(a) Weekly Census Contact Hours	-
(b) Daily Census Contact Hours	1,077
(c) Noncredit Independent Study/Distance Education Courses	-
Total FTES	<u>2,497</u>
Total Credit FTES	2,464
Total Noncredit FTES	<u>33</u>
Total FTES	<u>2,497</u>

<u>Supplemental Information (subset of above information)</u>	<u>FTES</u>
In-Service Training Courses	-
Basic Skills Courses & Immigrant Education	
1. Noncredit	32
2. Credit	200

See the accompanying notes to the supplementary information

BARSTOW COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION TO AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

	Object Codes	ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustment	Revised Data	Reported Data	Audit Adjustment	Revised Data
ACADEMIC SALARIES							
Instructional Salaries							
Contract or Regular	1100	\$ 2,659,307		\$ 2,659,307	\$ 2,659,307		\$ 2,659,307
Other	1300	1,765,818		1,765,818	1,765,818		1,765,818
Total Instructional Salaries		4,425,125		4,425,125	4,425,125		4,425,125
Non-Instructional Salaries							
Contract or Regular	1200				1,019,490		1,019,490
Other	1400				43,813		43,813
Total Non-Instructional Salaries					1,063,303		1,063,303
Total Academic Salaries		4,425,125		4,425,125	5,488,428		5,488,428
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular Status	2100				1,789,447		1,789,447
Other	2300				101,689		101,689
Total Non-Instructional Salaries					1,891,136		1,891,136
Instructional Aides							
Regular Status	2200	298,362		298,362	298,362		
Other	2400	64,078		64,078	64,078		64,078
Total Instructional Aides		362,440		362,440	362,440		64,078
Total Classified Salaries		362,440		362,440	2,253,576		1,955,214
Employee Benefits	3000	1,520,224		1,520,224	3,084,655		3,084,655
Supplies and Materials	4000				165,947		165,947
Other Operating Expenses	5000	-		-	1,690,214		1,690,214
Equipment Replacement	6420						
Total Expenditures Prior to Exclusion		6,307,789		6,307,789	12,682,820		12,384,458

See the accompanying notes to the supplementary information

BARSTOW COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION TO AUDITED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2016

	Object Codes	ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustment	Revised Data	Reported Data	Audit Adjustment	Revised Data
EXCLUSIONS							
Activities to Exclude							
Instructional Staff -							
Retirees' Benefits and	5900	293,914		293,914	293,914		293,914
Student Health Services Above	6441						
Amount Collected							
Student Transportation	6491				-		-
Non-Instructional Staff -							
Retirees' Benefits and Retirement	6740				327,537		327,537
Incentives							
Objects to Exclude							
Rents and Leases	5060				135,333		135,333
Lottery Expenditures							
Academic Salaries	1000						
Classified Salaries	2000						
Employee Benefits	3000						
Supplies and Materials	4000						
Software	4100						
Books, Magazines, &	4200						
Instructional Supplies &	4300						
Noninstructional, Supplies &	4400						
Materials							
Total Supplies and Mater							
Other Operating Expenses and	5000				388,567		388,567
Services							
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000				-		-
Total Exclusions		293,914		293,914	1,145,351		1,145,351
Total for ECS 84362, 50% Law		\$ 6,013,875		\$ 6,013,875	\$ 11,537,469		\$ 11,239,107
Percent of CEE (Instructional Salary		52.12%		53.51%	100%		100%
50% of Current Expense of Education					\$ 5,768,734		\$ 5,619,554

See the accompanying notes to the supplementary information

BARSTOW COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT

For the Fiscal Year Ended June 30, 2016

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$2,684,042
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	\$ 2,684,042	-	-	2,684,042
Total Expenditures for EPA		\$ 2,684,042	-	-	2,684,042
Revenues Less Expenditures					\$ -

See the accompanying notes to the supplementary information

BARSTOW COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2016

Total Fund Balance and Retained Earnings:

General Funds	\$ 6,654,722	
Special Revenue Funds	(39,444)	
Capital Outlay Projects	3,776,519	
Fiduciary Funds	<u>168,027</u>	
Total Fund Balances and Retained Earnings - All District Funds		\$ 10,559,824

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	64,462,682	
Accumulated depreciation is	<u>(13,251,758)</u>	
Net Capital Assets		51,210,924

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	2,519,515	
Deferred inflows of resources relating to pensions	<u>(2,065,548)</u>	453,967

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

Net pension liability	(9,511,048)	
Supplemental employee retirement plan	(442,025)	
Other postemployment benefits (OPEB)	<u>906,192</u>	
Total Long-Term Obligations		<u>(9,046,881)</u>
Total Net Position - Governmental Activities		<u>\$ 53,177,834</u>

BARSTOW COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

History and Organization – This schedule provides information about the District’s organization, members of the governing board, and administration members.

Schedule of Expenditures of Federal Awards – The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Schedule of Expenditures of State Awards – The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor’s Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance – FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Education Code Section 84362 (50 percent Law) Calculation – ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor’s Office. This schedule provides a reconciliation of the amount reported to the State Chancellor’s Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Act (EPA) Expenditure Report – This schedule provides the District’s summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position – This schedule provides a reconciliation of the adjustments necessary to bring the District’s internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

OTHER INDEPENDENT AUDITORS' REPORTS

**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**

The Board of Trustees
Barstow Community College District
Barstow, 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 financial statements of the business-type activities and the fiduciary activities of Barstow Community College District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 material weaknesses or significant deficiencies. 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 the District's financial statements are free from 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 30, 2016



Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

The Board of Trustees
Barstow Community College District
Barstow, California

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Barstow Community College District's (the "District") compliance with the types of compliance requirements described in OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2016. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program 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 over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 30, 2016

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Barstow Community College District
Barstow, California

REPORT ON STATE COMPLIANCE

We have audited Barstow Community College District's (the "District") compliance with the state laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM) for the year ended June 30, 2016 and issued our report thereon December 30, 2016.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. 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 and the Standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

UNMODIFIED OPINION ON EACH OF THE PROGRAMS

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2016.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community College Contracted *District Audit Manual* (CDAM):

- Section 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Instructional Service Agreements/Contract
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 429 Student Success and Support Program (SSSP)
- Section 430 Scheduled Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 Prop 39 Clean Energy Fund
- Section 440 Intersession Extension Programs
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged (TBA) Hours
- Section 490 Proposition 1D State Bond Funded Projects
- Section 491 Education Protection Account Funds

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the California Community Colleges *Contracted District Audit Manual* 2015-2016. Accordingly, this report is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 30, 2016

SCHEDULE OF FINDINGS AND RESPONSES

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

SECTION 1 – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007,84.032,84.063</u>	<u>Student Financial Aid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

SECTION 2 - FINANCIAL STATEMENT FINDINGS

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

SECTION 3 - FEDERAL AWARDS FINDINGS AND RESPONSES

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

SECTION 4 - STATE AWARDS FINDINGS AND RESPONSES

The results of our tests did not disclose any findings and questioned costs related to the state awards.

BARSTOW COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

FINANCIAL STATEMENT FINDINGS

There were no prior year findings or questioned costs.

FEDERAL AWARDS FINDINGS

There were no prior year findings or questioned costs.

STATE AWARDS FINDINGS

There were no prior year findings or questioned costs.