

**BARSTOW COMMUNITY  
COLLEGE DISTRICT**

**County of San Bernardino  
Barstow, California**

**REPORT ON AUDIT  
June 30, 2014**

# BARSTOW COMMUNITY COLLEGE DISTRICT

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June 30, 2014

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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, 2014, 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, 2014, 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 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 34, 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 U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

The Board of Trustees  
Barstow Community College District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 17, 2014, 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 17, 2014

# **BARSTOW COMMUNITY COLLEGE DISTRICT**

Management's Discussion and Analysis  
June 30, 2014

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## **USING THIS ANNUAL REPORT**

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, 2014. 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, 2014. 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 nonoperating, 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**

- 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 2013-2014 fiscal year, total reported resident FTES were 2,597 as compared to 2,480 in the 2012-2013 fiscal year.
- The Statement of Revenues, Expenses, and Changes in Net Position once again reflects a positive year due to state apportionments for capital projects, specifically the performing arts center. Operating revenues increased by \$822,333, while operating expenses increased by \$2,565,717. Non-operating revenues increased by \$844,373. Other revenues, which consist primarily of state apportionments for capital projects, were down \$248,495 as the performing arts center project neared completion.
- During the 2013-2014 fiscal year, the District provided nearly \$7.6 million in federal and state financial aid to students attending the college.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

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## THE DISTRICT AS A WHOLE

### Statement of 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 restricted 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, 2014 fiscal year ended with an increase in total net position of \$1,431,506 to a grand total of \$57,321,315.

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
<b>ASSETS</b>			
Current assets	\$ 14,547,838	\$ 19,323,741	\$ (4,775,903)
Non-current assets	46,397,524	44,125,112	2,272,412
<b>Total Assets</b>	<u>60,945,362</u>	<u>63,448,853</u>	<u>(2,503,491)</u>
<b>LIABILITIES</b>			
Current liabilities	3,271,170	7,202,322	(3,931,152)
Non-current liabilities	352,877	356,722	(3,845)
<b>Total Liabilities</b>	<u>3,624,047</u>	<u>7,559,044</u>	<u>(3,934,997)</u>
<b>NET POSITION</b>			
Net investment in capital assets	45,641,888	43,379,336	2,262,552
Restricted	5,948,933	8,225,799	(2,276,866)
Unrestricted	5,730,494	4,284,674	1,445,820
<b>Total Net Position</b>	<u>\$ 57,321,315</u>	<u>\$ 55,889,809</u>	<u>\$ 1,431,506</u>

The District's financial position, as a whole, was positive. During the fiscal year ending June 30, 2014, the total net position increased \$1,431,506 from the previous year. Increases in categorical programs, cost of living and increases in instructional equipment and scheduled maintenance funding made a positive impact on the budget. Deferrals have been decreased dramatically during the year which has improved our cash flow. Access (growth) for 2014-15 has been allocated at 2.75%. The increase will allow the District to capture unfunded FTES for the first time in several years.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

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## Statement of Revenues, Expenses, and Changes 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, 2014 and June 30, 2013 is shown below.

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
<b>Operating revenues</b>			
Tuition and fees (net)	\$ 693,256	\$ 690,170	\$ 3,086
Grants and contracts	2,381,981	1,642,128	739,853
Other operating revenues	798,445	719,051	79,394
Total Operating Revenues	<u>3,873,682</u>	<u>3,051,349</u>	<u>822,333</u>
<b>Operating expenses</b>			
Salaries and benefits	13,110,063	13,088,523	21,540
Supplies and maintenance	6,443,148	3,880,756	2,562,392
Payments to students	184,273	125,677	58,596
Depreciation	783,774	822,106	(38,332)
Total Operating Expenses	<u>20,521,258</u>	<u>17,917,062</u>	<u>2,604,196</u>
Loss on Operations	(16,647,576)	(14,865,713)	(1,781,863)
<b>Non-operating revenues</b>			
State apportionments	11,456,071	11,956,162	(500,091)
Local property taxes	3,520,651	2,317,929	1,202,722
State taxes and other revenues	480,087	249,257	230,830
Net investment income	38,670	127,537	(88,867)
Other non-operating revenues	400	621	(221)
Total Non-Operating Revenues	<u>15,495,879</u>	<u>14,651,506</u>	<u>844,373</u>
<b>Other revenues</b>			
State capital income	2,583,203	2,831,698	(248,495)
Net Increase (Decrease) in Net Position	1,431,506	2,617,491	(1,185,985)
<b>Net Position - Beginning</b>	<u>55,889,809</u>	<u>53,272,318</u>	<u>2,617,491</u>
<b>Net Position - Ending</b>	<u>\$ 57,321,315</u>	<u>\$ 55,889,809</u>	<u>\$ 1,431,506</u>

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment, which, as a whole, increased in fiscal year 2013-2014.



# BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

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## Statement of 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, 2014, was \$19,908,025.

## **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 ASSET AND DEBT ADMINISTRATION**

### Capital Assets

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

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Land, site improvements and construction in progress	\$ 30,496,955	\$ 27,480,371	\$ 3,016,584
Buildings and equipment	26,452,791	26,423,049	29,742
Accumulated depreciation	<u>(11,307,858)</u>	<u>(10,524,084)</u>	<u>(783,774)</u>
<b>Total Capital Assets</b>	<u><u>\$ 45,641,888</u></u>	<u><u>\$ 43,379,336</u></u>	<u><u>\$ 2,262,552</u></u>

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

## BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
June 30, 2014

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### Debt

At June 30, 2014 the District had \$352,877 in long-term debt. A comparison of long-term debt is summarized below:

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Compensated absences	\$ 352,877	\$ 356,722	\$ (3,845)
<b>Total Long-term Liabilities</b>	<b><u>\$ 352,877</u></b>	<b><u>\$ 356,722</u></b>	<b><u>\$ (3,845)</u></b>

### 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 \$2.7 million. The actual results for the year showed revenues exceeded expenditures by \$1.7 million.

### ECONOMIC FACTORS

The economic outlook for the District has continued to improve over the last couple of years. Deferrals have been decreased, improving cash flow. The State issued a cost of living increase for the first time in several years. Enrollment has remained steady above our funded limit during the past years. Access funding has been increased allowing the District to capture traditionally unfunded FTES. Locally, property values have been returning to normal levels reducing our reliance on the general apportionment. Categorical program funding has continued to increase making up for years of cuts.

### 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**

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# BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Net Position  
June 30, 2014

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## ASSETS

### Current assets:

Cash and cash equivalents	\$ 9,695,741
Accounts receivable	4,542,661
Stores inventory	<u>309,436</u>

Total current assets 14,547,838

### Non-Current assets:

Other postemployment benefits other than pensions (OPEB) asset	755,636
Nondepreciable capital assets	28,633,003
Depreciable capital assets, net of depreciation	<u>17,008,885</u>

Total non-current assets 46,397,524

**TOTAL ASSETS** \$ 60,945,362

## LIABILITIES

### Current liabilities:

Current liabilities	\$ 3,188,736
Compensated absences - current portion	15,000
Unearned revenue	<u>67,434</u>

Total current liabilities 3,271,170

Compensated absences payable - non-current portion 352,877

**TOTAL LIABILITIES** 3,624,047

## NET POSITION

Invested in capital assets 45,641,888

### Restricted for:

Capital projects	4,805,802
Other activities	1,143,131

Unrestricted 5,730,494

**TOTAL NET POSITION** 57,321,315

**TOTAL LIABILITIES AND NET POSITION** \$ 60,945,362

See the accompanying notes to the financial statements.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2014

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### OPERATING REVENUES

Tuition and fees	\$ 3,321,604
Less: Scholarship discounts and allowances	<u>(2,628,348)</u>
Net Tuition and Fees	693,256
Grants and contracts	
Federal	329,627
State	1,916,121
Local	136,233
Auxiliary enterprise sales and charges	<u>798,445</u>
<b>Total Operating Revenues</b>	<b>3,873,682</b>

### OPERATING EXPENSES

Salaries	9,897,092
Benefits	3,212,971
Payments to students	184,273
Supplies, materials, and other expenses	5,936,732
Utilities	506,416
Depreciation	<u>783,774</u>
<b>Total Operating Expenses</b>	<b><u>20,521,258</u></b>

**OPERATING INCOME/(LOSS)** (16,647,576)

See the accompanying notes to the financial statements.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Revenues, Expenses and Changes in Net Position, Continued  
For the Fiscal Year Ended June 30, 2014

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### NON-OPERATING REVENUES/(EXPENSES)

State apportionments - non-capital	11,456,071
Local property taxes	3,520,651
State taxes and other revenues	480,087
Investment income - non-capital	26,120
Investment income - capital	12,550
Financial aid revenues - federal	7,359,720
Financial aid revenues - state	230,060
Financial aid expenses	(7,589,780)
Other non-operating revenues	400

**Total non-operating revenues** 15,495,879

**Income/(Loss) Before Other Revenues, Expenses, Gains or Losses** (1,151,697)

### OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

Grants and Contracts, capital	
State	<u>2,583,203</u>

**CHANGE IN NET POSITION** 1,431,506

### NET POSITION

**Net Position - Beginning** 55,889,809

**Net Position - Ending** \$ 57,321,315

See the accompanying notes to the financial statements.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014

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## Cash Flows from Operating Activities

Tuition and fees	\$ 895,230
Federal grants and contracts	459,340
State grants and contracts	1,717,520
Local grants and contracts	(77,455)
Payments to suppliers	(10,739,510)
Payments for utilities	(506,416)
Payments to/on-behalf of employees	(12,165,053)
Payments to/on-behalf of students	(291,626)
Auxiliary enterprise sales and charges	799,945
	<hr/>
Net cash provided by (used in) operating activities	(19,908,025)

## Cash Flows from Non-capital Financing Activities

State apportionments and receipts	13,860,203
Property taxes	3,504,590
State taxes and other revenues	480,087
Financial aid, scholarship, loan trust receipts - federal	7,941,303
Financial aid, scholarship, loan trust receipts - state	230,060
Financial aid, scholarship, loan trust disbursements	(7,589,780)
Other receipts (payments)	800,400
	<hr/>
Net cash provided by (used in) by non-capital financing activities	19,226,863

## Cash Flows from Capital Financing Activities

State apportionments for capital purposes	2,932,399
Purchases of capital assets	(3,046,326)
	<hr/>
Net cash provided by (used in) capital financing activities	(113,927)

## Cash Flows from Investing Activities

Interest on investments	39,450
	<hr/>
Net cash provided by (used in) investing activities	39,450

**NET INCREASE IN CASH AND CASH EQUIVALENTS** (755,639)

## CASH AND CASH EQUIVALENTS

<b>Beginning of year</b>	<hr/> 10,451,380
<b>End of year</b>	<hr/> <hr/> \$ 9,695,741

See the accompanying notes to the financial statements.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows, Continued  
For the Fiscal Year Ended June 30, 2014

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### Reconciliation of operating loss to cash used in operating activities

Operating loss	\$ (16,647,576)
Depreciation and amortization	783,774
(Increase) decrease in accounts receivable	(28,825)
(Increase) decrease in inventory	(70,541)
(Increase) decrease in other postemployment benefits (OPEB)	(9,860)
Increase (decrease) in accounts payable	(1,033,947)
Increase (decrease) in unearned revenues	12,795
Increase (decrease) in current loans	(2,910,000)
Increase (decrease) in other liabilities	<u>(3,845)</u>
<b>Net cash used in operating activities</b>	<b><u><u>\$ (19,908,025)</u></u></b>

See the accompanying notes to the financial statements.



**BARSTOW COMMUNITY COLLEGE DISTRICT**

Statement s of Fiduciary Net Position  
June 30, 2014

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	<b>ASB Trust Fund</b>	<b>Scholarship and Loan Trust Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 103,116	\$ 170,109
Accounts Receivable	6,141	11,853
<b>TOTAL ASSETS</b>	<b>\$ 109,257</b>	<b>\$ 181,962</b>
<b>LIABILITIES</b>		
Due to student groups	\$ 107,107	181,962
Accounts Payable	2,150	-
<b>LIABILITIES AND NET POSITION</b>	<b>\$ 109,257</b>	<b>\$ 181,962</b>

See the accompanying notes to the financial statements.

**BARSTOW COMMUNITY COLLEGE DISTRICT**

Statement s of Changes in Fiduciary Net Position  
For the Fiscal Year Ended June 30, 2014

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	<b>ASB Trust Fund</b>	<b>Scholarship and Loan Trust Fund</b>
<b>ADDITIONS</b>		
Student activities	\$ 72,549	\$ 100,748
<b>Total Additions</b>	72,549	100,748
<b>DEDUCTIONS</b>		
Student activities	59,783	84,018
<b>CHANGE IN NET POSITION</b>	12,766	16,730
<b>Net Position - Beginning</b>	94,341	165,232
<b>Net Position - Ending</b>	\$ 107,107	\$ 181,962

See the accompanying notes to the financial statements.

# **BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

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## **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 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.

# **BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

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## **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, 2014, approximated their carrying value.

## **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.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50
Land improvements	10
Equipment and vehicles	8
Technology equipment	3

## Accrued Liabilities and Long-term Obligations

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

## 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.

## 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.

## Noncurrent Liabilities

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

## Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes include 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, as such, will not be recognized as an outflow of resources (expense/expenditures) until then. The District does not have any item of this type.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

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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 and, as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

### **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.

### **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, 2014.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
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## **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 the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

## **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 and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. 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. Revenues and expenses are classified to the following criteria:

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.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## 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.

## 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.

## New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2014, the District implemented the following new standards issued by GASB:

- GASB Statement 65, “*Items Previously Reported as Assets and Liabilities*”, effective for the year ending June 30, 2014.
- GASB Statement 66, “*GASB Technical Corrections – 2012 – an Amendment of Statements 10 and 62*”, effective for the year ending June 30, 2014.
- GASB Statement 67, “*Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*”, effective for the year ending June 30, 2014.

GASB has issued Statement 65, “*Items Previously Reported as Assets and Liabilities*”, which amends the financial statement classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The District has implemented Statement 65 as required.

GASB has issued Statement 66, “*GASB Technical Corrections – 2012 – an Amendment of Statements 10 and 62*”, which improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements: Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*”. The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The District has implemented Statement 66 as required.

GASB has issued Statement 67, “*Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*”, which improves financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*” and No. 50, “*Pension Disclosures*”, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The District has implemented Statement 67 as required.



# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## 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.

Cash and investments, as of June 30, 2014, consist of the following:

Business-type activities	9,695,741
Fiduciary funds	<u>273,225</u>
Total Cash and Investments	<u>\$ 9,968,966</u>
Cash on hand and in banks	\$ 115,369
Cash in County treasury	<u>9,580,372</u>
Total Cash and Investments	<u>\$ 9,695,741</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 substantially all 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, 2014, as provided by the pool sponsor, was \$9,587,682, with an average maturity of 428 days. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## 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.

## 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, 2014, consist of the following and are considered collectible in full:

	Business-Type Activities	Fiduciary Funds	Total
Federal	\$ 154,011	\$ -	\$ 154,011
State	3,736,987	-	3,736,987
Local and other	651,663	17,994	669,657
	<u>\$ 4,542,661</u>	<u>\$ 17,994</u>	<u>\$ 4,560,655</u>

**BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

The following provides a summary of changes in capital assets for the year ended June 30, 2014:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
<b>Capital assets not being depreciated</b>				
Land	\$ 119,462	\$ -	\$ -	\$ 119,462
Construction in progress	25,526,521	2,987,020	-	28,513,541
Total capital assets not being depreciated	25,645,983	2,987,020	-	28,633,003
<b>Capital assets being depreciated</b>				
Building	24,800,369	567	-	24,800,936
Furniture and equipment	1,622,680	29,175	-	1,651,855
Site improvements	1,834,388	29,564	-	1,863,952
Total capital assets being depreciated	28,257,437	59,306	-	28,316,743
Total capital assets	53,903,420	3,046,326	-	56,949,746
<b>Less accumulated depreciation</b>				
Building	8,057,933	608,441	-	8,666,374
Furniture and equipment	1,306,076	65,053	-	1,371,129
Site improvements	1,160,075	110,280	-	1,270,355
Total accumulated depreciation	10,524,084	783,774	-	11,307,858
Net capital assets	<u>\$ 43,379,336</u>	<u>\$ 2,262,552</u>	<u>\$ -</u>	<u>\$ 45,641,888</u>

Depreciation expense for the year was \$783,774.

**NOTE 6 – ACCOUNTS PAYABLE**

Accounts payable, at June 30, 2014, consisted of the following:

	Business-Type Activities	Fiduciary Funds	Total
Payroll	\$ 529,640	\$ -	\$ 529,640
Construction	2,163,500	-	2,163,500
Vendor payable	346,421	2,150	348,571
Financial aid	149,174	-	149,174
	<u>\$ 3,188,735</u>	<u>\$ 2,150</u>	<u>\$ 3,190,885</u>

**BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2014

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**NOTE 7 – INTERFUND TRANSFERS**

**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 – TAX AND REVENUE ANTICIPATION NOTES**

In March, 2013 the District issued \$2,910,000 Tax and Revenue Anticipation Notes bearing interest at 2%. The notes were issued to supplement cash flows. The notes were paid in full in December, 2013.

	<u>Outstanding Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding Ending of Year</u>
2012-2013 2.00% TRANS, Series G	\$ 2,910,000	\$ -	\$ 2,910,000	\$ -
Total	<u>\$ 2,910,000</u>	<u>\$ -</u>	<u>\$ 2,910,000</u>	<u>\$ -</u>

**NOTE 9 – LONG-TERM OBLIGATIONS**

**Summary**

Long-term liabilities, for the fiscal year ended June 30, 2014, are summarized as follows:

	<u>Balance July 01, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Due in One Year</u>	<u>Long-term Balance</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 371,722	\$ -	\$ 3,845	\$ 15,000	\$ 352,877

The compensated absences are paid by the fund for which the employees' salaries are paid from.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## Other Postemployment Benefit (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, 2014, was \$137,231 and contributions made by the District during the year were \$189,415 which resulted in a net OPEB asset for 2014 of \$52,184. See Note 10 for additional information regarding the OPEB Obligation and the postemployment plan.

## **NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS**

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>
<b>Benefit types provided</b>	Medical, dental, vision and life	Medical, dental, vision and life	Medical, dental, vision and life
<b>Duration of Benefits</b>	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
<b>Required Service</b>	10 years	10 years	10 years
<b>Minimum Age</b>	55	50	50
<b>Dependent Coverage</b>	Yes	Yes	Yes
<b>College Contribution %</b>	100%	100%	100%
<b>College Cap</b>	None	None	None

### 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.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## 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	\$	112,903
Interest on net OPEB obligation		(37,289)
Adjustment to annual required contribution		61,617
Annual OPEB cost (expense)		<u>137,231</u>
Contributions made		<u>(189,415)</u>
Increase in net OPEB obligation		(52,184)
Net OPEB obligation (asset), beginning of year		<u>(745,776)</u>
Net OPEB obligation (asset), end of year	\$	<u><u>(797,960)</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:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$ 177,317	160.94%	\$ (705,123)
2013	\$ 178,943	122.72%	\$ (745,776)
2014	\$ 137,231	138.03%	\$ (797,960)

## 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.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.25% 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 remaining amortization period at July 1, 2013 was 28 years. The actuarial value of assets held in the trust at June 30, 2014 was \$3,622,251.

## **NOTE 11 – 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 may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**Funding Policy** – Active plan members are required to contribute 8% of their salary 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute.

**Annual Pension Cost** – The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-2014	\$ 425,171	100%
2012-2013	\$ 413,591	100%
2011-2012	\$ 464,577	100%

On June 24, 2014, the Governor of California signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.



# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## 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 report may be obtained from the CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, California 94229-2703.

**Funding Policy** – Active plan members are required to contribute 7.0 percent of their salary 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 for fiscal year 2013-14 was 11.442 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

**Annual Pension Cost** – The District’s total contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-2014	\$ 397,871	100%
2012-2013	\$ 404,558	100%
2011-2012	\$ 356,217	100%

## 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 the social security as its alternative plan.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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## NOTE 12 – 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, 2014.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Payments to Students	Depreciation	Total
6200 Admissions and records	\$ 404,640	\$ 35,769	\$ 184,273	\$ -	\$ 624,682
6900 Ancillary services	800,466	193,433	-	-	993,899
7000 Auxilliary operations	164,581	715,690	-	-	880,271
6800 Community services and economic development	695,185	2,264	-	-	697,449
6700 General institutional support services	1,364,516	779,826	-	-	2,144,342
5900 Instructional activities	5,542,866	423,964	-	-	5,966,830
6000 Instructional administration	844,334	89,574	-	-	933,908
6100 Instructional support services	220,015	40,076	-	-	260,091
7100 Physical property and acquisitions	444,277	139,689	-	-	583,966
6600 Planning, policy making, coordination, general support	521,846	158,093	-	-	679,939
6500 Plant operations and maintenance	477,457	3,383,343	-	-	3,860,800
6300 Student services-counseling and guidance	629,364	146,178	-	-	775,542
6400 Students services-other	1,000,516	288,851	-	-	1,289,367
Other outgo	-	46,398	-	-	46,398
Depreciation Expense	-	-	-	783,774	783,774
	<u>\$ 13,110,063</u>	<u>\$ 6,443,148</u>	<u>\$ 184,273</u>	<u>\$ 783,774</u>	<u>\$ 20,521,258</u>

## NOTE 13 – 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.

### 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, 2014.

### 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.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements  
June 30, 2014

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Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2015	\$ 7,514
2016	5,010
Total	<u>\$ 12,524</u>

### Construction Commitments

<u>Project</u>	Remaining Construction Commitment	Expected Date of Completion
Performing Arts Center	\$ 2,452,045	2015
Wellness Center	<u>3,717,601</u>	2015
Total	<u>\$ 6,169,646</u>	

The project is funded through capital apportionments from the State Chancellor's Office.

### **NOTE 14 – 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 15 for additional information regarding the JPAs.

### **NOTE 15 – 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.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

June 30, 2014

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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, 2014, the District made the following payments to the JPA:

<u>Joint Powers Authority</u>	<u>2014 Payments</u>
SCRSM	\$ 108,357

**REQUIRED SUPPLEMENTARY INFORMATION**

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# BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Other Postemployment Benefits (OPEB) Funding Progress  
For the Fiscal Year Ended June 30, 2014

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## Schedule of Funding Progress

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<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
August 1, 2010	\$ 2,702,072	\$ 628,706	76.73%	\$ 10,167,189	6.18%
June 30, 2011	\$ 2,694,694	\$ 440,527	83.65%	\$ 10,118,790	4.35%
July 1, 2013	\$ 2,248,320	\$ 435,920	120.11%	\$ 9,706,829	4.49%

See the accompanying note to the required supplementary information.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Note to Required Supplementary Information  
June 30, 2014

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### **Schedule of Postemployment Benefits (OPEB) Funding Progress**

This schedule is prepared to show information from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

**SUPPLEMENTARY INFORMATION**

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# **BARSTOW COMMUNITY COLLEGE DISTRICT**

History and Organization  
June 30, 2014

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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:

- (1) Baker Unified School District;
- (2) Barstow Unified School District; and
- (3) 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, 2014, were as follows:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Marcia E. Zableckis	President	2016
Philip M. Harris	Vice-President	2018
Ted P. Baca	Clerk	2016
Fernando R. (Fred) Baca	Member	2016
Timothy T. Heiden	Member	2018

## **DISTRICT ADMINISTRATION**

Dr. Debbie DiThomas	District President
Stephen Eaton	Vice-President: Academic Affairs
George Walters	Vice-President: Administrative Services
James Daniels	Vice-President: Student Services

See the accompanying note to the supplementary information.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid Cluster [1]:			
Pell	84.007		\$ 7,160,098
SEOG	84.032		110,937
Federal Workstudy	84.063		88,685
Subtotal of the Student Financial Aid Cluster			<u>7,359,720</u>
CAREER & TECHNICAL EDUCATION ACT			
Passed through from the California Community College Chancellors Office			
Career and Technical Education, Title IC	84.048	13-112-910	<u>183,998</u>
Total U.S. Department of Education			7,543,718
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Temporary Assistance to Needy Families (TANF)	93.558		<u>34,540</u>
Total U.S. Department of Health & Human Services			<u>34,540</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 7,578,258</u></u>

[1]: Major Program

See the accompanying note to the supplementary information.

# BARSTOW COMMUNITY COLLEGE DISTRICT

## Schedule of Expenditures of State Awards For the Fiscal Year Ended June 30, 2014

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
Lottery	\$ 95,944	\$ -	\$ -	95,944	\$ 95,944
Matriculation (Credit)	-	-	-	-	-
Extended Opportunity Program and Services (EOPS)	359,123	-	-	359,123	359,123
Cooperative Agencies Resources for Education (CARE)	71,246	-	-	71,246	71,246
Disabled Student Program and Services (DSPS)	163,594	-	-	163,594	163,594
Faculty & Staff Diversity	3,702	-	159	3,543	3,543
Child Development Training	7,500	-	-	7,500	7,500
Career Tech Education	40,906	-	-	40,906	40,906
CEC Mentor Program	500	-	-	500	500
Basic Skills Funding	90,000	-	90,000	-	-
Financial Aid Administration	167,452	-	-	167,452	167,452
Foster and Kinship Care Education	110,348	-	344	110,004	110,004
Student Success - Credit	206,734	-	-	206,734	206,734
Student Success - Non Credit	16,479	-	-	16,479	16,479
California Work Opportunity & Responsibility to Kids	194,775	-	9,620	185,155	185,155
	<u>\$ 1,528,303</u>	<u>\$ -</u>	<u>\$ 100,123</u>	<u>\$ 1,428,180</u>	<u>\$ 1,428,180</u>

See the accompanying note to the supplementary information.

**BARSTOW COMMUNITY COLLEGE DISTRICT**

Schedule of Workload Measure(s) for State General Apportionment Annual (Actual) Attendance  
For the Fiscal Year Ended June 30, 2014

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	<u>Reported Data</u>
Summer Intersession (Summer 2013)	
1. Noncredit	5
2. Credit	295
Summer Intersession (Summer 2014 - Prior to July 1, 2014)	
1. Noncredit	2
2. Credit	-
Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	811
(b) Daily Census Contact Hours	301
2. Actual Hours of Attendance	
(a) Noncredit	28
(b) Credit	10
3. Alternative Attendance Accounting Procedure	
(a) Weekly Census Contact Hours	1
(b) Daily Census Contact Hours	1,144
(c) Noncredit Independent Study/Distance	-
	<u>-</u>
Total FTES	<u>2,597</u>
Total Credit FTES	2,562
Total Noncredit FTES	35
TOTAL FTES	<u><u>2,597</u></u>

See the accompanying note to supplementary information.

**BARSTOW COMMUNITY COLLEGE DISTRICT**

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
For the Fiscal Year Ended June 30, 2014

	Object Codes	ESC 84362 A Instructionalf 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
<b>ACADEMIC SALARIES</b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 2,231,724		\$ 2,231,724	\$ 2,231,724		\$ 2,231,724
Other	1300	1,745,562		1,745,562	1,745,562		1,745,562
<b>Total Instructional Salaries</b>		<b>3,977,286</b>		<b>3,977,286</b>	<b>3,977,286</b>		<b>3,977,286</b>
<b>Non-Instructional Salaries</b>							
Contract or Regular	1200				890,108		890,108
Other	1400				59,575		59,575
<b>Total Non-Instructional Salaries</b>					<b>949,683</b>		<b>949,683</b>
<b>Total Academic Salaries</b>		<b>3,977,286</b>		<b>3,977,286</b>	<b>4,926,969</b>		<b>4,926,969</b>
<b>CLASSIFIED SALARIES</b>							
<b>Non-Instructional Salaries</b>							
Regular Status	2100				1,651,454		1,651,454
Other	2300				115,233		115,233
<b>Total Non-Instructional Salaries</b>					<b>1,766,687</b>		<b>1,766,687</b>
<b>Instructional Aides</b>							
Regular Status	2200	303,421		303,421	303,421		303,421
Other	2400	104,681		104,681	104,681		104,681
<b>Total Instructional Aides</b>		<b>408,102</b>		<b>408,102</b>	<b>408,102</b>		<b>408,102</b>
<b>Total Classified Salaries</b>		<b>408,102</b>		<b>408,102</b>	<b>2,174,789</b>		<b>2,174,789</b>
Employee Benefits	3000	1,018,780		1,018,780	2,336,894		2,336,894
Supplies and Materials	4000				169,716		169,716
Other Operating Expenses	5000				1,596,613		1,596,613
Equipment Replacement	6420						
<b>Total Expenditures Prior to Exclusions</b>		<b>5,404,168</b>		<b>5,404,168</b>	<b>11,204,981</b>		<b>11,204,981</b>
<b>Activities to Exclude</b>							
Instructional Staff -							
Retirees' Benefits and Retirement Incentives	5900	10,931		10,931	10,931		10,931
Student Health Services Above Amount Collected	6441						
Student Transportation	6491						
Non-Instructional Staff -							
Retirees' Benefits and Retirement Incentives	6740				241,104		241,104
<b>Objects to Exclude</b>							
Rents and Leases	5060				120,150		120,150
Lottery Expenditures							
Academic Salaries	1000						
Classified Salaries	2000						
Employee Benefits	3000						
Supplies and Materials	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300						
Noninstructional, Supplies & Materials	4400						
<b>Total Supplies and Materials</b>							
Other Operating Expenses and Services	5000				344,811		344,811
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
<b>Total Equipment</b>							
<b>Total Capital Outlay</b>							
Other Outgo	7000						
<b>Total Exclusions</b>		<b>10,931</b>		<b>10,931</b>	<b>716,996</b>		<b>716,996</b>
<b>Total for ECS 84362, 50% Law</b>		<b>\$ 5,393,237</b>		<b>\$ 5,393,237</b>	<b>\$ 10,487,985</b>		<b>\$ 10,487,985</b>
Percent of CEE (Instructional Salary Cost / Total CEE)		51.42%		51.42%	100%		100%
<b>50% of Current Expense of Education</b>					<b>\$ 5,243,993</b>		<b>\$ 5,243,993</b>

See the accompanying note to supplementary information.

**BARSTOW COMMUNITY COLLEGE DISTRICT**

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements  
For the Fiscal Year Ended June 30, 2014

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2014.

See the accompanying note to supplementary information.

**BARSTOW COMMUNITY COLLEGE DISTRICT**

Proposition 30 Education Protection Act (EPA) Expenditure Report  
 For the Fiscal Year Ended June 30, 2014

Activity Classification	Object Code	Unrestricted			
<b>EPA Proceeds:</b>	<b>8630</b>				
					\$ 2,360,281
Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	2,360,281	-	-	2,360,281
<b>Total Expenditures for EPA</b>		2,360,281	-	-	2,360,281
<b>Revenues Less Expenditures</b>					\$ -

See the accompanying note to supplementary information.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Reconciliation of Governmental Funds to the Statement of Net Position  
June 30, 2014

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**Total Fund Balance and Retained Earnings:**

General Funds	\$ 6,150,661	
Capital Outlay Projects	4,805,802	
Proprietary Funds	168,775	
Internal Service Funds	166,430	
Fiduciary Funds	<u>289,069</u>	
<b>Total Fund Balances and Retained Earnings - All District Funds</b>		<b>\$ 11,580,737</b>

**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	56,949,746	
Accumulated depreciation is	<u>(11,307,858)</u>	
Net Capital Assets		45,641,888

Amounts held in trust on behalf of others (Trust and Agency Funds) (289,069)

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:

Compensated absences (vacations)	(367,877)	
Other postemployment benefits (OPEB)	<u>755,636</u>	
Total Long-Term Obligations		<u>387,759</u>

**Total Net Position - Governmental Activities** \$ 57,321,315

See the accompanying note to supplementary information



## BARSTOW COMMUNITY COLLEGE DISTRICT

Note to Supplementary Information  
June 30, 2014

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### 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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**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 appointments 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.

**Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements** – This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District’s internal fund financial statements.

**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**

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**INDEPENDENT AUDITORS 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, 2014, 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 17, 2014.

**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.

The Board of Trustees  
Barstow Community College District

### **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 17, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2014. 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 OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

## **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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
December 17, 2014

## 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, 2014 and issued our report thereon December 17, 2014.

### **Management's Responsibility**

Management is responsible for the District's compliance with the compliance requirements referenced above.

### **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. 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.

### **Opinion**

In our opinion, except for Finding 2014-1 described in the accompanying schedule of findings and questioned costs, the Barstow Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted on the next page for the year ended June 30, 2014.

Barstow Community College District's response to the State compliance finding identified in our audit is described in the accompanying State Awards Findings and Questioned Costs. We did not audit the response and, accordingly, we express no opinion on it.

The Board of Trustees  
Barstow Community College District

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 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 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
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**

This report is intended solely for the information and use of the District's management, the Board of Trustees, and others within the District, the California Community Colleges Chancellor's Office, The California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
December 17, 2014



## **FINDINGS AND RECOMMENDATIONS**

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**BARSTOW COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs  
June 30, 2014

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**SECTION 1 – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</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>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</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>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**BARSTOW COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs  
June 30, 2014

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**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*.

**BARSTOW COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs  
June 30, 2014

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**SECTION 3 – FEDERAL AWARDS FINDINGS**

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

# BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
June 30, 2014

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## SECTION 4 – STATE AWARDS FINDINGS

### 2014-1 STATE COMPLIANCE

#### **EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) and COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)**

**Criteria** – Districts are required to expend EOPS and CARE funds to provide services that are specifically designed to supplement the college’s existing support programs and to help EOPS and CARE eligible students complete their educational goals. The District is to form Advisory Committees for both EOPS and CARE. The EOPS Advisory Committee must meet at least once during each academic year and the CARE Advisory Committee must meet twice during each academic year.

**Condition** – During the course of the audit, it was noted that the District did not have Advisory Committees formed for the 2013-2014 year.

**Questioned Costs** – None

**Context** – The EOPS and CARE Department had a change in leadership and no Advisory Committee was formed.

**Effect** – The EOPS and CARE Advisory Committees required meetings did not take place.

**Recommendation** – The District should form the EOPS Advisory Committee and have the Committee meet at least once during the academic year; and the District also needs to form the CARE Advisory Committee and have the Committee meet twice during the academic year.

**District’s Corrective Action Plan** – Both the EOPS and CARE Advisory Committees have been formed in the 2014-2015 academic year and all required meetings are being held.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Status of Prior Year Findings and Questioned Costs  
June 30, 2014

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### **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**

#### **2013-1 50% LAW CALCULATION**

**Finding** – During the course of the audit, it was noted that the District’s salaries of classroom instructors were only 49.08% of the District’s current expense of education.

**Recommendation** – Management needs to develop a plan to meet the requirements of Section 84362 of the Education Code requiring salaries of classroom instructors to meet or exceed 50% of the District’s current expense of education.

**Current Status** – Implemented.

#### **2013-2 ECONOMIC OPPORTUNITY PROGRAMS AND SERVICES (EOPS)**

**Finding** – Per guidelines set forth by the California State Chancellor’s Office, the EOPS student eligibility should be verified and documented. The student files did not contain a signed EOS mutual responsibility contract for 10 of 40 student files tested. The extrapolated error resulted in the District being out of compliance with 45 out of 302 students served by EOPS.

**Recommendation** – The District should develop and implement procedures to ensure compliance with EOPS recordkeeping requirements.

**Current Status** – Implemented.