

**BARSTOW COMMUNITY  
COLLEGE DISTRICT**

**County of San Bernardino  
Barstow, California**

**REPORT ON AUDIT  
June 30, 2008**

# BARSTOW COMMUNITY COLLEGE DISTRICT

June 30, 2008

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## INTRODUCTORY SECTION

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## **BARSTOW COMMUNITY COLLEGE DISTRICT**

### **OBJECTIVES OF THE ANNUAL AUDIT**

June 30, 2008

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#### **OBJECTIVES OF THE AUDIT**

- To determine the fairness of presentation of District's basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- To evaluate the adequacy of the District's system of internal control for financial accounting and reporting purposes and for compliance with certain rules and regulations related to federal financial assistance programs;
- To determine whether federal and state financial reports are presented fairly and in accordance with the terms of the applicable agreements;
- To determine whether the District has complied with laws and regulations that would have a material effect on the financial statements and on each major federal financial assistance program;
- To determine whether the District has met the specified state compliance requirements;
- To make recommendations related to weaknesses or conditions, if any, identified in the course of the audit.

The annual audit is **not** designed to:

- Provide information on whether the District is operating with economy or efficiency;
- Detect small scattered instances of theft, embezzlement, or other dishonest acts;
- Evaluate the results of the educational programs run by the District.

## INDEPENDENT AUDITORS' REPORT

Governing Board  
Barstow Community College District  
Barstow, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Barstow Community College District (the "District") as of and for the year ended June 30, 2008, which collectively comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District, as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Governing Board  
Barstow Community College District

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

The information identified in the accompanying *Management's Discussion and Analysis* on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

December 12, 2008

# BARSTOW COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2008

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In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*", which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*", which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. In June 2001, GASB modified and clarified those statements with the issuance of GASB Statements No. 37 and No. 38. Barstow Community College District adopted these new standards beginning with the 2002-03 fiscal year.

### THE BASIC FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the District's financial activities. The basic financial statements are made up of: 1) the statement of net assets; 2) the statement of revenues, expenses, and changes in net assets; and 3) the statement of cash flows. Each statement is described in detail below.

The statement of net assets presents information on the District's assets and liabilities. Net assets, defined as the difference between assets and liabilities, are one way to measure the financial health of the District. The data allows its readers to determine the assets available to continue the operations of the District.

The statement of revenues, expenses and changes in net assets presents the operating results of the District, as well as the non-operating revenues and expenses. Operating revenues and expenses relate to the principal business activity of the District. All other revenues and expenses are classified as non-operating. Annual state general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

The statement of cash flows describes to the financial statement user how the District managed its cash during the year. It tells the user from what sources the District received cash and for what purposes cash was used. The statement converts operating income (or loss) from the statement of revenues, expenses, and changes in net assets into actual cash provided by and used in operations. Additionally, the statement of cash flows details how the District obtains and spends cash for investing financing activities.

## BARSTOW COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued For the Fiscal Year Ended June 30, 2008

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#### SUMMARY FINANCIAL INFORMATION ANALYSIS

##### Net Assets

The District continues to maintain a strong financial position, and has total net assets of \$30,786,990. These assets are comprised of capital assets, the balances of the categorical programs in the restricted fund, and the unrestricted assets including the balances in the unrestricted, capital outlay, and retiree benefit funds.

As illustrated in the following table, the June 30, 2008 fiscal year ended with an increase in total assets of \$3,099,049 a grand total of \$30,786,990.

	Governmental Activities		
	2008	2007	Net Change
<b>ASSETS</b>			
Current assets	\$ 11,852,922	\$ 10,697,560	\$ 1,155,362
Non-current assets	20,837,101	19,110,238	1,726,863
<b>Total Assets</b>	<u>\$ 32,690,023</u>	<u>\$ 29,807,798</u>	<u>\$ 2,882,225</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 1,570,248	\$ 1,789,499	\$ (219,251)
Non-current liabilities	332,785	330,358	2,427
<b>Total Liabilities</b>	<u>1,903,033</u>	<u>2,119,857</u>	<u>(216,824)</u>
<b>Total Net Assets</b>	<u>\$ 30,786,990</u>	<u>\$ 27,687,941</u>	<u>\$ 3,099,049</u>



## BARSTOW COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued For the Fiscal Year Ended June 30, 2008

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#### SUMMARY FINANCIAL INFORMATION ANALYSIS, Continued

##### Change in Equity

The District increased its net assets by \$3,099,049 during the year, primarily because of an increase in capital assets from several construction projects.

The following table illustrates a condensed version of the statement of revenues, expenses, and changes in net assets:

	Governmental Activities		
	2008	2007	Net Change
<b>Revenues</b>			
Operating revenues	\$ 4,077,809	\$ 3,705,360	\$ (372,449)
Non-operating revenues	13,994,763	14,136,305	141,542
Other revenues	1,915,070	1,238,867	
<b>Total Revenues</b>	19,987,642	19,080,532	(907,110)
<b>Expenses</b>			
Operating expenses	16,138,528	14,339,728	(1,798,800)
Depreciation	750,065	626,699	(123,366)
<b>Total Expenses</b>	16,888,593	14,966,427	(1,922,166)
<b>Excess (deficiency)</b>	3,099,049	4,114,105	1,015,056
<b>Net Assets - Beginning</b>	27,687,941	23,573,836	(4,114,105)
<b>Net Assets - Ending</b>	<u>\$ 30,786,990</u>	<u>\$ 27,687,941</u>	<u>\$ (3,099,049)</u>

## BARSTOW COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued For the Fiscal Year Ended June 30, 2008

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#### SUMMARY FINANCIAL INFORMATION ANALYSIS, Continued

##### Capital Assets

At June 30, 2008 the District had total capital assets of \$27,573,709 consisting of land, buildings and building improvements, construction in progress, vehicles, data processing equipment and other office equipment. These assets have accumulated depreciation of \$6,736,607.

Capital additions consist primarily of replacement, renovation and new construction of facilities, as well as significant investments in equipment, including information technology. Current year additions were funded with a combination of special categorical, unrestricted general fund dollars, and capital outlay appropriations.

	Governmental Activities		
	2008	2007	Net Change
Land and construction in progress	\$ 4,850,846	\$ 981,372	\$ (3,869,474)
Buildings and equipment	22,722,863	24,115,408	1,392,545
Accumulated depreciation	(6,736,608)	(5,986,542)	750,066
<b>Total Capital Assets</b>	<b>\$ 20,837,101</b>	<b>\$ 19,110,238</b>	<b>\$ (1,726,863)</b>

##### Debt

At June 30, 2008 the District had \$332,785 in long-term compensated absences. This represents accrued, unused employee vacation benefits recorded at fiscal year end.

	Governmental Activities		
	2008	2007	Net Change
Compensated absences	\$ 332,785	\$ 330,358	\$ (2,427)
<b>Total Long-term Liabilities</b>	<b>\$ 332,785</b>	<b>\$ 330,358</b>	<b>\$ (2,427)</b>

##### Categories of Net Assets

The District is required to present its net assets in three categories: 1) invested in capital assets; 2) restricted; and 3) unrestricted.

##### Invested in Capital Assets

Invested in capital assets is the component of net assets that consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributable to the acquisition of those assets. At June 30, 2008, the total of invested in capital assets was \$20,837,101.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued** **For the Fiscal Year Ended June 30, 2008**

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#### **Categories of Net Assets, Continued**

##### **Restricted**

Net assets are reported as restricted when constraints placed on net assets are either externally imposed by creditors (i.e., debt covenants) or imposed by law. At June 30, 2008, the District had restricted net assets of \$939,747.

##### **Unrestricted**

Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets". The District's unrestricted net assets at June 30, 2007 were \$9,010,142.

#### **ECONOMIC FACTORS**

The District has maintained its strong financial position, continuing to provide a solid foundation for the operation and enhancement of its educational programs and services. It has continued to increase its net assets through capital improvements, while still meeting operating obligations.

As of June 30, 2008, the District currently meets its required share of an ambitious capital improvement program without additional revenue sources.

Focused outreach efforts, and the continued expansion of the District's career and technical education (CTE), basic skills, and distance education programs, helped result in a small increase in enrollment. However, enrollment growth remains a primary concern.

In addition, state budget difficulties are projected to continue for several years. Significant budget reductions in the next few years are likely, but with careful planning and proactive steps, the District will make every effort to minimize the impacts of this financial challenge.

## FINANCIAL SECTION

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# BARSTOW COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET ASSETS

June 30, 2008

### BUSINESS-TYPE ACTIVITIES

#### ASSETS

##### Current assets:

Cash and cash equivalents	\$ 8,946,248
Accounts receivable	2,599,331
Stores inventory	307,343

Total current assets 11,852,922

Fixed assets, net 20,837,101

**TOTAL ASSETS** \$ 32,690,023

#### LIABILITIES

##### Current liabilities:

Current liabilities	\$ 1,354,400
Compensated absences-current portion	15,000
Deferred revenue	102,361
Amounts held in trust	98,487

Total current liabilities 1,570,248

Compensated absences payable-non-current portion 332,785

**TOTAL LIABILITIES** 1,903,033

#### NET ASSETS

Invested in capital assets	20,837,101
Restricted	939,747
Unrestricted	9,010,142

**TOTAL NET ASSETS** 30,786,990

**TOTAL LIABILITIES AND NET ASSETS** \$ 32,690,023

# BARSTOW COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS For the Fiscal Year Ended June 30, 2008

### BUSINESS-TYPE ACTIVITIES

#### OPERATING REVENUE

Tuition and fees	\$ 1,458,231
Less: Scholarship discounts and allowances	(836,690)
Net Tuition and Fees	621,541
Grants and contracts	
Federal	208,363
State	2,012,832
Local	130,112
Auxiliary enterprise sales and charges	1,104,961
<b>Total Operating Revenues</b>	<b>4,077,809</b>

#### OPERATING EXPENSE

Salaries	8,753,933
Benefits	2,619,385
Payments to students	285,134
Supplies, materials, and other expenses	3,891,026
Utilities	589,049
Depreciation	750,065
<b>Total Operating Expenses</b>	<b>16,888,592</b>

**OPERATING INCOME/(LOSS)** (12,810,783)

#### NON-OPERATING REVENUES/(EXPENSES)

State apportionments, non-capital	11,459,910
Local property taxes	1,967,523
State taxes and other revenues	378,222
Investment income - non-capital	92,979
Investment income - capital	96,128
Other non-operating revenues	-
<b>Total non-operating revenues</b>	<b>13,994,762</b>

**Income Before Other Revenues** 1,183,979

Grants and Contracts, Capital	
State	1,915,070

**CHANGE IN NET ASSETS** 3,099,049

#### NET ASSETS

Net Assets - Beginning	27,687,941
<b>Net Assets - Ending</b>	<b>\$ 30,786,990</b>

See accompanying notes and auditors' report

# BARSTOW COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2008

### BUSINESS-TYPE ACTIVITIES

#### Cash Flows from Operating Activities

Tuition and fees	\$ 633,637
Federal grants and contracts	2,945,567
State grants and contracts	2,152,047
Local grants and contracts	193,164
Payments to suppliers	(4,319,335)
Payments for utilities	(589,049)
Payments to/on-behalf of employees	(11,339,153)
Student loans/grants	(3,225,750)
Auxiliary enterprise sales and charges	1,113,894
Other receipt (payments)	-

Net cash provided by (used in) operating activities (12,434,978)

#### Cash Flows from Non-capital Financing Activities

State apportionments and receipts	10,782,549
Property taxes	1,631,967
State taxes and other revenues	363,736
Grants and gifts for other than capital projects	-
Other receipts (payments)	-
Interfund transfers	-

Net cash provided by (used in) by non-capital financing activities 12,778,252

#### Cash Flows from Capital Financing Activities

State apportionments for capital purposes	1,915,070
Purchases of capital assets	(2,476,928)
Proceeds from sales of capital assets	-
Interest paid on capital debt	-
Principal paid on capital debt	-
Interest on capital investments	-
Local property taxes and other revenues for capital purposes	-

Net cash provided by (used in) capital financing activities (561,858)

#### Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	-
Interest on investments	195,700
Purchase of investments	-

Net cash provided by (used in) investing activities 195,700

NET DECREASE IN CASH AND CASH EQUIVALENTS (22,884)

#### CASH AND CASH EQUIVALENTS

Beginning of year	8,969,132
End of year	\$ 8,946,248

See accompanying notes and auditors' report

# BARSTOW COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS, Continued For the Fiscal Year Ended June 30, 2008

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### BUSINESS-TYPE ACTIVITIES

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

Operating loss	\$ (12,810,783)
Depreciation and amortization	750,065
(Increase) decrease in accounts receivable	(79,719)
Decrease in inventory	(77,717)
Increase (decrease) in accounts payable	(259,213)
Increase (decrease) in deferred revenues	32,943
Increase (decrease) in other liabilities	<u>9,446</u>
Net cash used in operating activities	<u><u>\$ (12,434,978)</u></u>



**BARSTOW COLLEGE FOUNDATION**

**BARSTOW COLLEGE FOUNDATION**  
(A Component Unit of Barstow Community College District)

**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2008**

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**DISCRETELY PRESENTED COMPONENT UNIT**

**ASSETS**

Cash on hand and in bank	\$ 95,139
Investments	397,151
Accounts receivable	<u>7,353</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 499,643</u></b>

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	\$ <u>10,624</u>
Total current liabilities / total liabilities	10,624

**Net assets**

Unrestricted	220,969
Permanently restricted	<u>268,050</u>
Total net assets	<u>489,019</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 499,643</u></b>
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See accompanying notes and auditors' report

**BARSTOW COLLEGE FOUNDATION**  
(A Component Unit of Barstow Community College District)

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2008

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**DISCRETELY PRESENTED COMPONENT UNIT**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
<b>Revenues and gains</b>			
Public support contributions, net of fund-raising costs of \$18,841	\$ 91,142	\$ 5,100	\$ 96,242
Interest, dividend income and unrealized gain in investments	<u>(4,363)</u>	<u>(5,256)</u>	<u>(9,619)</u>
Total revenues and gains	86,779	(156)	86,623
<b>Expenses</b>			
Program services – scholarships and awards	31,147	12,412	43,559
General and administrative	<u>43,825</u>	<u>5,443</u>	<u>49,268</u>
Total expenses	<u>74,972</u>	<u>17,855</u>	<u>92,827</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	11,807	(18,011)	(6,204)
<b>Net assets</b>			
Beginning, July 1, 2007	<u>209,163</u>	<u>286,060</u>	<u>495,223</u>
Ending, June 30, 2008	<u>\$ 220,970</u>	<u>\$ 268,049</u>	<u>\$ 489,019</u>

See accompanying notes and auditors' report

**BARSTOW COLLEGE FOUNDATION**  
(A Component Unit of Barstow Community College District)

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Fiscal Year Ended June 30, 2008**

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**DISCRETELY PRESENTED COMPONENT UNIT**

**General and administrative expenses**

Miscellaneous expenses	\$ 36,889
Office and administrative expenses	<u>12,379</u>

<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b><u>\$ 49,268</u></b>
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**BARSTOW COLLEGE FOUNDATION**  
(A Component Unit of Barstow Community College District)

**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2008**

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**DISCRETELY PRESENTED COMPONENT UNIT**

**Cash flows from operating activities**

Change in net assets	\$ (6,204)
Change in assets and liabilities	<u>921</u>

Net cash provided by operating activities	(5,283)
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**Cash flows from investing activities**

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NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,283)
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**Net cash and cash equivalents**

Beginning, July 1, 2007	<u>497,573</u>
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Ending, June 30, 2008	<u><u>\$ 492,290</u></u>
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# BARSTOW COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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### NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

#### Reporting Entity

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. While the District is a political subdivision of the State, it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501 (c)(3), and is therefore exempt from federal taxes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Statement 14 as amended by GASB Statement 39. The three criteria for requiring a legally separate, tax-exempt organization to be discretely presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the Barstow College Foundation (the "Foundation") as its only potential component unit.

The District will report the Foundation as a component unit. The Foundation was established as a legally separate, not-for-profit corporation to support the District and its students. It contributes to various scholarship funds for the benefit of District students and contributes directly to the college. The funds contributed directly by the Foundation to Barstow Community College are significant to the college's financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's annual financial statements.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

GASB released Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Government" in June 1999, which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and University", which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 27 and No. 38. The District adopted and applied these new standards beginning in 2001-02 as required. In May 2002, the GASB released Statement No. 39, "Determining Whether Certain Organizations Are Component Units", which amends GASB Statement 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2003-04 fiscal year as required.

The District now follows the financial statement presentation required by GASB Statements No. 34, 35, 37, 38, and 39. This presentation provides a comprehensive, entity-wide perspective of the District's assets, cash flows, and replaces the fund-group perspective previously required.

#### Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All material intra-agency transactions have been eliminated.

## BARSTOW COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

##### Basis of Accounting, Continued

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. It has also elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

##### Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

##### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the county treasurer's investment pool are considered cash equivalents.

##### Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants and contracts and amounts.

##### Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District does not record an allowance for uncollectible accounts. When receivables are determined to be uncollectible, a direct write-off is recorded.

##### Inventories

Inventories, primarily bookstore merchandise, is carried at the lower of cost or market using the first-in, first-out ("FIFO") method.

##### Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Capitalized equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged as operating expense in the year in which the expense was incurred.

## BARSTOW COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

##### Capital Assets, Continued

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for land improvements, 8 years for most equipment and vehicles, and 3 years for technology equipment such as computers.

##### Net Assets

The District's net assets are classified as follows:

- *Invested in capital assets, net of related debt* – This represents the District's total investment in capital assets, net of associated outstanding debt obligations. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.
- *Restricted net assets – expendable* – Restricted expendable net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Restricted net assets – nonexpendable* – Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- *Unrestricted net assets* – Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purposes. Although the governing board may designate these funds for special purposes, the funds remain unrestricted.

When an expense is incurred that can be paid using either restricted or unrestricted funds, the District's policy is to utilize available restricted resources, followed by unrestricted resources.

##### 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 the recalculation in February 2009 will be recorded in the year computed by the State.

##### On-Behalf Payments

GASB Statement 24 requires that direct on-behalf payments for fringe 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 instructing districts not to record revenue and expenditures for these on-behalf payments.



# BARSTOW COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

#### 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 Statement No. 35, including state appropriations, local property taxes, and investment income. Revenues are classified according to the following criteria:

- Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.
- Non-operating revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 34, such as state appropriations and investment income.

#### Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value. However, cash in the county treasury and some investments are recorded at cost, which approximates fair value.

#### Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at fiscal year-end as liabilities of the District. The District also participates in and accrues "load banking" with eligible academic employees, whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not recognized as liabilities 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 for eligible employees when they retire.

#### Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances represent the difference between stated charges for 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. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

# BARSTOW COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

### NOTE 3 – CASH AND INVESTMENTS

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the county treasury are not categorized because they do not represent securities, which exist in physical or book entry form. The fund is a voluntary program created by statute as an investment alternative. The deposits with county treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county treasurer. Cash and investments, as of June 30, 2008, are classified in the accompanying financial statements as follows:

### BARSTOW COLLEGE FOUNDATION

Categorized	Category			Reported Amount	Fair Value/ Bank Balance
	1	2	3		
Deposits with banks	\$ 95,139	\$ -	\$ -	\$ 95,139	\$ 103,371
Money Market	-	77,783	-	77,783	77,783
Certificates of Deposit	22,077	-	-	22,077	22,077
Corporate Bonds and Debentures	-	74,295	-	74,295	74,295
Stocks and Mutual Funds	-	222,996	-	222,996	222,996
Total	<u>\$ 117,216</u>	<u>\$ 375,074</u>	<u>\$ -</u>	<u>\$ 492,290</u>	<u>\$ 500,522</u>

### BARSTOW COLLEGE

#### categorized

Deposits with county treasurer					
Business Type Activities	\$ -	\$ -	\$ -	\$ 6,733,306	\$ 6,733,306
Fiduciary Activities	-	-	-	1,981,435	1,981,435

#### tegorized

Deposits with banks					
Business Type Activities	2,048	-	-	2,048	28,782
Fiduciary Activities	228,209	-	-	228,209	310,467
Cash on Hand					
Business Type Activities	400	-	-	400	400
Fiduciary Activities	850	-	-	850	850
	<u>\$231,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,946,248</u>	<u>\$9,055,240</u>

## BARSTOW COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

#### NOTE 3 – CASH AND INVESTMENTS, Continued

##### Investments Authorized by the District's Investment Policy

- The District is authorized to make direct investments in local agency bonds; notes or warrants within 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 mortgage obligations.
- The District's investment policy does not contain any specific provisions intended to limit the District's exposure to:
  - Interest rate risk
  - Credit risk
  - Concentration of credit risk

##### Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the *investment types* that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
Pre-refunded municipal obligations	None
State obligations	None
U.S. Treasury obligations	None
U.S. Agency securities	None
Banker's acceptances	360 days
Commercial paper	270 days
Money market mutual funds	N/A
Investments contracts	30 years
County investment pool	None

##### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturities in years:

##### **BARSTOW COLLEGE FOUNDATION:**

<u>Investment Type</u>	<u>Total</u>	<u>&lt; 1</u>	<u>1 &gt;</u>
Deposits with banks	\$ 95,139	\$ 95,139	\$ -
Money market	77,783	77,783	-
Certificates of deposit	22,077	22,077	-
Corporate bonds and debentures	74,295	-	74,295
Stocks and mutual funds	222,996	222,996	-
	<u>\$ 492,290</u>	<u>\$ 417,995</u>	<u>\$ 74,295</u>

## BARSTOW COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

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#### NOTE 3 – CASH AND INVESTMENTS, Continued

##### BARSTOW COLLEGE:

<u>Investment Type</u>	<u>Total</u>	<u>&lt; 1</u>	<u>1 &gt;</u>
Deposits with banks	\$ 230,257	\$ 230,257	\$ -
Cash in county treasury	8,714,741	8,714,741	-
Cash on hand	1,250	1,250	-
	<u>\$ 8,946,248</u>	<u>\$ 8,946,248</u>	<u>\$ -</u>

Generally, the risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

##### Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

##### Custodial Credit Risk

###### **Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

###### **Investments**

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

# BARSTOW COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

### NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008 are as follows:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
General fund	\$ 133,311	\$ 1,386,777	\$ 153,858	\$ 1,673,946
ASB fund	-	-	6,586	6,586
Bookstore fund	-	-	15,941	15,941
Capital outlay fund	-	812,694	13,562	826,256
Financial aid fund	40,281	-	-	40,281
Scholarship fund	-	-	16,089	16,089
Self-insurance fund	-	-	20,231	20,231
	<u>\$ 173,592</u>	<u>\$ 2,199,471</u>	<u>\$ 226,268</u>	<u>\$ 2,599,331</u>

### NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 is summarized as follows:

	<u>Balance July 01, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<b>Historical Cost</b>				
Building	\$ 21,366,617	\$ 11,409	\$ -	\$ 21,378,026
Construction in progress	861,910	2,472,494	-	3,334,404
Furniture and equipment	1,351,811	-	6,974	1,344,837
Land	119,462	-	-	119,462
Site improvements	1,396,980	-	-	1,396,980
Total historical cost	<u>25,096,780</u>	<u>2,483,903</u>	<u>6,974</u>	<u>27,573,709</u>
<b>Accumulated depreciation</b>				
Building	4,348,014	559,262	-	4,907,276
Furniture and equipment	895,722	130,455	-	1,026,177
Site improvements	742,806	60,348	-	803,154
Total accumulated depreciation	<u>5,986,542</u>	<u>750,065</u>	<u>-</u>	<u>6,736,607</u>
<b>CAPITAL ASSETS, NET</b>	<u>\$ 19,110,238</u>	<u>\$ 1,733,838</u>	<u>\$ 6,974</u>	<u>\$ 20,837,102</u>

## BARSTOW COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

#### NOTE 6 – LONG-TERM LIABILITIES

Long-term liabilities for the fiscal year ended June 30, 2008 are summarized as follows:

	Balance July 01, 2007	Additions	Deductions	Due in One Year	Long-term Balance
<b>Governmental Activities</b>					
Compensated absences	\$ 345,358	\$ 2,427		\$ 15,000	\$ 332,785
	<u>\$ 345,358</u>	<u>\$ 2,427</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 332,785</u>

#### NOTE 7 – 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 (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

##### State Teachers' Retirement System (STRS)

###### Plan Descriptions

Defined Benefit Plan (DB Plan)	Cash Balance Benefit Program (CB Benefit Program)
All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan.	Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program.

The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The State Teachers' Retirement Plan (STRP), a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service ("service") are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55, or as early as age 50, with at least 30 years of service. Disability benefits are available up to 90 percent of final compensation to members with five years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CD Benefit Program include immediate vesting, variable contributions rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participating in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

## BARSTOW COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

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#### NOTE 7 – EMPLOYEE RETIREMENT SYSTEMS, Continued

##### Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while 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 2007-2008 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contributions always being equal to or greater than 8%.

##### Annual Pension Cost

The District's total contributions to STRS for the fiscal years ending:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
State Teachers' Retirement System contributions	\$ 408,850	\$ 368,816	\$ 328,267

These amounts equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

#### California Public Employees' Retirement System (CalPERS)

##### Plan Descriptions

All full-time classified employees participate in CalPERS, an agent multiple-employer contributory public employee retirement system. This system acts as a common investment and administrative agent for participating public entities within the State of California. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is less if the plan is coordinated with Social Security. Retirement after age 55 increases the monthly benefit percentage rate to a maximum of 2.5 percent at 63. The

##### Plan Descriptions, Continued

plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 2000 et seq.) establishes benefit provisions for CalPERS. 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 Executive Office, 400 P Street, Sacramento, California 95814.

## BARSTOW COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

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#### NOTE 7 – EMPLOYEE RETIREMENT SYSTEMS, Continued

##### California Public Employees' Retirement System (CalPERS), Continued

###### Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33, if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The District's contribution rate to CalPERS for fiscal year 2007-2008 was 9.3%. In May, 2008, CalPERS approved a school employer contribution rate of 9.306% beginning with the first pay period that ends in July 2008.

###### Annual Pension Cost

The District's total contributions to CalPERS for the fiscal years ending:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
CalPERS contributions	\$ 247,728	\$ 250,048	\$ 245,775

The contributions equaled 100 percent of the required contributions for each year. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of the investments.

###### Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the "Program"). The plan, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.



# BARSTOW COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

### NOTE 8 – JOINT POWERS AGREEMENT

The District participates in two joint powers agreement (JPA) entities: Southern California Schools Employee Benefits Association (SCSEBA) and Southern California Schools Risk Management (SCSRM). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes.

	<u>Southern California Schools Employee Benefits Association (SCSEBA)</u>	<u>Southern California Schools Risk Management (SCSRM)</u>
<b>Purpose</b>	To operate and maintain medical, dental, vision and life insurance plans for employees of member districts	Arranges for and provides workers' compensation, general liability, and property insurance coverage for all member districts
<b>Participants</b>	School districts in southern California	Schools districts in southern California
<b>Governing Board</b>	The Board consists of representatives of each member district. The Board controls the operations of SCSEBA, including the selection of management and approval of operating budgets.	The Board consists of a representative of each member district. The Board controls the operations of SCSRM, including the selection of management and approval of operating budgets.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits in proportion to its participation in the JPA.

Condensed audited financial information for both JPAs for the fiscal year ended June 30, 2008 is as follows:

	<u>SCSRM</u>	<u>SCSEBA</u>
Total Assets	\$ 50,348,470	\$ 36,822,086
Total Liabilities	<u>18,214,788</u>	<u>8,595,086</u>
Total Net Assets	<u>\$ 32,133,682</u>	<u>\$ 28,227,000</u>
Total Operating Revenues	\$ 36,050,233	\$ 97,236,026
Total Operating Expenses	27,799,755	93,774,432
Non-operating Revenues, net	909,235	1,482,277
Return of Contributions	<u>(57,416)</u>	<u>(5,198,592)</u>
Net Increase (Decrease) in Net Assets	<u>\$ 9,102,297</u>	<u>\$ (254,721)</u>

The District's share of year-end assets, liabilities or equity (deficit) has not been calculated by SCSEBA and SCSRM.

# BARSTOW COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

### NOTE 9 – FUNCTIONAL EXPENSES

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Payments to Students	Total
Admissions and records	\$ 359,975	\$ 32,204	\$ 285,134	\$ 677,313
Ancillary services	548,751	648,534	-	1,197,285
Auxiliary operations	-	-	-	-
Community services and economic development	464,643	18,813	-	483,456
General institutional support services	1,018,783	730,848	-	1,749,631
Instructional activities	5,269,807	201,617	-	5,471,424
Instructional administration	387,806	20,331	-	408,137
Instructional support services	292,903	46,268	-	339,171
Physical property and acquisitions	271,070	3,805	-	274,875
Planning, policy making, coordination, general support	412,602	101,281	-	513,883
Plant operations and maintenance	389,999	749,838	-	1,139,837
Student services-counseling and guidance	488,756	69,637	-	558,393
Students services-other	1,316,974	101,855	-	1,418,829
	<u>\$ 11,222,069</u>	<u>\$ 2,725,031</u>	<u>\$ 285,134</u>	<u>14,232,234</u>
Depreciation expense				<u>750,065</u>
TOTAL				<u>\$ 14,982,299</u>

### NOTE 10 – COMMITMENTS AND CONTINGENCIES

#### Vacation and Sick Leave (Compensated Absences)

Accumulated unpaid employee vacation benefits are accrued when earned by employees and recognized at year-end as liabilities of the District. The District also participates in and accrues “load banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not recognized as liabilities 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 for eligible employees when they retire. Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. However, the employees do not gain a vested right to accumulated sick leave nor are they paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave. See note 6 for the accrued balance of compensated absences as of June 30, 2008.

#### Federal and State Allowances, Awards and Grants

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

# BARSTOW COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

### NOTE 9 – FUNCTIONAL EXPENSES

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Payments to Students	Depreciation	Total
Admissions and records	\$ 359,975	\$ 32,204	\$ 285,134	\$ -	\$ 677,313
Ancillary services	548,751	648,534	-	-	1,197,285
Auxiliary operations	-	-	-	-	-
Community services and economic development	464,643	18,813	-	-	483,456
General institutional support services	1,018,783	730,848	-	-	1,749,631
Instructional activities	5,269,807	201,617	-	-	5,471,424
Instructional administration	387,806	20,331	-	-	408,137
Instructional support services	292,903	46,268	-	-	385,439
Physical property and acquisitions	271,070	3,805	-	-	274,875
Planning, policy making, coordination, general support	412,602	101,281	-	-	513,883
Plant operations and maintenance	389,999	749,838	-	-	1,139,837
Student services-counseling and guidance	488,756	69,637	-	-	558,393
Students services-other	1,316,974	101,855	-	-	1,418,829
	<u>\$ 11,222,069</u>	<u>\$ 2,725,031</u>	<u>\$ 285,134</u>	<u>\$ -</u>	<u>14,278,502</u>
Depreciation expense					<u>750,065</u>
TOTAL					<u>\$ 15,028,567</u>

### NOTE 10 – COMMITMENTS AND CONTINGENCIES

#### Vacation and Sick Leave (Compensated Absences)

Accumulated unpaid employee vacation benefits are accrued when earned by employees and recognized at year-end as liabilities of the District. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not recognized as liabilities 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 for eligible employees when they retire. Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. However, the employees do not gain a vested right to accumulated sick leave nor are they paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave. See note 6 for the accrued balance of compensated absences as of June 30, 2008.

#### Federal and State Allowances, Awards and Grants

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

## BARSTOW COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2008

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#### NOTE 10 – COMMITMENTS AND CONTINGENCIES, Continued

##### Litigation

The District is a party to claims and legal proceedings, arising from the normal course of business. Based on consultation with legal counsel, management believes that the ultimate resolution of these matters, individually and in the aggregate, will not have a material adverse effect on the District's financial position.

##### Construction Commitments

As of June 30, 2008, the District has the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>
Performing Arts Center	\$ 205,000
Wellness Center	410,000
Cosmetology modernization project	74,000
Student services modernization project	<u>670,000</u>
	<u>\$ 1,359,000</u>

#### NOTE 11 – RELATED PARTY

The District provides administrative services to the Foundation, a component unit. Such services have not been included in the financial statements since the amounts cannot be objectively determined. The District also provides office space to the Foundation. The fair rental value of the space has not been quantified and is not included in the financial statements.

SUPPLEMENTARY INFORMATION

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## REPORT ON SUPPLEMENTARY INFORMATION

Governing Board  
Barstow Community College District  
Barstow, California

We have audited the basic financial statements of Barstow Community College District (the "District") for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards identified by the *California Community Colleges Contracted District Audit Manual*, issued by the Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information includes the following:

- Schedule of Expenditures of Federal Awards (required by OMB Circular A-133)
- Schedule of State Financial Awards
- Schedule of Workload Measures for Program Based Funding and Annual Apprenticeship Hours of Instruction
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
- Notes to Supplementary Information

The information contained in the supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

December 12, 2008

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## **BARSTOW COMMUNITY COLLEGE DISTRICT**

### **ORGANIZATION**

June 30, 2008

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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, 2008, were as follows:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Philip M. Harris	President	2010
Ted P. Baca	Vice-President	2012
Fernando R. (Fred) Baca	Member	2012
Marcia E. Zableckis	Member	2012
Timothy T. Heiden	Member	2010

### **DISTRICT ADMINISTRATION**

Dr. Clifford M. Brock	District President
Dr. Mark E. Meadows	Vice-President: Academic Affairs
Charles C. Mitchell	Vice-President: Administrative Services
Joseph A. Clark, Jr.	Interim Vice-President: Student Affairs

# BARSTOW COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Fiscal Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>		<u>CFDA Number</u>	<u>Federal Expenditures</u>
U. S. Dept. of Education:			
	Vocational and Applied Technology Education Act:	84.048	\$ 119,173
	Student Financial Aid Cluster [1]:		
	Pell	84.007	2,693,561
	SEOG	84.032	43,129
	Federal Workstudy	84.063	56,661
	Academic Competitiveness Grant (ACG)	84.375	8,050
Total			2,920,574
U. S. Dept. of Health and Human Services:			
	Temporary Assistance Needy Family	93.558	23,866
U. S. Dept. of Department:			
	Veterans Education	84	1,449
Total			
<b>Total Federal Expenditures</b>			<b>\$ 2,945,889</b>

[1] Major Program



# BARSTOW COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF STATE FINANCIAL AWARDS

For the Fiscal Year Ended June 30, 2008

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
California Work Opportunity & Responsibility to Kids	\$ 134,741			\$ 134,741	\$ 131,823
Care Program	102,456			102,456	102,456
Disabled Students Programs & Services	236,684			236,684	299,413
Extended Opportunity Programs & Service	496,838			496,838	496,838
Financial Aid Administration	156,356			156,356	158,567
Infrastructure Program (TTIP)	45,183			45,183	64,439
Instructional Equipment Grant	100,000			100,000	70,487
Lottery	49,447			49,447	49,447
Matriculation	206,604			206,604	206,627
Others	348,783			348,783	270,295
Staff Diversity	8,864			8,864	9,049
	<u>\$ 1,885,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,885,956</u>	<u>\$ 1,859,441</u>

See the accompanying note to supplementary information

## BARSTOW COMMUNITY COLLEGE DISTRICT

### Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance as of June 30, 2008

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<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
<b>Credit full-time equivalent students (FTEs)</b>			
1. Weekly census	613	-	613
2. Daily census	270	-	270
3. Actual hours of attendance	17	-	17
4. Independent study / work experience	966	-	966
5. Summer intersession	<u>326</u>	<u>-</u>	<u>326</u>
Total	2,192	-	2,192
 <b>Non-credit full-time equivalent students</b>			
1. Actual hours of attendance	111	-	111
2. Summer intersession	<u>7</u>	<u>-</u>	<u>7</u>
Total	<u>118</u>	<u>-</u>	<u>118</u>
 <b>TOTAL FULL-TIME EQUIVALENT STUDENTS</b>	<u><u>2,310</u></u>	<u><u>-</u></u>	<u><u>2,310</u></u>

## BARSTOW COMMUNITY COLLEGE DISTRICT

### Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements For the Fiscal Year Ended June 30, 2008

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	<u>General Fund</u>	<u>Bookstore Fund</u>	<u>Capital Outlay Fund</u>	<u>Self Insurance Fund</u>	<u>Trust Funds</u>
<b>June 30, 2008</b>					
Annual financial and budget report (CCFS-311) fund balance	\$ 5,318,592	\$ 368,498	\$ 2,629,974	\$ 2,001,665	\$ 189,915
<b>Adjustments:</b>					
Adjust ending inventory to physical count	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>June 30, 2007</b>					
Audited Financial Statements Fund Balance	<u>\$ 5,318,592</u>	<u>\$ 368,498</u>	<u>\$ 2,629,974</u>	<u>\$ 2,001,665</u>	<u>\$ 189,915</u>

See the accompanying note to supplementary information

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

### **NOTE TO SUPPLEMENTARY INFORMATION**

**June 30, 2008**

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#### **NOTE 1 – PURPOSE OF SCHEDULES**

The audit of the Barstow Community College District for the fiscal year ended June 30, 2007 was conducted in accordance with OMB Circular A-133. Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with Circular A-133 and state requirements, the Schedule of Federal Financial Awards and the Schedule of State Financial Assistance were prepared for Barstow Community College District.

The Schedule of Workload Measures for State General Apportionment and Annual Apprenticeship Hours of Instruction represent the basis of apportionment of Barstow Community College District.

The Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements provides the information necessary to reconcile the fund balances of all funds reported on Form CCFS-311 to the audited financial statements.

## OTHER REPORTS

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## REPORT ON STATE COMPLIANCE

Governing Board  
Barstow Community College District  
Barstow, California

We have audited the basic financial statements of Barstow Community College District (the "District") for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted District Audit Manual*:

### General Directives

Management Information System Implementation:

- State General Apportionment Required Data Elements

### Administration

Open Enrollment

Minimum Conditions-Standards of Scholarship

Student Fee-Instructional Materials and Health Fees

Fiscal Operations:

- Salaries of Classroom Instructors (50 Percent Law)
- Gann Limit Calculation

Apportionments:

- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Apportionment for Instructional Service Agreements / Contracts
- Enrollment Fee

### Student Services

Matriculation:

- Uses of Matriculation Funds
- CalWORKS – Use of State and Federal TANF Funding

Governing Board  
Barstow Community College District

**Special Programs**

Extended Opportunity Programs and Services (EOPS):

-- Allocation of Costs

Disabled Student Program and Services (DSPS):

-- Allocation of Costs

**Facilities**

Scheduled Maintenance Programs

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Barstow Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2008.

This report is intended solely for the information and use of the Governing Board, management, audit committee and other 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

December 12, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Barstow Community College District  
Barstow, California

Compliance

We have audited the compliance of Barstow Community College District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 States, 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 considered 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.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.



Governing Board  
Barstow Community College District

Internal Control Over Compliance

The management of Barstow Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Governing Board, others within the entity, and federal and state awarding agencies and pass-through entities 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

December 12, 2008

**REPORT ON INTERNAL CONTROL AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Barstow Community College District  
Barstow, California

We have audited the financial statements of Barstow Community College District (the "District") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Governing Board  
Barstow Community College District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency in internal control that we consider to be a significant deficiency.

The control deficiency that we consider to be a significant deficiency is explicitly identified as Finding 2008-1 and described in the accompanying Schedule of Findings and Questioned Costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governing Board, others within the District, the federal and state awarding agencies and pass-through entities, 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

December 12, 2008

## FINDINGS AND QUESTIONED COSTS SECTION

## BARSTOW COMMUNITY COLLEGE DISTRICT

### SUMMARY OF AUDITORS' RESULTS

For the Fiscal Year Ended June 30, 2008

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#### Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be a material weakness? Yes
- Noncompliance material to financial statements noted? No

#### Federal Awards

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be a material weakness? No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with  
Section 510(a) of Circular A-133?

No

Identification of major programs:

- CFDA number 84.063, 84.033, 84.007  
and 84.375
- Name of federal program or cluster Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

#### State Awards

Internal control over state programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be a material weakness? No

Type of auditors' report issued on compliance for state programs: Unqualified

## BARSTOW COMMUNITY COLLEGE DISTRICT

### SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2008

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The following findings represent reportable conditions related to the financial statements that are required to be reported in accordance with generally accepted government audit standards.

#### **2008-1 Statements of Auditing Standards (SAS) No. 112**

##### Finding

In May 2006 the AICPA Accounting Standards Board (ASB) issued Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Matters Identified in an Audit*, which became effective for financial statements with periods ending on or after December 15, 2006. This pronouncement places significant additional responsibilities on management in regards to preparation of financial statements.

Each year, community college districts are responsible for preparing complete and accurate financial statements, footnote disclosures, and management's discussion and analysis, which are prepared in accordance with governmental generally accepted accounting principles. This financial reporting responsibility extends beyond the preparation of the traditional fund financial statements, and includes financial statements that are required to be presented in accordance with Governmental Accounting Standards Board Statement 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, community college districts should have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis, are prepared and reviewed prior to the arrival of the independent auditors.

Similar to the vast majority of California community college districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis, which conform to GASB 34 and the applicable governmental generally accepted accounting principles, are prepared and reviewed prior to the arrival of the independent auditors.

Also similar to the vast majority of California community college districts, the District does not have the financial resources or specialized personnel available to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis, which conform to GASB 34 and the applicable governmental generally accepted accounting principles, are prepared and reviewed prior to the arrival of the independent auditors.

This condition has always existed at the District, and is now being reported for the first time in accordance with the requirements of SAS 112.

##### Recommendation

Due to the nature of community college finance and the specific types of financial activities processed by the District, management and the governing board should weigh the cost of eliminating this control weakness against the benefits to be received. If it is determined that the District cannot fully remediate the control weakness, management should work to develop alternative procedures that can help mitigate the financial reporting risk of the District.

##### District Response

Management agrees with the finding and will develop internal procedures to ensure that a complete and accurate financial statements, footnotes, and management discussion and analysis are presented to auditors at the beginning of the engagement.

## BARSTOW COMMUNITY COLLEGE DISTRICT

### STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS For the Fiscal Year Ended June 30, 2008

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs and of any other as yet unresolved audit findings from previous years.

	Finding Reference No.	Recommendation	Current Status	Explanation if Not Fully Implemented
Residency Determination	2007-1	The District should verify all student files.	Implemented	
Concurrent Enrollment	2007-2	The District should institute a certification process.	Implemented	