

**BARSTOW COMMUNITY  
COLLEGE DISTRICT**

**County of San Bernardino  
Barstow, California**

**REPORT ON AUDIT  
June 30, 2009**

# BARSTOW COMMUNITY COLLEGE DISTRICT

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June 30, 2009

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# **BARSTOW COMMUNITY COLLEGE DISTRICT**

Objectives of the Annual Audit  
June 30, 2009

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## **INTRODUCTION**

- 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

The Board of Trustees  
Barstow Community College District

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, 2009, 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 listed in the aforementioned table of contents 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, 2009, and the results of its operation, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as the management's discussion and analysis and the schedules of funding progress and employer contributions, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Board of Trustees  
Barstow Community College District

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The supplementary sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is 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 also not a required part of the basic financial statements. The supplementary information, including the schedule of expenditures of federal awards, have been subjected to the auditing procedures in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
December 23, 2009

## BARSTOW COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis June 30, 2009

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This section of Barstow Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2009.

#### Accounting Standards

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 these 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 financial position and activities of the District's Financial Report for the fiscal year ended June 30, 2009. The previous year's financial information is also provided for comparison. The annual report consists of three basic financial statements that provide information on the District as a whole: the *Statement of Net Assets*; the *Statement of Revenues, Expenses and Changes in Net Assets*; and the *Statement of Cash Flows*.

#### Statement of Net Assets

The *Statement of Net Assets* presents information on the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may service as a useful indicator of whether the financial position of the District is improving or deteriorating. As illustrated in the following table, the June 30, 2009 fiscal year ended with an increase in total net assets of \$1,345,585; to a grand total of \$32,132,575.

	Governmental Activities		
	2009	2008	Net Change
<b>ASSETS</b>			
Current assets	\$ 12,129,031	\$ 11,852,922	\$ 276,109
Non-current assets	21,663,359	20,837,101	826,258
<b>Total Assets</b>	<u>33,792,390</u>	<u>32,690,023</u>	<u>1,102,367</u>
<b>LIABILITIES</b>			
Current liabilities	1,331,692	1,570,248	(238,556)
Non-current liabilities	322,901	332,785	(9,884)
<b>Total Liabilities</b>	<u>1,654,593</u>	<u>1,903,033</u>	<u>(248,440)</u>
<b>Total Net Assets</b>	<u>\$ 32,137,797</u>	<u>\$ 30,786,990</u>	<u>\$ 1,350,807</u>

## BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis, Continued  
June 30, 2009

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The net assets of the District consist of three major categories:

- **Invested in capital assets** – provides the equity amount in property, plant and equipment owned by the District.
- **Restricted net assets** (divided into either expendable or nonexpendable) – Restricted net assets are restricted by use constraints placed on them by outside parties such as through agreements, laws, or regulations of creditors or other governments or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** – are available to the District for any lawful purpose of the District. Although unrestricted, the District's governing board may place internal restrictions on these net assets, but it retains the power to change, remove, or modify these restrictions.

The District's financial position, as a whole, remained positive. During the fiscal year ending June 30, 2009, the total net assets increased \$1,350,807 from the previous year. The District continues to be impacted by the suppressed economic climate in the state of California and increasingly significant reductions in state support resulting from the growing state budget deficit. This downturn has certainly impacted the District. Accounts receivable have increased \$427,958 due to outstanding collections of deferred payments (general fund apportionment) and capital outlay projects collections owed to the District by the State of California. Current liabilities, mainly accounts payable, decreased \$238,556.

### Statement of Revenues, Expenses, and Changes in Net Assets

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

	Governmental Activities		
	2009	2008	Net Change
<b>Revenues</b>			
Operating revenues	\$ 5,175,922	\$ 4,077,809	\$ (1,098,113)
Non-operating revenues	15,057,504	13,994,763	(1,062,741)
Other revenues	-	1,915,070	1,915,070
<b>Total Revenues</b>	<u>20,233,426</u>	<u>19,987,642</u>	<u>(245,784)</u>
<b>Expenses</b>			
Operating expenses	18,177,519	16,138,528	(2,038,991)
Depreciation	705,100	750,065	44,965
<b>Total Expenses</b>	<u>18,882,619</u>	<u>16,888,593</u>	<u>(1,994,026)</u>
<b>Excess (deficiency)</b>	1,350,807	3,099,049	1,748,242
<b>Net Assets - Beginning</b>	<u>30,786,990</u>	<u>27,687,941</u>	<u>(3,099,049)</u>
<b>Net Assets - Ending</b>	<u>\$ 32,137,797</u>	<u>\$ 30,786,990</u>	<u>\$ (1,350,807)</u>



## BARSTOW COMMUNITY COLLEGE DISTRICT

### Management's Discussion and Analysis, Continued June 30, 2009

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The Statement of Revenues, Expenses, and Changes in Net assets reflects a positive year due to an increase in state and local grants and contracts income. Salaries increased \$912,068 from the previous year due to additional hires of faculty and classified positions. Employee benefits also increased from the previous year mainly due to hiring additional personnel. Although the Statement shows an operating loss of \$13,706,697, that balance does not reflect non-operating revenues, such as \$12,110,140 in apportionment revenue and \$2,063,412 in local property taxes received by the District. The District reports an increase in total operating revenues of \$1,098,113 over fiscal year 2008. The total operating revenues increase is due to an increase in state and local grants from 2008.

#### Statement of Cash Flows

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

This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, and to evaluate its need for external financing. The Statement is divided into several parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the District. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments. The net cash used by the District for operating activities for the year ending June 30, 2009 was \$14,354,700.

#### 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 Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

#### Capital Assets

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

	Governmental Activities		
	2009	2008	Net Change
Land and construction in progress	\$ 5,817,179	\$ 4,850,846	\$ (966,333)
Buildings and equipment	22,919,829	22,722,863	(196,966)
Accumulated depreciation	(7,441,708)	(6,736,608)	705,100
<b>Total Capital Assets</b>	<b>\$ 21,295,300</b>	<b>\$ 20,837,101</b>	<b>\$ (458,199)</b>

## BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis, Continued  
June 30, 2009

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### Debt

At June 30, 2009 the District had \$322,901 in debt. A comparison of long-term debt is summarized below:

	Governmental Activities		
	2009	2008	Net Change
Compensated absences	\$ 322,901	\$ 332,785	\$ 9,884
<b>Total Long-term Liabilities</b>	<b>\$ 322,901</b>	<b>\$ 332,785</b>	<b>\$ 9,884</b>

### Economic Factors

Despite State budget reductions, the District maintained its strong financial position while 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, 2009, the District 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 the distance education programs have resulted in a significant increase in enrollment. Given this increase, but a lack of available growth funding and possible further budget reductions from the State, enrollment management will be a high priority for the District.

In addition, State budget difficulties are ongoing. Further budget reductions are certainly possible, but the District will continue to be proactive in minimizing the impact to ongoing operations, capital improvements and its strong financial position.

### Contacting the District's Financial Management

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

**BASIC FINANCIAL STATEMENTS**

# BARSTOW COMMUNITY COLLEGE DISTRICT

## Statement of Net Assets June 30, 2009

### BUSINESS-TYPE ACTIVITIES

	<u>District</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 8,763,460
Accounts receivable	3,027,289
Stores inventory	<u>338,282</u>
Total current assets	12,129,031
Non-Current assets:	
Other postemployment benefits other than pensions (OPEB) asset	368,059
Fixed assets, net	<u>21,295,300</u>
Total non-current assets	<u>21,663,359</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 33,792,390</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Current liabilities	\$ 1,092,868
Compensated absences-current portion	15,000
Deferred revenue	121,068
Amounts held in trust	<u>102,756</u>
Total current liabilities	1,331,692
Compensated absences payable-non-current portion	<u>322,901</u>
<b>TOTAL LIABILITIES</b>	<u>1,654,593</u>
<b>NET ASSETS</b>	
Invested in capital assets	21,295,300
Restricted	2,004,088
Unrestricted	<u>8,838,409</u>
<b>TOTAL NET ASSETS</b>	<u>32,137,797</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 33,792,390</u></u>

See the accompanying notes to the financial statements.

# BARSTOW COMMUNITY COLLEGE DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets For the Fiscal Year Ended June 30, 2009

### BUSINESS-TYPE ACTIVITIES

	<u>District</u>
<b>OPERATING REVENUE</b>	
Tuition and fees	\$ 691,535
Grants and contracts	
Federal	266,408
State	2,651,011
Local	658,586
Auxiliary enterprise sales and charges	<u>908,382</u>
<b>Total Operating Revenues</b>	<b>5,175,922</b>
<b>OPERATING EXPENSE</b>	
Salaries	9,666,001
Benefits	2,842,302
Payments to students	253,350
Supplies, materials, and other expenses	4,854,386
Utilities	561,480
Depreciation	<u>705,100</u>
<b>Total Operating Expenses</b>	<b><u>18,882,619</u></b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(13,706,697)</b>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>	
State apportionments, non-capital	12,110,140
Local property taxes	2,063,412
State taxes and other revenues	308,791
Investment income - non-capital	230,553
Investment income - capital	68,353
Other non-operating revenues	<u>4,324</u>
<b>Total non-operating revenues</b>	<b><u>14,785,573</u></b>
<b>Income Before Other Revenues</b>	<b>1,078,876</b>
Grants and Contracts, Capital	
State	<u>271,931</u>
<b>CHANGE IN NET ASSETS</b>	<b>1,350,807</b>
<b>NET ASSETS</b>	
Net Assets - Beginning	<u>30,786,990</u>
Net Assets - Ending	<b><u>\$ 32,137,797</u></b>

See the accompanying notes to the financial statements.

# BARSTOW COMMUNITY COLLEGE DISTRICT

## Statement of Cash Flows For the Fiscal Year Ended June 30, 2009

### BUSINESS-TYPE ACTIVITIES

	<u>District</u>
<b>Cash Flows from Operating Activities</b>	
Tuition and fees	\$ 691,535
Federal grants and contracts	3,828,117
State grants and contracts	2,090,630
Local grants and contracts	658,586
Payments to suppliers	(5,183,705)
Payments for utilities	(561,480)
Payments to/on-behalf of employees	(12,845,129)
Student loans/grants	(3,941,636)
Auxiliary enterprise sales and charges	908,382
Other receipt (payments)	<u>-</u>
Net cash provided by (used in) operating activities	(14,354,700)
<b>Cash Flows from Non-capital Financing Activities</b>	
State apportionments and receipts	12,110,140
Property taxes	1,554,425
State taxes and other revenues	308,791
Other receipts (payments)	<u>4,324</u>
Net cash provided by (used in) by non-capital financing activities	13,977,680
<b>Cash Flows from Capital Financing Activities</b>	
State apportionments for capital purposes	1,058,625
Purchases of capital assets	<u>(1,163,299)</u>
Net cash provided by (used in) captial financing activities	(104,674)
<b>Cash Flows from Investing Activities</b>	
Interest on investments	<u>298,906</u>
Net cash provided by (used in) investing activities	298,906
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(182,788)
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	<u>8,946,248</u>
End of year	<u><u>\$ 8,763,460</u></u>

See the accompanying notes to the financial statements.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows, Continued  
For the Fiscal Year Ended June 30, 2009

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### BUSINESS-TYPE ACTIVITIES

	<u>District</u>
<b>Reconciliation of operating loss to cash used in operating activities</b>	
Operating loss	\$ (13,706,697)
Depreciation and amortization	705,100
(Increase) decrease in accounts receivable	(705,665)
(Increase) decrease in inventory	(30,939)
(Increase) decrease in other postemployment benefits (OPEB)	(368,059)
Increase (decrease) in accounts payable	(261,532)
Increase (decrease) in deferred revenues	18,707
Increase (decrease) in other liabilities	<u>(5,615)</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (14,354,700)</u></u>

See the accompanying notes to the financial statements.

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

Statement of Financial Position  
June 30, 2009

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**DISCRETELY PRESENTED COMPONENT UNIT**

	<u>Foundation</u>
<b>ASSETS</b>	
Current assets:	
Cash on Hand and In Banks	\$ 121,337
Investments	<u>351,727</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 473,064</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Accounts Payable	<u>\$ 8,550</u>
Total Liabilities	8,550
<b>NET ASSETS</b>	
Unrestricted	226,827
Permanently Restricted	<u>237,687</u>
<b>TOTAL NET ASSETS</b>	<u>464,514</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 473,064</u></u>

See the accompanying notes to the financial statements.



**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, 2009

**DISCRETELY PRESENTED COMPONENT UNIT**

	Foundation		
	Unrestricted	Permanently Restricted	Total Net Assets
<b>OPERATING REVENUES</b>			
Public Support Contributions	\$ 57,031	4,100	\$ 61,131
Interest, Dividend Income and Unrealized Gain in Investments	10,880	12,373	23,253
<b>Total Operating Revenues</b>	67,911	16,473	84,384
<b>Expenses</b>			
Program Services, Scholarships and Awards	24,214	3,011	27,225
(Gains) Losses	12,297	43,825	56,122
General and Administrative Expenses	25,541	-	25,541
<b>Total Expenses</b>	62,052	46,836	108,888
<b>INCREASE (DECREASE) IN NET ASSETS</b>			
<b>CHANGE IN NET ASSETS</b>	5,859	(30,363)	(24,504)
<b>NET ASSETS</b>			
Net Assets - Beginning	220,968	268,050	489,018
<b>Net Assets - Ending</b>	<u>\$ 226,827</u>	<u>\$ 237,687</u>	<u>\$ 464,514</u>

See the accompanying notes to the financial statements.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Payments to Students	Total
6200 Admissions and records	\$ 394,943	\$ 102,123	\$ 253,350	\$ 750,416
6900 Ancillary services	616,887	252,577	-	869,464
7000 Auxiliary operations	171,006	732,477	-	903,483
6800 Community services and economic development	479,422	16,337	-	495,759
6700 General institutional support services	1,185,301	750,406	-	1,935,707
599 Instructional activities	5,754,414	1,939,391	-	7,693,805
6000 Instructional administration	535,685	80,898	-	616,583
6100 Instructional support services	310,035	85,823	-	395,858
7100 Physical property and acquisitions	304,389	74,481	-	378,870
6600 Planning, policy making, coordination, general support	462,929	222,693	-	685,622
6500 Plant operations and maintenance	468,361	989,637	-	1,457,998
6300 Student services-counseling and guidance	631,044	66,358	-	697,402
6400 Students services-other	1,193,887	102,665	-	1,296,552
	<u>\$ 12,508,303</u>	<u>\$ 5,415,866</u>	<u>\$ 253,350</u>	<u>18,177,519</u>
Depreciation expense				<u>705,100</u>
TOTAL				<u>\$ 18,882,619</u>

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

Statement of Functional Expenses  
For the Fiscal Year Ended June 30, 2009

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**DISCRETELY PRESENTED COMPONENT UNIT**

	<u><b>Foundation</b></u>
<b>General and administrative expenses</b>	
Miscellaneous expenses	\$ 3,443
Office and administrative expenses	<u>22,098</u>
 <b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	 <u><b>\$ 25,541</b></u>

See the accompanying notes to the financial statements.

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

Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2009

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**DISCRETELY PRESENTED COMPONENT UNIT**

	<u>Foundation</u>
<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ (24,504)
Change in Assets and Liabilities	<u>5,278</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(19,226)
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	<u>492,290</u>
End of year	<u><u>\$ 473,064</u></u>

See the accompanying notes to the financial statements.

# BARSTOW COMMUNITY COLLEGE DISTRICT

## Statement of Fiduciary Net Assets June 30, 2009

	<b>ASB Trust Fund</b>	<b>Scholarship and Loan Trust Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 85,943	\$ 110,068
Accounts Receivable	10,395	23,335
<b>TOTAL ASSETS</b>	<b>\$ 96,338</b>	<b>\$ 133,403</b>
<b>LIABILITIES</b>		
Due to student groups	\$ 95,255	\$ -
Accounts Payable	1,083	6,418
<b>TOTAL LIABILITIES</b>	<b>96,338</b>	<b>6,418</b>
<b>NET ASSETS</b>		
Restricted Net Assets	-	126,985
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 126,985</b>
<b>LIABILITIES AND NET ASSETS</b>	<b>\$ 96,338</b>	<b>\$ 133,403</b>

See the accompanying notes to the financial statements.

## BARSTOW COMMUNITY COLLEGE DISTRICT

### Statement of Changes in Fiduciary Net Assets For the Fiscal Year Ended June 30, 2009

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	<b>ASB Trust Fund</b>	<b>Scholarship and Loan Trust Fund</b>
<b>ADDITIONS</b>		
Student activities	\$ 72,618	\$ 103,235
<b>Total Additions</b>	<u>72,618</u>	<u>103,235</u>
<b>DEDUCTIONS</b>		
Student activities	<u>64,282</u>	<u>71,745</u>
<b>CHANGE IN NET ASSETS</b>	<u>8,336</u>	<u>31,490</u>
<b>Net Assets - Beginning</b>	<u>88,002</u>	<u>101,913</u>
<b>Net Assets - Ending</b>	<u>\$ 96,338</u>	<u>\$ 133,403</u>

See the accompanying notes to the financial statements.

# **BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements  
June 30, 2009

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## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **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.

### **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.

### **Financial Statement Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statement and Management’s Discussion and Analysis for State and Local Governments* 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.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements, Continued  
June 30, 2009

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### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applies.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

The budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted finds. Expenditures cannot legally exceed appropriations by major object account.

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 13, 1989 until subsequently amended, superseded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

### **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 in the County Treasury and investments in the Local Agency Investment Fund are recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

### **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, contracts and debt service requirements.



## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements, Continued  
June 30, 2009

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### **Accounts Receivable**

Accounts receivable consists primarily of 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. 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.

### **Inventories**

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption.

### **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.

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.

### **Accounts Payable**

Accounts payable consists of amounts due to vendors.

### **Accrued Liabilities**

Accrued liabilities consist of salaries and benefits payable, deferred summer pay and load banking.

### **Deferred Revenue**

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

## BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements, Continued  
June 30, 2009

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### **Compensated Absences**

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Assets. 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.

### **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 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 assets - expendable*** – Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***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 available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes. 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 2010 will be recorded in the year computed by the State.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements, Continued  
June 30, 2009

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### **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, 2009.

### **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 was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments.

### **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: student fees, net of scholarship discounts and allowance, and Federal and most state and local grants and contracts.

***Non-operating revenues*** – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund accounting*, and GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such as investment income.

### **Scholarship Discounts and Allowances**

Student tuition and fee revenues and certain other revenues are reported, net of scholarship discounts and allowances, in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge 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 for the Board of Governors (BOG) waivers.

# BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements, Continued  
June 30, 2009

## 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.

## NOTE 2 – DEPOSIT AND INVESTMENTS

As provided for by Education Code Section 41001, a significant portion of the District's cash balances is deposited with the County Treasurer to enhance interest earnings through county investment activities. The California Government Code Sections 16520 through 16522 require 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 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 in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

At June 30, 2009, the District's cash and cash equivalents primarily consist of:

### BARSTOW COLLEGE:

	Category			Reported Amount	Fair Value/ Bank Balance
	1	2	3		
Uncategorized					
Deposits with county treasurer					
Business Type Activities	\$ -	\$ -	\$ -	8,236,215	\$ 8,236,215
Fiduciary Activities	-	-	-	149,733	149,733
Categorized					
Deposits with banks					
Business Type Activities	174,822	-	-	254,074	275,192
Fiduciary Activities	159,132	-	-	122,963	158,814
Cash on Hand					
Business Type Activities	-	-	-	475	475
Fiduciary Activities	-	-	-	-	-
	<u>\$333,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,763,460</u>	<u>\$8,820,429</u>

### BARSTOW COLLEGE FOUNDATION:

	Category			Reported Amount	Fair Value/ Bank Balance
	1	2	3		
Categorized					
Deposits with banks	\$ 121,337	\$ -	\$ -	\$ 121,337	\$ 122,387
Money Market	-	41,206	-	41,206	41,206
Certificates of Deposit	-	-	-	-	-
Corporate Bonds and Debentures	-	66,283	-	66,283	66,283
Stocks and Mutual Funds	-	244,238	-	244,238	244,238
Total	<u>\$ 121,337</u>	<u>\$ 351,727</u>	<u>\$ -</u>	<u>\$ 473,064</u>	<u>\$ 474,114</u>

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Notes to Financial Statements, Continued  
June 30, 2009

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Cash in banks and financial institutions are classified according to credit risk into one of three categories and summarized as follows:

- Category 1** – includes investments that are insured or registered or for which securities are held by the District or its agent in the District's name and deposits insured or collateralized with securities held by the District;
- Category 2** – includes uninsured and unregistered investments for which the securities are held by the bank's or dealer's trust department or agent in the District's name and deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name;
- Category 3** – Includes uninsured and unregistered investments for which the securities are held by the bank or dealer, or by its trust department or agent, but not in the District's name.

### **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. 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.

### **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, 2009

### NOTE 3 – RECEIVABLES

Receivables at June 30, 2009 consist of the following and are considered collectable in full:

	Federal	State	Other	Total
General fund	\$ 158,870	\$ 2,055,341	\$ 655,476	\$ 2,869,687
ASB fund	-	-	9,003	9,003
Bookstore fund	-	-	30,185	30,185
Capital outlay fund	-	26,000	8,110	34,110
Financial aid fund	51,823	-	-	51,823
Scholarship fund	-	-	23,335	23,335
Self-insurance fund	-	-	9,146	9,146
	<u>\$ 210,693</u>	<u>\$ 2,081,341</u>	<u>\$ 735,255</u>	<u>\$ 3,027,289</u>

### NOTE 4 – INTERFUND TRANSACTIONS

Interfund transfers consist of operating transfers from fund receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

### NOTE 5 – CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2009:

Business-Type Activities	Balance July 01, 2008	Additions	Deductions	Balance June 30, 2009
<b>Historical Cost</b>				
Building	\$ 21,378,026	\$ 130,184	\$ -	\$ 21,508,210
Construction in progress	3,334,404	940,304	-	4,274,708
Furniture and equipment	1,344,837	66,782	-	1,411,619
Land	119,462	-	-	119,462
Site improvements	1,396,980	26,029	-	1,423,009
Total historical cost	<u>27,573,709</u>	<u>1,163,299</u>	<u>-</u>	<u>28,737,008</u>
<b>Accumulated depreciation</b>				
Building	4,907,277	562,198	-	5,469,475
Furniture and equipment	1,026,177	84,669	-	1,110,846
Site improvements	803,154	58,233	-	861,387
Total accumulated depreciation	<u>6,736,608</u>	<u>705,100</u>	<u>-</u>	<u>7,441,708</u>
CAPITAL ASSETS, NET	<u>\$ 20,837,101</u>	<u>\$ 458,199</u>	<u>\$ -</u>	<u>\$ 21,295,300</u>

## BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements, Continued  
June 30, 2009

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### NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2009 consisted of the following:

	Business-Type Activities	Fiduciary Funds	Total
Payroll	\$ 245,848	\$ -	\$ 245,848
Construction	100,775	-	100,775
Vendor payable	559,159	187,086	746,245
	<u>\$ 905,782</u>	<u>\$ 187,086</u>	<u>\$ 1,092,868</u>

### NOTE 7 – LONG-TERM LIABILITIES

Long-term liabilities for the fiscal year ended June 30, 2009 are summarized as follows:

	Balance July 01, 2008	Additions	Deductions	Due in One Year	Long-term Balance
<b>Governmental Activities</b>					
Compensated absences	<u>\$ 347,785</u>	<u>\$ -</u>	<u>\$ 9,884</u>	<u>\$ 15,000</u>	<u>\$ 332,785</u>

### 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, 2009 was \$263,040 and contributions made by the District during the year were \$2,040,895 which resulted in a net OPEB obligation for 2009 of \$0. See Note 9 for additional information regarding the OPEB Obligation and the postemployment plan.

### NOTE 8 – 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 Description** – The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements, Continued  
June 30, 2009

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**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 2008-2009 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Annual Pension Cost** – The District's total contributions to STRS for the fiscal years ending:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
State Teachers' Retirement System contributions	\$ 452,073	\$ 408,850	\$ 368,816

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.

### **Public Employees' Retirement System (PERS)**

**Plan Description** – The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), an 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 Executive Office, 400 P Street, Sacramento, California 95814.

**Funding Policy** – Active plan members are required to contribute 7% of their salary. 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 2008-09 was 9.428% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Annual Pension Cost** – The District's total contributions to CalPERS for the fiscal years ending:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
CalPERS contributions	\$ 275,251	\$ 247,728	\$ 250,048

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.



## BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements, Continued  
June 30, 2009

### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the District provides post retirement health care benefits as follows:

	<u>Faculty</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical, dental, vision and life	Medical, dental, vision and life	Medical, dental, vision and life
Duration of Benefits	To age 65	10 years plus one year for each 2 years of service over 10; but not beyond age 65	10 years plus one year for each 2 years of service over 10; but not beyond age 65
Required Service	10 years	10 years	10 years
Minimum Age	55	50	50
Dependent Coverage	Yes	Yes	Yes
College Contribution %	100%	100%	100%
College Cap	None	None	None

#### **Funding Policy**

The contribution requirements are established and may be amended by the District. For 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.

#### **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 one year and did so in 2009.

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	\$ 1,672,836
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,672,836
Contributions made	(2,040,895)
Increase in net OPEB obligation	(368,059)
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ (368,059)</u>

## BARSTOW COMMUNITY COLLEGE DISTRICT

### Notes to Financial Statements, Continued June 30, 2009

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The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2009	<u>\$ 1,672,836</u>	100.00%	<u>\$ -</u>

### 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.

### 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 June 1, 2008 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5% 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, 2008, was 30 years. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2009, the Trust held net assets in the amount of \$1,899,441.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements, Continued  
June 30, 2009

### NOTE 10 – FUNCTIONAL EXPENSES

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Payments to Students	Total
6200 Admissions and records	\$ 359,975	\$ 32,204	\$ 285,134	\$ 677,313
6900 Ancillary services	548,751	648,534	-	1,197,285
7000 Auxilliary operations	-	-	-	-
6800 Community services and economic development	464,643	18,813	-	483,456
6700 General institutional support services	1,018,783	730,848	-	1,749,631
599 Instructional activities	5,269,807	201,617	-	5,471,424
6000 Instructional administration	387,806	20,331	-	408,137
6100 Instructional support services	292,903	46,268	-	339,171
7100 Physical property and acquisitions	271,070	3,805	-	274,875
6600 Planning, policy making, coordination, general support	412,602	101,281	-	513,883
6500 Plant operations and maintenance	389,999	749,838	-	1,139,837
6300 Student services-counseling and guidance	488,756	69,637	-	558,393
6400 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 11 – COMMITMENTS AND CONTINGENCIES

#### State and Federal Allowances, Awards and 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.

#### 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 7 for the accrued balance of compensated absences as of June 30, 2009.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements, Continued  
June 30, 2009

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### 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, 2009.

### NOTE 12 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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.

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.

	<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.

### NOTE 13 – 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## BARSTOW COMMUNITY COLLEGE DISTRICT

### Schedule of Postemployment Healthcare Benefits Funding Progress For the Fiscal Year Ended June 30, 2009

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 1, 2008	\$ -	\$ 1,672,836	\$ 1,672,836	\$ -	\$ 9,666,002	17.31%

Note: Fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively; therefore, prior year comparative valuation data is not available. In future years, as valuations are performed, three year valuation trend information will be presented.

In fiscal 2008-09 the District made irrevocable contributions of \$1,900,000.

See the accompanying note to the required supplementary information.

# BARSTOW COMMUNITY COLLEGE DISTRICT

## Schedule of Employer Contributions For the Fiscal Year Ended June 30, 2009

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<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2009	<u>\$ 1,672,836</u>	100.00%	<u>\$ -</u>

See the accompanying note to the required supplementary information.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Note to Required Supplementary Information  
June 30, 2009

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### **NOTE I – PURPOSE OF SCHEDULES**

#### **Schedule of Postemployment Healthcare Benefits Funding Progress**

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the 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.

#### **Schedule of Employer Contributions**

This schedule is prepared in accordance with Statement No. 43 of the Governmental Accounting Standards Board, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.



## **SUPPLEMENTARY INFORMATION**

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## **BARSTOW COMMUNITY COLLEGE DISTRICT**

History and Organization  
June 30, 2009

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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, 2009, were as follows:

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

### **DISTRICT ADMINISTRATION**

Thom M. Armstrong, Ph.D.	District President
Antoinette Wheeler, Ed.D.	Vice-President: Academic Affairs
Charles C. Mitchell	Vice-President: Administrative Services
Calvin Brinkerhoff	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, 2009

<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	\$ 140,362
Student Financial Aid Cluster [1]:		
Pell	84.007	3,430,082
SEOG	84.032	85,201
Federal Workstudy	84.063	73,239
Academic Competitiveness Grant (ACG)	84.375	<u>10,288</u>
Total		3,739,172
U. S. Dept. of Health and Human Services:		
Temporary Assistance Needy Family	93.558	<u>23,795</u>
Total		23,795
U.S. Dept. of Veterans Affairs		
Veterans Education	64.120	<u>1,498</u>
Total		<u>1,498</u>
<b>Total Federal Expenditures</b>		<b><u>\$ 3,764,465</u></b>

[1]: Major Program

See the accompanying note to the supplementary information.

# BARSTOW COMMUNITY COLLEGE DISTRICT

## Schedule of State Financial Assistance – Grants For the Fiscal Year Ended June 30, 2009

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
California Work Opportunity & Responsibility to Kids	\$ 134,365	\$ -	\$ -	\$ 134,365	\$ 97,613
Care Program	94,002	-	-	94,002	85,486
Disabled Students Programs & Services	225,695	-	-	225,695	287,767
Extended Opportunity Programs & Service	471,996	-	-	471,996	432,318
Financial Aid Administration	157,486	-	-	157,486	159,941
Infrastructure Program (TTIP)	36,036	-	-	36,036	69,482
Instructional Equipment Grant	100,000	-	-	100,000	148,931
Lottery	30,543	-	-	30,543	30,543
Matriculation	189,006	-	-	189,006	190,696
Others	1,135,801	-	-	1,135,801	307,798
Staff Diversity	8,815	-	-	8,815	8,815
	<u>\$ 2,583,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,583,745</u>	<u>\$ 1,819,390</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, 2009

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	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2008)			
1. Noncredit <sup>1</sup>	9		
2. Credit	49		
B. Summer Intersession (Summer 2009 - Prior to July 1, 2009)			
1. Noncredit <sup>1</sup>	3		
2. Credit	260		
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	634		
(b) Daily Census Contact Hours	343		
2. Actual Hours of Attendance			
(a) Noncredit <sup>1</sup>	126		
(b) Credit	21		
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4		
(b) Daily Census Contact Hours	1,226		
(c) Noncredit Independent Study/Distance Education Courses	-		
D. Total FTES	2,675	-	-

Supplemental Information (subset of above information)

E. In-Service Training Courses

H. Basic Skills Courses & Immigrant Education

1. Noncredit <sup>1</sup>	131
2. Credit	138

CCFS 320 Addendum

CDCP Noncredit FTES

Centers FTES

1. Noncredit <sup>1</sup>
2. Credit

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<sup>1</sup> Including Career Development & College Preparation (CDCP) FTES

See the accompanying note to supplementary information.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

### **Reconciliation of Annual Financial and Budget Report with Audited Fund Balances For the Fiscal Year Ended June 30, 2009**

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There were no adjustments to the District's Annual Financial and Budget Report.

See the accompanying note to supplementary information

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Note to Supplementary Information  
June 30, 2009

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### **NOTE 1 – PURPOSE OF SCHEDULES**

#### **History and Organization**

This schedule provides information about the District, members of the governing board, and members of the administration.

#### **Schedules of Expenditures of Federal Awards and State Financial Assistance**

The audit of Barstow Community College District for the year ended June 30, 2009 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared for the District on the modified accrual basis of accounting.

#### **Schedule of Workload Measures for State General Apportionment**

This schedule represents the basis of apportionment of the District's annual source of funding for many of its programs.

#### **Reconciliation of Annual Financial and Budget Report with Audited Fund Balances**

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311.

## **OTHER INDEPENDENT AUDITORS' REPORTS**



**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

We have audited the financial statements of Barstow Community College District (the "District") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 23, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described as finding 2009-1 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 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*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, the Governing Board, the California Department of Finance, the State Chancellor's Office, federal 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

Victorville, California  
December 23, 2009

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

The Board of Trustees  
Barstow Community College District

**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, 2009. 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, Barstow Community College 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, 2009. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

**Internal Control Over Compliance**

The management of the 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

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The Board of Trustees  
Barstow Community College District

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 below.

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.

This report is intended solely for the information and use of management, the audit committee, the Governing Board, the California Department of Finance, the State Chancellor's Office, Federal 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

Victorville, California  
December 23, 2009

## REPORT ON STATE COMPLIANCE

The Board of Trustees  
Barstow Community College District

We have audited the basic financial statements of Barstow Community College District (the "District") for the year ended June 30, 2009 and have issued our report thereon dated December 23, 2009.

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. 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 connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with the Chancellor's Office's *California Community Colleges Contracted District Audit Manual* (CDAM). 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:

### 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

The Board of Trustees  
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

In our opinion, the Barstow Community College District complied with the compliance requirements for the state programs listed and tested above. Nothing came to our attention as a result of the aforementioned procedures to indicate that the District had not complied with the terms and conditions of state assisted educational programs nor selected for testing.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

This report is intended solely for the information and use of the audit committee, the Governing Board, management, the California Department of Finance, the State Chancellor's Office, and federal 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

Victorville, California  
December 23, 2009

## **FINDINGS AND RECOMMENDATIONS**

# BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
June 30, 2009

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## SECTION 1 – SUMMARY OF AUDITORS' RESULTS

### 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 Findings and Questioned Costs  
June 30, 2009

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## SECTION 2 – FINANCIAL STATEMENT FINDINGS

### 2009-1 STATEMENT 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 being reported 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**

Schedule of Findings and Questioned Costs  
June 30, 2009

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### **SECTION 3 – FEDERAL AWARDS FINDINGS**

There were no federal award findings or questioned costs in 2008-09.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Schedule of Findings and Questioned Costs  
June 30, 2009

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### **SECTION 4 – STATE AWARDS FINDINGS**

There were no state award findings or questioned costs in 2008-09.

## BARSTOW COMMUNITY COLLEGE DISTRICT

Status of Prior Year Findings and Questioned Costs  
June 30, 2009

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### FINANCIAL STATEMENT FINDINGS

#### 2008-1 Statement 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.

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.

**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.

**Current Status** Not implemented. See Finding 2009-1.

## **BARSTOW COMMUNITY COLLEGE DISTRICT**

Status of Prior Year Findings and Questioned Costs  
June 30, 2009

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### **FEDERAL AWARDS FINDINGS**

There were no federal award findings or questioned costs in 2007-08.

### **STATE AWARDS FINDINGS**

There were no state award findings or questioned costs in 2007-08.