

**BARSTOW COMMUNITY
COLLEGE DISTRICT**

**County of San Bernardino
Barstow, California**

**REPORT ON AUDIT
June 30, 2012**

BARSTOW COMMUNITY COLLEGE DISTRICT

Table of Contents

June 30, 2012

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Assets.....	7
Statement of Revenues, Expenses and Changes in Net Assets.....	8
Statement of Cash Flows.....	10
Statement of Fiduciary Net Assets.....	12
Statement of Changes in Fiduciary Net Assets.....	13
Notes to Financial Statements	14
Required Supplementary Information	
Schedule of Postemployment Healthcare Benefits Funding Progress.....	29
Schedule of Employer Contributions.....	30
Note to Required Supplementary Information.....	31
Supplementary Information	
History and Organization.....	32
Schedule of Expenditures of Federal Awards.....	33
Schedule of State Financial Assistance – Grants.....	34
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance.....	35
Reconciliation of Annual Financial and Budget Report with Audited Fund Balances.....	36
Note to Supplementary Information.....	37
Other Independent Auditors' Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	40
Independent Auditors' Report on State Compliance.....	42

BARSTOW COMMUNITY COLLEGE DISTRICT

Table of Contents

June 30, 2012

	Page
Findings and Recommendations	
Schedule of Findings and Questioned Costs	
Section 1 – Summary of Auditors' Results.....	44
Section 2 – Financial Statement Findings.....	45
Section 3 – Federal Awards Findings.....	46
Section 4 – State Awards Findings.....	47
Status of Prior Year Findings and Questioned Costs.....	48

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Barstow Community College District
Barstow, California

We have audited the accompanying financial statements of the business-type activities of Barstow Community College District (the "District") as of and for the year ended June 30, 2012, which comprise 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Barstow Community College District, as of June 30, 2012, 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 19, 2012, 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 conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the schedule of funding progress and employer contributions on pages 29 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Trustees
Barstow Community College District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and the supplementary section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and supplementary sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 19, 2012

BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis June 30, 2012

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, 2012.

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, 2012. 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, 2012 fiscal year ended with an increase in total net assets of \$8,284,835 to a grand total of \$53,267,372.

	Governmental Activities		
	2012	2011	Net Change
ASSETS			
Current assets	\$ 20,096,133	\$ 20,911,549	\$ (815,416)
Non-current assets	39,048,548	27,382,449	11,666,099
Total Assets	<u>59,144,681</u>	<u>48,293,998</u>	<u>10,850,683</u>
LIABILITIES			
Current liabilities	5,498,060	2,923,060	2,575,000
Non-current liabilities	374,303	388,401	(14,098)
Total Liabilities	<u>5,872,363</u>	<u>3,311,461</u>	<u>2,560,902</u>
Total Net Assets	<u>\$ 53,272,318</u>	<u>\$ 44,982,537</u>	<u>\$ 8,289,781</u>

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** – Restricted net assets are restricted by use constraints place 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.

BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis
June 30, 2012

The District's financial position, as a whole, was positive. During the fiscal year ending June 30, 2012, the total net assets increased \$8,284,835 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 again increased \$988,471 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, increased \$1,384,985.

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		
	2012	2011	Net Change
Revenues			
Operating revenues	\$ 3,497,110	\$ 3,423,443	\$ 73,667
Non-operating revenues	22,490,413	24,302,187	(1,811,774)
Other revenues	8,931,212	13,482,388	(4,551,176)
Total Revenues	<u>34,918,735</u>	<u>41,208,018</u>	<u>(6,289,283)</u>
Expenses			
Operating expenses	17,988,117	18,009,509	21,392
Non-operating expenses	7,841,391	9,591,805	1,750,414
Depreciation	799,446	792,320	(7,126)
Total Expenses	<u>26,628,954</u>	<u>28,393,634</u>	<u>1,764,680</u>
Excess (deficiency)	8,289,781	12,814,384	(4,524,603)
Net Assets - Beginning	44,982,537	32,168,153	12,814,384
Net Assets - Ending	<u>\$ 53,272,318</u>	<u>\$ 44,982,537</u>	<u>\$ 8,289,781</u>

The Statement of Revenues, Expenses, and Changes in Net assets reflect a positive year due to state apportionments for capital projects, specifically the performing arts center. Operating revenues increased slightly, while operating expenses decreased slightly. Non-operating revenues and expenses decreased due to decreased financial aid to students. Other revenues consist of state apportionments for capital projects.

BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis
June 30, 2012

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, 2012, was \$14,208,231.

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		
	2012	2011	Net Change
Land, site improvements and construction in progress	\$ 21,703,498	\$ 9,517,663	\$ 12,185,835
Buildings and equipment	26,341,905	26,180,354	161,551
Accumulated depreciation	(9,701,978)	(8,912,632)	(789,346)
Total Capital Assets	\$ 38,343,425	\$ 26,785,385	\$ 11,558,040

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis
June 30, 2012

Debt

At June 30, 2012 the District had \$374,303 in long-term debt. A comparison of long-term debt is summarized below:

	Governmental Activities		
	2012	2011	Net Change
Compensated absences	\$ 374,303	\$ 388,401	\$ (14,098)
Total Long-term Liabilities	\$ 374,303	\$ 388,401	\$ (14,098)

Economic Factors

The District has continued to provide a solid foundation for the operation and enhancement of its educational programs and services. In fiscal years 2011 and 2012, expenditures exceeded revenues. Expenditures are also expected to exceed revenues in fiscal year 2013, but the deficit is expected to decline. The District has maintained adequate reserves to manage the deficit. The passage of Proposition 30 in the November elections should have a positive impact on the College's fiscal picture in the coming years. At this time, the overall fiscal impact is unknown as the State has not yet completed developing rules for the use of these funds and final projections have not been completed. In addition, the State is expecting revenues for Proposition 98 funding to increase in fiscal year 2014. There are signs that the State economy is beginning to turn around.

Negotiations with the employee associations resulted in an agreed upon cap being placed on health benefits. The cap will significantly assist the college in containing the rising cost of health benefits and make a significant contribution to the future fiscal health of the College. The reductions, though significant, were not enough to bring the overall College budget into balance. Continuing increases in costs include employee salary step increases, utilities, and technology. In order to continue to meet Federal and State requirements, it is necessary to continue to expand information systems, including the software, maintenance and licenses fees required.

The District has continued to expand career and technical education programs. Since FY 09, the general fund has recovered \$10,433 in indirect cost recovery necessary to support \$2,468,000 in new grants and contracts. These programs create a lot of additional work for business services. It is hoped that at some point these programs will generate not only support for their indirect cost, but also generate additional funds that will help support the College.

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, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 10,028,428
Accounts receivable	9,802,789
Stores inventory	<u>264,916</u>

Total current assets 20,096,133

Non-Current assets:

Other postemployment benefits other than pensions (OPEB) asset	705,123
Fixed assets, net	<u>38,343,425</u>

Total non-current assets 39,048,548

TOTAL ASSETS \$ 59,144,681

LIABILITIES

Current liabilities:

Current liabilities	\$ 5,201,390
Compensated absences-current portion	15,000
Deferred revenue	59,687
Amounts held in trust	<u>221,983</u>

Total current liabilities 5,498,060

Compensated absences payable - non-current portion 374,303

TOTAL LIABILITIES 5,872,363

NET ASSETS

Invested in capital assets	38,343,425
Restricted for:	
Capital projects	9,546,952
Other activities	1,494,996
Unrestricted	<u>3,886,945</u>

TOTAL NET ASSETS 53,272,318

TOTAL LIABILITIES AND NET ASSETS \$ 59,144,681

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, 2012

OPERATING REVENUES

Tuition and fees	\$ 711,089
Grants and contracts	
Federal	405,994
State	1,575,116
Local	173,104
Auxiliary enterprise sales and charges	<u>631,807</u>
Total Operating Revenues	3,497,110

OPERATING EXPENSES

Salaries	10,118,790
Benefits	4,167,018
Payments to students	109,730
Supplies, materials, and other expenses	3,123,604
Utilities	468,975
Depreciation	<u>799,446</u>
Total Operating Expenses	<u>18,787,563</u>

OPERATING INCOME/(LOSS)	(15,290,453)
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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, 2012

NON-OPERATING REVENUES/(EXPENSES)

State apportionments, non-capital	11,578,604
Local property taxes	2,319,556
State taxes and other revenues	648,429
Investment income - non-capital	54,257
Investment income - capital	47,618
Financial aid revenues-federal	7,656,821
Financial aid revenues-state	184,570
Financial aid expenses	(7,841,391)
Other non-operating revenues	<u>558</u>

Total non-operating revenues	<u>14,649,022</u>
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Income/(Loss) Before Other Revenues, Expenses, Gains or Losses	(641,431)
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OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

Grants and Contracts, Capital	
State	<u>8,931,212</u>

CHANGE IN NET ASSETS	8,289,781
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NET ASSETS

Net Assets - Beginning	<u>44,982,537</u>
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Net Assets - Ending	<u><u>\$ 53,272,318</u></u>
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See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

Cash Flows from Operating Activities

Tuition and fees	\$ 473,271
Federal grants and contracts	348,161
State grants and contracts	1,721,630
Local grants and contracts	174,432
Payments to suppliers	(2,773,063)
Payments for utilities	(468,975)
Payments to/on-behalf of employees	(14,195,362)
Payments to/on-behalf of students	(109,730)
Auxiliary enterprise sales and charges	621,405
Net cash provided by (used in) operating activities	(14,208,231)

Cash Flows from Non-capital Financing Activities

State apportionments and receipts	10,313,546
Property taxes	2,309,331
State taxes and other revenues	574,893
Financial aid, scholarship, loan trust receipts-federal	7,569,219
Financial aid, scholarship, loan trust receipts-state	184,570
Financial aid, scholarship, loan trust disbursements	(7,841,391)
Other receipts (payments)	558
Net cash provided by (used in) by non-capital financing activities	13,110,726

Cash Flows from Capital Financing Activities

State apportionments for capital purposes	5,447,298
Purchases of capital assets	(11,181,569)
Net cash provided by (used in) capital financing activities	(5,734,271)

Cash Flows from Investing Activities

Interest on investments	132,168
Net cash provided by (used in) investing activities	132,168

NET INCREASE IN CASH AND CASH EQUIVALENTS (6,699,608)

CASH AND CASH EQUIVALENTS

Beginning of year	16,728,036
End of year	\$ 10,028,428

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

Reconciliation of operating loss to cash used in operating activities

Operating loss	\$ (15,290,453)
Depreciation and amortization	799,446
(Increase) decrease in accounts receivable	(988,471)
(Increase) decrease in inventory	(5,679)
(Increase) decrease in other postemployment benefits (OPEB)	(108,059)
Increase (decrease) in accounts payable	1,415,716
Increase (decrease) in deferred revenues	30,262
Increase (decrease) in other liabilities	<u>(60,993)</u>
Net cash used in operating activities	<u>\$ (14,208,231)</u>

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Fiduciary Net Assets June 30, 2012

	ASB Trust Fund	Scholarship and Loan Trust Fund
ASSETS		
Cash and cash equivalents	\$ 80,163	\$ 123,529
Accounts Receivable	14,572	6,796
TOTAL ASSETS	\$ 94,735	\$ 130,325
LIABILITIES		
Due to student groups	\$ 91,658	\$ 130,325
Accounts Payable	3,077	-
LIABILITIES AND NET ASSETS	\$ 94,735	\$ 130,325

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, 2012

	ASB Trust Fund	Scholarship and Loan Trust Fund
ADDITIONS		
Student activities	\$ 59,671	\$ 88,645
Total Additions	59,671	88,645
DEDUCTIONS		
Student activities	76,989	118,222
CHANGE IN NET ASSETS	(17,318)	(29,577)
Net Assets - Beginning	108,976	159,902
Net Assets - Ending	\$ 91,658	\$ 130,325

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 – 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.

Component Unit

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District has no component units.

Basis of Presentation

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Financial Reporting

The basic financial statements required by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and including Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*, include a balance sheet, statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The District is considered a special-purpose government under the provisions of GASB Statement No. 35. Accordingly, the District has chosen to present its basic financial statements using the reporting model for special purpose governments engaged only in business-type activities. This model allows all financial information for the District to be reported in a single column. In accordance with the business-type activities reporting model, the District prepares its statements of cash flows using the direct method. The effect of internal activities between fund or groups of funds has been eliminated from these basic financial statements. The District’s operating revenues includes tuition, fees and federal and state revenues. Operating costs include cost of services as well as materials, contracts, personnel, and depreciation.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

Cash and Cash Equivalents

The District participates in the common investment pool of the County, which is stated at cost that approximates fair value. For purposes of the statement of cash flows, the District considers all cash and investments pooled with the County plus any other cash deposits or investments with initial maturities of three months or less to be cash and cash equivalents.

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

Bookstore, cafeteria, and supply inventories are recorded at cost on the first in-first out basis and expensed on the consumption method.

Restricted Cash and Cash Equivalents

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings, as well as renovations to buildings, infrastructures, and land improvements, that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50
Portable buildings	15
Land improvements	10
Equipment and vehicles	8
Technology equipment	3

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

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.

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
June 30, 2012

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, 2012.

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.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

Estimates

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

New Accounting Pronouncements

During the 2011-2012 fiscal year, the following GASB pronouncements became effective:

GASB Statement No. 62 – In December 2010, the GASB issued GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*”. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements”.

The Statement also supersedes Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*”, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

GASB Statement No. 63 – In June 2011, the GASB issued GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, “*Elements of Financial Statements*”, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*", and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

GASB Statement No. 64 – In June 2011, the GASB issued GASB Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*". The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments, as of June 30, 2012, consist of the following:

Business-type activities	\$ 9,586,919
Fiduciary funds	441,509
Total Cash and Investments	<u>\$ 10,028,428</u>
Cash on hand and in banks	\$ 849,297
Cash in County treasury	9,179,131
Total Cash and Investments	<u>\$ 10,028,428</u>

Policies and Practices

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

General Authorizations

The table below identifies the investment types authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Cash in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the San Bernardino County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool, as of June 30, 2012, as provided by the pool sponsor, was \$9,120,752, with an average maturity of 357 days. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

Credit Risk

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, but all public funds are invested in bonds or governmental backed (collateralized) securities at 110% on the amount of deposit.

Concentration of Credit Risk

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

NOTE 3 – RECEIVABLES

Receivables, at June 30, 2012, consist of the following and are considered collectible in full:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
General fund	\$ 193,431	\$ 4,521,165	\$ 644,670	\$ 5,359,266
ASB fund	-	-	12,002	12,002
Bookstore fund	-	-	39,974	39,974
Capital outlay fund	-	4,294,077	-	4,294,077
Financial aid fund	87,900	-	-	87,900
Scholarship fund	-	-	6,796	6,796
Other funds	-	-	2,774	2,774
	<u>\$ 281,331</u>	<u>\$ 8,815,242</u>	<u>\$ 706,216</u>	<u>\$ 9,802,789</u>

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

The following provides a summary of changes in capital assets for the year ended June 30, 2012:

Business-Type Activities	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012
Historical Cost				
Building	\$ 24,649,952	\$ 150,417	\$ -	\$ 24,800,369
Construction in progress	7,818,266	12,106,552	150,417	19,774,401
Furniture and equipment	1,530,402	21,234	10,100	1,541,536
Land	119,462	-	-	119,462
Site improvements	1,579,935	229,700	-	1,809,635
Total historical cost	35,698,017	12,507,903	160,517	48,045,403
Accumulated depreciation				
Building	6,735,562	667,520	-	7,403,082
Furniture and equipment	1,196,394	58,772	10,100	1,245,066
Site improvements	980,676	73,154	-	1,053,830
Total accumulated depreciation	8,912,632	799,446	10,100	9,701,978
CAPITAL ASSETS, NET	\$ 26,785,385	\$ 11,708,457	\$ 150,417	\$ 38,343,425

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable, at June 30, 2012, consisted of the following:

	Business-Type Activities	Fiduciary Funds	Total
Payroll	\$ 487,726	\$ -	\$ 487,726
Construction	3,050,244	-	3,050,244
Vendor payable	1,499,611	163,809	1,663,420
	\$ 5,037,581	\$ 163,809	\$ 5,201,390

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES

Long-term liabilities, for the fiscal year ended June 30, 2012, are summarized as follows:

	Balance July 01, 2011	Additions	Deductions	Due in One Year	Long-term Balance
Governmental Activities					
Compensated absences	\$ 403,401	\$ -	\$ 14,098	\$ 15,000	\$ 374,303

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, 2012, was \$182,263 and contributions made by the District during the year were \$285,376 which resulted in a net OPEB asset for 2012 of \$103,113. See Note 7 for additional information regarding the OPEB Obligation and the postemployment plan.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

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

	Faculty	Classified	Management
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. In fiscal year 2008-09, the District committed \$1,900,000 to the California Employers' Retiree Benefits Trust (CERBT) for the sole purpose of paying retiree health benefits.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	\$ 168,329
Interest on net OPEB obligation	(29,853)
Adjustment to annual required contribution	38,841
Annual OPEB cost (expense)	<u>177,317</u>
Contributions made	<u>(285,376)</u>
Increase in net OPEB obligation	(108,059)
Net OPEB obligation (asset), beginning of year	<u>(597,064)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (705,123)</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.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

In the June 30, 2011 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.67% 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, 2011, was 30 years. The actuarial value of assets held in the trust at June 30, 2011 was \$2,254,167.

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 (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description – The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy – Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-2012	\$ 464,577	100%
2010-2011	\$ 486,937	100%
2009-2010	\$ 484,964	100%

CalPERS

Plan Description – The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, California 94229-2703.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

June 30, 2012

Funding Policy – Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2011-12 was 10.923 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-2012	\$ 356,217	100%
2010-2011	\$ 327,628	100%
2009-2010	\$ 283,569	100%

Social Security

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

NOTE 9 – FUNCTIONAL EXPENSE

The District's general fund operating expenses by functional classifications, for the year ended June 30, 2012, are as follows:

	Salaries and Benefits	& Other Expenses & Services	Payments to Students	Total
Admissions and records	\$ 439,828	\$ 25,295	\$ 109,730	\$ 574,853
Ancillary services	710,522	171,080	-	881,602
Auxilliary operations	309,888	549,115	-	859,003
Community services and economic development	586,622	18,676	-	605,298
General institutional support services	1,492,487	916,030	-	2,408,517
Instructional activities	6,208,150	370,128	-	6,578,278
Instructional administration	949,620	87,616	-	1,037,236
Instructional support services	278,562	47,576	-	326,138
Physical property and acquisitions	449,804	297,214	-	747,018
Planning, policy making, coordination, general support	546,300	246,713	-	793,013
Plant operations and maintenance	490,896	613,052	-	1,103,948
Student services-counseling and guidance	741,015	49,971	-	790,986
Students services-other	1,077,168	205,059	-	1,282,227
	<u>\$ 14,280,862</u>	<u>\$ 3,597,525</u>	<u>\$ 109,730</u>	<u>17,988,117</u>
Depreciation expense				<u>799,446</u>
TOTAL				<u>\$ 18,787,563</u>

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

NOTE 10 – 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.

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, 2012.

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPAs) for its health and welfare benefits, workers' compensations benefits, and property/liability insurance. Refer to Note 12 for additional information regarding the JPAs.

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>
Purpose	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
Participants	School districts in southern California	Schools districts in southern California
Governing Board	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.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2012

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Postemployment Healthcare Benefits Funding Progress For the Fiscal Year Ended June 30, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 1, 2008	\$ -	\$ 1,672,836	\$ 1,672,836	0%	\$ 10,197,950	16.40%
August 1, 2010	\$ 2,073,366	\$ 2,702,072	\$ 628,706	76.73%	\$ 10,167,189	6.18%
June 30, 2011	\$ 2,254,167	\$ 2,694,694	\$ 440,527	83.65%	\$ 10,118,790	4.35%

See the accompanying note to the required supplementary information.

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Employer Contributions For the Fiscal Year Ended June 30, 2012

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 115,833	177.82%	\$ (458,196)
2011	\$ 173,275	180.14%	\$ (597,064)
2012	\$ 177,317	160.94%	\$ (705,123)

See the accompanying note to the required supplementary information.

BARSTOW COMMUNITY COLLEGE DISTRICT

Note to Required Supplementary Information
June 30, 2012

NOTE 1 – 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

BARSTOW COMMUNITY COLLEGE DISTRICT

History and Organization
June 30, 2012

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, 2012, were as follows:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Timothy T. Heiden	President	2014
Marcia E. Zableckis	Vice-President	2012
Philip M. Harris	Secretary	2014
Ted P. Baca	Member	2012
Fernando R. (Fred) Baca	Member	2012

DISTRICT ADMINISTRATION

Thom M. Armstrong, Ph.D.	District President
Bill Orr	Interim Vice-President: Academic Affairs
Virgil Stanford, Jr.	Vice-President: Administrative Services
Calvin Brinkerhoff	Vice-President: Student Affairs

See the accompanying note to the supplementary information.

BARSTOW COMMUNITY COLLEGE DISTRICTSchedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Federal Expenditures
U. S. Dept. of Education:		
Vocational and Applied Technology Education Act:	84.048	\$ 196,526
Student Financial Aid Cluster [1]:		
Pell	84.007	7,643,595
SEOG	84.032	75,655
Federal Workstudy	84.063	<u>125,141</u>
Total		8,040,917
U. S. Dept. of Health and Human Services:		
Temporary Assistance Needy Family	93.558	<u>17,596</u>
Total		<u>17,596</u>
Total Federal Expenditures		<u>\$ 8,058,513</u>

[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, 2012

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
Lottery	\$ 113,104	\$ -	\$ 22,831	90,273	\$ 90,273
Matriculation (Credit)	91,168	-	-	91,168	91,168
Extended Opportunity Program and Services (EOPS)	289,436	10,506	-	299,942	299,942
Cooperative Agencies Resources for Education (CARE)	68,902	2,615	25,006	46,511	46,511
Disabled Student Program and Services (DSPS)	137,410	-	-	137,410	137,410
Faculty & Staff Diversity	3,870	2,208	3,870	2,208	2,208
Child Development Training	7,500	-	-	7,500	7,500
Career Tech Education	560,143	462,140	691,926	330,357	330,357
Basic Skills Funding	90,000	106,899	119,446	77,453	77,453
Instructional Equipment and Library	-	63,311	24,921	38,390	38,390
Financial Aid Administration	181,926	72,115	3,699	250,342	250,342
Foster and Kinship Care Education	83,844	-	-	83,844	83,844
California Work Opportunity & Responsibility to Kids	111,516	14,350	12,544	113,322	113,322
	<u>\$ 1,738,819</u>	<u>\$ 734,144</u>	<u>\$ 904,243</u>	<u>\$ 1,568,720</u>	<u>\$ 1,568,720</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, 2012

	Reported Data
A. Summer Intersession (Summer 2011)	
1. Noncredit	5
2. Credit	5
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)	
1. Noncredit	4
2. Credit	1
C. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	827
(b) Daily Census Contact Hours	465
2. Actual Hours of Attendance	
(a) Noncredit	58
(b) Credit	5
3. Alternative Attendance Accounting Procedure	
(a) Weekly Census Contact Hours	-
(b) Daily Census Contact Hours	998
(c) Noncredit Independent Study/Distance Education Courses	-
D. Total FTES	2,368
Supplemental Information (subset of above information)	
E. In-Service Training Courses	-
H. Basic Skills Courses & Immigrant Education	
1. Noncredit	5
2. Credit	234

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, 2012

	<u>General Fund</u>	<u>Bookstore Fund</u>	<u>Capital Outlay Fund</u>	<u>Self Insurance Fund</u>	<u>Trust Funds</u>
FUND BALANCE					
June 30, 2012, Annual Financial & Budget Report (Form CCFS-311) Fund Balances	<u>\$ 4,663,977</u>	<u>\$ 236,958</u>	<u>\$ 9,546,952</u>	<u>\$ 164,369</u>	<u>\$ 108,976</u>
 Audited financial statements fund balance	<u>\$ 4,663,977</u>	<u>\$ 236,958</u>	<u>\$ 9,546,952</u>	<u>\$ 164,369</u>	<u>\$ 108,976</u>

See the accompanying note to supplementary information

BARSTOW COMMUNITY COLLEGE DISTRICT

Note to Supplementary Information
June 30, 2012

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, 2012, 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

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

The Board of Trustees
Barstow Community College District
Barstow, California

We have audited the financial statements of the business-type activities that comprise the basic financial statements of Barstow Community College District (the "District"), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

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 Board of Trustees
Barstow Community College District

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. However, this report is a matter of public record and its distribution is not limited.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 19, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Trustees
Barstow Community College District
Barstow, California

Compliance

We have audited the compliance of Barstow Community College District (the "District") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of the District's major federal programs for the year ended June 30, 2012. 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, 2012.

Internal Control Over Compliance

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 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

The Board of Trustees
Barstow Community College District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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. However, this report is a matter of public record and its distribution is not limited.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 19, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Barstow Community College District
Barstow, California

We have audited the financial statements of the business-type activities of Barstow Community College District, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012.

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 Fees

- 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 Fees

The Board of Trustees
Barstow Community College District

Student Services

Matriculation:

- Uses of Matriculation Funds

CalWORKS

- Use of State and Federal TANF Funding

Special Programs

Extended Opportunity Programs and Services (EOPS):

- Allocation of Costs

Disabled Student Program and Services (DSPS):

- Allocation of Costs

Facilities

- Scheduled Maintenance Programs

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Barstow Community College District complied with the compliance requirements for the state programs listed and tested above, as shown in the Findings and Recommendations Section on the Schedule of State Awards Findings and Questioned Costs. 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 not 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. However, this report is a matter of public record and its distribution is not limited.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 19, 2012

FINDINGS AND RECOMMENDATIONS

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs June 30, 2012

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
June 30, 2012

SECTION 2 – FINANCIAL STATEMENT FINDINGS

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
June 30, 2012

SECTION 3 – FEDERAL AWARDS FINDINGS

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
June 30, 2012

SECTION 4 – STATE AWARDS FINDINGS

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Status of Prior Year Findings and Questioned Costs
June 30, 2012

FINANCIAL STATEMENT FINDINGS

2011-1 TUITION AND FEES ACCOUNTS RECEIVABLE

Finding The College is required to maintain complete and accurate records of student accounts receivable, including tuition and other fees. The College did not have the ability, through their accounting system, to accurately report the total amount of student accounts receivable.

Recommendation Because the College may inaccurately report their tuition and fees revenue without the proper amounts of tuition and fees receivable, this could potentially result in a material misstatement of the College's financial statements. The auditor recommended that the College either purchase the accounting software needed to produce this information, or develop in-house reporting capabilities to properly report these amounts.

Current Status Implemented.

FEDERAL AWARDS FINDINGS

There were no prior year findings or questioned costs.

STATE AWARDS FINDINGS

There were no prior year findings or questioned costs.