

**BARSTOW COMMUNITY
COLLEGE DISTRICT**

**County of San Bernardino
Barstow, California**

**REPORT ON AUDIT
June 30, 2013**

BARSTOW COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Barstow Community College District
Barstow, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Barstow Community College District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Barstow Community College District, as of June 30, 2013, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 7 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 34, be presented to supplement the basic financial statements. Such information, although not a required 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Board of Trustees
Barstow Community College District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 23, 2013, on our consideration of Barstow Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 23, 2013

BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis
June 30, 2013

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, 2013.

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, 2013. 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 Position*; the *Statement of Revenues, Expenses and Changes in Net Position*; and the *Statement of Cash Flows*.

Statement of Net Position

The *Statement of Net Position* presents information on the District's assets and liabilities, with the difference between the two reported as net position. 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, 2013 fiscal year ended with an increase in total net position of \$2,617,491 to a grand total of \$55,892,263.

| | Governmental Activities | | |
|---------------------------|-------------------------|----------------------|---------------------|
| | 2013 | 2012 | Net Change |
| ASSETS | | | |
| Current assets | \$ 19,323,741 | \$ 20,096,133 | \$ (772,392) |
| Non-current assets | 44,125,112 | 39,048,548 | 5,076,564 |
| Total Assets | <u>63,448,853</u> | <u>59,144,681</u> | <u>4,304,172</u> |
| LIABILITIES | | | |
| Current liabilities | 7,202,322 | 5,498,060 | 1,704,262 |
| Non-current liabilities | 356,722 | 374,303 | (17,581) |
| Total Liabilities | <u>7,559,044</u> | <u>5,872,363</u> | <u>1,686,681</u> |
| Total Net Position | <u>\$ 55,889,809</u> | <u>\$ 53,272,318</u> | <u>\$ 2,617,491</u> |

The District's financial position, as a whole, was positive. During the fiscal year ending June 30, 2013, the total net position increased \$2,617,491 from the previous year. The passage of Prop 39 and a slow but steady improvement in the State's economy has improved the outlook for the College. Accounts receivable have declined, in part due to a decline in the amount of state revenues that are deferred. Liabilities have gone up as a result of borrowing resulting from intra year deferrals; however, we expect the amount of intra and inter year deferrals to continue to decline and put the college in a better cash position overall. With the State providing COLA in fiscal year 2014, additional funding coming from the Student Success Program, and with some one time funding for instructional equipment and scheduled maintenance, the future is beginning to brighten.

BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis
June 30, 2013

Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 | | |
|---------------------------------|-------------------------|----------------------|---------------------|
| | 2013 | 2012 | Net Change |
| Revenues | | | |
| Operating revenues | \$ 2,984,270 | \$ 3,497,110 | \$ (512,840) |
| Non-operating revenues | 22,210,993 | 22,490,413 | (279,420) |
| Other revenues | 2,831,698 | 8,931,212 | (6,099,514) |
| Total Revenues | <u>28,026,961</u> | <u>34,918,735</u> | <u>(6,891,774)</u> |
| Expenses | | | |
| Operating expenses | 17,094,956 | 17,988,117 | 893,161 |
| Non-operating expenses | 7,492,408 | 7,841,391 | 348,983 |
| Depreciation | 822,106 | 799,446 | (22,660) |
| Total Expenses | <u>25,409,470</u> | <u>26,628,954</u> | <u>1,219,484</u> |
| Change in Net Position | 2,617,491 | 8,289,781 | (5,672,290) |
| Net Position - Beginning | <u>53,272,318</u> | <u>44,982,537</u> | <u>8,289,781</u> |
| Net Position - Ending | <u>\$ 55,889,809</u> | <u>\$ 53,272,318</u> | <u>\$ 2,617,491</u> |

The Statement of Revenues, Expenses, and Changes in Net Position reflect a positive year due to state apportionments for capital projects, specifically the performing arts center. Operating revenues decreased by \$512,840, but operating expenses also decreased by \$895,615. Non-operating revenues and expenses both decreased. Other revenues, which consist primarily of state apportionments for capital projects, were down \$6,099,514 as the performing arts center project slowed.

BARSTOW COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis
June 30, 2013

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, 2013, was \$12,525,430.

The District's Fiduciary Responsibility

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

Capital Assets

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

| | Governmental Activities | | |
|--|-------------------------|----------------------|---------------------|
| | 2013 | 2012 | Net Change |
| Land, site improvements and construction in progress | \$ 27,480,371 | \$ 21,703,498 | \$ 5,776,873 |
| Buildings and equipment | 26,423,049 | 26,341,905 | 81,144 |
| Accumulated depreciation | (10,524,084) | (9,701,978) | (822,106) |
| Total Capital Assets | \$ 43,379,336 | \$ 38,343,425 | \$ 5,035,911 |

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, 2013

Debt

At June 30, 2013 the District had \$356,722 in long-term debt. A comparison of long-term debt is summarized below:

| | Governmental Activities | | |
|------------------------------------|-------------------------|-------------------|--------------------|
| | 2013 | 2012 | Net Change |
| Compensated absences | \$ 356,722 | \$ 374,303 | \$ (17,581) |
| Total Long-term Liabilities | \$ 356,722 | \$ 374,303 | \$ (17,581) |

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. However, in fiscal year 2013, revenues exceeded expenditures in the unrestricted general fund. This was partly the result of the passage of Prop 39, which allowed the State to restore \$149,500 in previous cuts and a number of personnel vacancies resulted in a reduction in expected expenditures. The District reserves have increased as a result of these savings in personnel costs and a result of receiving the restoration revenue. Overall, the outlook for the State is improving at this time and the worst appears to be behind us.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Net Position June 30, 2013

ASSETS

Current assets:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 10,451,380 |
| Accounts receivable | 8,633,466 |
| Stores inventory | <u>238,895</u> |

Total current assets 19,323,741

Non-Current assets:

| | |
|---|-------------------|
| Other postemployment benefits other than pensions (OPEB) asset | 745,776 |
| Fixed assets, net | <u>43,379,336</u> |

Total non-current assets 44,125,112

TOTAL ASSETS \$ 63,448,853

LIABILITIES

Current liabilities:

| | |
|--------------------------------------|---------------|
| Current liabilities | \$ 4,222,683 |
| Current loans | 2,910,000 |
| Compensated absences-current portion | 15,000 |
| Deferred revenue | <u>54,639</u> |

Total current liabilities 7,202,322

Compensated absences payable - non-current portion 356,722

TOTAL LIABILITIES 7,559,044

NET POSITION

Invested in capital assets 43,379,336

Restricted for:

| | |
|------------------|-----------|
| Capital projects | 7,329,771 |
| Other activities | 896,028 |

Unrestricted 4,284,674

TOTAL NET POSITION 55,889,809

TOTAL LIABILITIES AND NET POSITION \$ 63,448,853

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2013

OPERATING REVENUES

| | |
|--|--------------------|
| Tuition and fees | \$ 3,210,717 |
| Less: Scholarship discounts and allowances | <u>(2,520,547)</u> |
| Net Tuition and Fees | 690,170 |
| Grants and contracts | |
| Federal | 388,158 |
| State | 1,127,436 |
| Local | 59,455 |
| Auxiliary enterprise sales and charges | <u>719,051</u> |
| Total Operating Revenues | 2,984,270 |

OPERATING EXPENSES

| | |
|---|--------------------------|
| Salaries | 9,706,829 |
| Benefits | 3,381,694 |
| Payments to students | 125,677 |
| Supplies, materials, and other expenses | 3,366,852 |
| Utilities | 513,904 |
| Depreciation | <u>822,106</u> |
| Total Operating Expenses | <u>17,917,062</u> |

| | |
|--------------------------------|---------------------|
| OPERATING INCOME/(LOSS) | (14,932,792) |
|--------------------------------|---------------------|

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Revenues, Expenses and Changes in Net Position, Continued For the Fiscal Year Ended June 30, 2013

NON-OPERATING REVENUES/(EXPENSES)

| | |
|-----------------------------------|-------------|
| State apportionments, non-capital | 11,956,162 |
| Local property taxes | 2,385,008 |
| State taxes and other revenues | 249,257 |
| Investment income - non-capital | 115,398 |
| Investment income - capital | 12,139 |
| Financial aid revenues-federal | 7,317,304 |
| Financial aid revenues-state | 175,104 |
| Financial aid expenses | (7,492,408) |
| Other non-operating revenues | <u>621</u> |

| | |
|-------------------------------------|--------------------------|
| Total non-operating revenues | <u>14,718,585</u> |
|-------------------------------------|--------------------------|

| | |
|---|------------------|
| Income/(Loss) Before Other Revenues, Expenses, Gains or Losses | (214,207) |
|---|------------------|

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

| | |
|-------------------------------|------------------|
| Grants and Contracts, capital | |
| State | <u>2,831,698</u> |

| | |
|-------------------------------|------------------|
| CHANGE IN NET POSITION | 2,617,491 |
|-------------------------------|------------------|

NET POSITION

| | |
|---------------------------------|--------------------------|
| Net Position - Beginning | <u>53,272,318</u> |
|---------------------------------|--------------------------|

| | |
|------------------------------|------------------------------------|
| Net Position - Ending | <u><u>\$ 55,889,809</u></u> |
|------------------------------|------------------------------------|

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows For the Fiscal Year Ended June 30, 2013

Cash Flows from Operating Activities

| | |
|---|--------------|
| Tuition and fees | \$ 786,842 |
| Federal grants and contracts | 379,800 |
| State grants and contracts | 980,072 |
| Local grants and contracts | 42,025 |
| Payments to suppliers | (2,682,107) |
| Payments for utilities | (503,904) |
| Payments to/on-behalf of employees | (12,108,237) |
| Payments to/on-behalf of students | (137,472) |
| Auxiliary enterprise sales and charges | 717,551 |
| Net cash provided by (used in) operating activities | (12,525,430) |

Cash Flows from Non-capital Financing Activities

| | |
|--|-------------|
| State apportionments and receipts | 11,808,289 |
| Property taxes | 2,540,107 |
| State taxes and other revenues | 521,160 |
| Financial aid, scholarship, loan trust receipts-federal | 6,741,686 |
| Financial aid, scholarship, loan trust receipts-state | 175,104 |
| Financial aid, scholarship, loan trust disbursements | (7,492,408) |
| Other receipts (payments) | 2,494 |
| Net cash provided by (used in) by non-capital financing activities | 14,296,432 |

Cash Flows from Capital Financing Activities

| | |
|---|-------------|
| State apportionments for capital purposes | 4,590,614 |
| Purchases of capital assets | (5,858,017) |
| Net cash provided by (used in) capital financing activities | (1,267,403) |

Cash Flows from Investing Activities

| | |
|---|---------|
| Interest on investments | 123,044 |
| Net cash provided by (used in) investing activities | 123,044 |

NET INCREASE IN CASH AND CASH EQUIVALENTS 626,643

CASH AND CASH EQUIVALENTS

| | |
|-------------------|---------------|
| Beginning of year | 9,824,737 |
| End of year | \$ 10,451,380 |

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows, Continued For the Fiscal Year Ended June 30, 2013

Reconciliation of operating loss to cash used in operating activities

| | |
|---|-------------------------------|
| Operating loss | \$ (14,932,792) |
| Depreciation and amortization | 822,106 |
| (Increase) decrease in accounts receivable | (311,857) |
| (Increase) decrease in inventory | 26,021 |
| (Increase) decrease in other postemployment benefits (OPEB) | (40,653) |
| Increase (decrease) in accounts payable | (975,626) |
| Increase (decrease) in deferred revenues | (5,048) |
| Increase (decrease) in current loans | 2,910,000 |
| Increase (decrease) in other liabilities | <u>(17,581)</u> |
| Net cash used in operating activities | <u>\$ (12,525,430)</u> |

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Statements of Fiduciary Net Position
June 30, 2013

| | ASB Trust Fund | Scholarship and Loan Trust Fund |
|---------------------------------|---------------------------|--|
| ASSETS | | |
| Cash and cash equivalents | \$ 96,001 | \$ 151,322 |
| Accounts Receivable | 4,294 | 13,910 |
| TOTAL ASSETS | \$ 100,295 | \$ 165,232 |
| LIABILITIES | | |
| Due to student groups | \$ 94,341 | \$ 165,107 |
| Accounts Payable | 5,954 | 125 |
| LIABILITIES AND POSITION | \$ 100,295 | \$ 165,232 |

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Statements of Changes in Fiduciary Net Position For the Fiscal Year Ended June 30, 2013

| | ASB Trust Fund | Scholarship and Loan Trust Fund |
|---------------------------------|---------------------------|--|
| ADDITIONS | | |
| Student activities | \$ 57,452 | \$ 127,407 |
| Total Additions | 57,452 | 127,407 |
| DEDUCTIONS | | |
| Student activities | 54,769 | 92,500 |
| CHANGE IN NET POSITION | 2,683 | 34,907 |
| Net Position - Beginning | 91,658 | 130,325 |
| Net Position - Ending | \$ 94,341 | \$ 165,232 |

See the accompanying notes to the financial statements.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

NOTE 1 – ORGANIZATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The basic criteria for including a component unit are: (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity’s resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District’s assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District’s policies comply with the California Community Colleges Chancellor’s Office Budget and Accounting Manual. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlement recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are incurred to provide instructional services including support costs and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred; when goods are received or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. This District has elected to not apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities, as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statements of Net Position – Primary Government
 - Statements of Revenues, Expenses, and Changes in Net Position – Primary Government
 - Statements of Cash Flows – Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statements of Fiduciary Net Position
 - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2013 are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

Restricted Assets

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

Accounts Receivable

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

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

Accrued Liabilities and Long-term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Compensated Absences

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

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

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.

Noncurrent Liabilities

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

Net Position

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

Invested in capital assets, net of related debt – This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted – Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

Unrestricted – Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Any prior year corrections due to the recalculation in February 2013 will be recorded in the year computed by the State.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The District reports real and personal property tax revenues in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has been accrued in these financial statements to reflect the amount of property taxes receivable as of June 30, 2013.

Board of Governors Grants (BOGG) and Fee Waivers

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

Federal Financial Assistance Program

The District participates in federally funded Pell Grants, SEOG grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is reported as other revenue. The amount reported as other revenue represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

On-Behalf Payments

GASB Statement 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

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.

Estimates

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

Interfund Activity

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

New Accounting Pronouncements

During the 2012-2013 fiscal year, the following GASB pronouncements became effective:

GASB Statement No. 65 – In March 2012, the GASB issued GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities”*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of the Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession agreement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in the financial statement presentations.

The provisions of GASB Statement No. 65 are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 66 – In March, 2012, the GASB issued GASB Statement No. 66, *Technical Corrections 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The provisions of GASB Statement No. 66 are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 67 – In June, 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB Statement No. 67 is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

GASB Statement No. 68 – In June, 2012, the GASB issued GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*”. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

GASB Statement No. 69 – In January, 2013, the GASB issued GASB Statement No. 69, “*Government Combinations and Disposals of Government Operations*”. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term “*government combinations*” includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The requirements of GASB Statement No. 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

GASB Statement No. 70 – In April, 2013, the GASB issued GASB Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The provisions of GASB Statement No. 70 are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Cash and investments, as of June 30, 2013, consist of the following:

| | |
|----------------------------|----------------------|
| Business-type activities | \$ 10,451,379 |
| Fiduciary funds | 247,323 |
| Total Cash and Investments | <u>\$ 10,698,702</u> |

| | |
|----------------------------|----------------------|
| Cash on hand and in banks | \$ 468,359 |
| Cash in County treasury | 10,230,343 |
| Total Cash and Investments | <u>\$ 10,698,702</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, 2013

Investment in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the San Bernardino County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool, as of June 30, 2013, as provided by the pool sponsor, was \$10,210,820, with an average maturity of 381 days. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

General Authorizations

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

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

Interest Rate Risk

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

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 4 – RECEIVABLES

Receivables, at June 30, 2013, consist of the following and are considered collectible in full:

| | <u>Federal</u> | <u>State</u> | <u>Other</u> | <u>Total</u> |
|---------------------|-------------------|---------------------|---------------------|---------------------|
| General fund | \$ 201,789 | \$ 4,652,195 | \$ 271,277 | \$ 5,125,261 |
| ASB fund | - | - | 4,294 | 4,294 |
| Bookstore fund | - | - | 109,173 | 109,173 |
| Capital outlay fund | - | 1,724,994 | 1,010,395 | 2,735,389 |
| Financial aid fund | 663,518 | - | - | 663,518 |
| Scholarship fund | - | - | 13,910 | 13,910 |
| Other funds | - | - | 125 | 125 |
| | <u>\$ 865,307</u> | <u>\$ 6,377,189</u> | <u>\$ 1,409,174</u> | <u>\$ 8,651,670</u> |

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

The following provides a summary of changes in capital assets for the year ended June 30, 2013:

| Business-Type Activities | Balance July 01, 2012 | Additions | Deductions | Balance June 30, 2013 |
|---------------------------------|----------------------------------|---------------------|-------------------|----------------------------------|
| Historical Cost | | | | |
| Building | \$ 24,800,369 | \$ - | \$ - | \$ 24,800,369 |
| Construction in progress | 19,774,401 | 5,752,120 | - | 25,526,521 |
| Furniture and equipment | 1,541,536 | 81,144 | - | 1,622,680 |
| Land | 119,462 | - | - | 119,462 |
| Site improvements | 1,809,635 | 24,753 | - | 1,834,388 |
| Total historical cost | 48,045,403 | 5,858,017 | - | 53,903,420 |
| Accumulated depreciation | | | | |
| Building | 7,403,082 | 654,851 | - | 8,057,933 |
| Furniture and equipment | 1,245,066 | 61,010 | - | 1,306,076 |
| Site improvements | 1,053,830 | 106,245 | - | 1,160,075 |
| Total accumulated depreciation | 9,701,978 | 822,106 | - | 10,524,084 |
| CAPITAL ASSETS, NET | \$ 38,343,425 | \$ 5,035,911 | \$ - | \$ 43,379,336 |

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable, at June 30, 2013, consisted of the following:

| | Business-Type Activities | Fiduciary Funds | Total |
|----------------|-------------------------------------|----------------------------|---------------------|
| Payroll | \$ 420,866 | \$ - | \$ 420,866 |
| Construction | 1,513,387 | - | 1,513,387 |
| Vendor payable | 1,504,408 | 790,101 | 2,294,509 |
| | \$ 3,438,661 | \$ 790,101 | \$ 4,228,762 |

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

NOTE 7 – INTERFUND TRANSFERS

Interfund Receivables and Payables (Due To/Due From)

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

Interfund Operating Transfers

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

NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES

In August, 2012, the District issued \$2,500,000 Tax and Revenue Anticipation Notes bearing interest at 2%. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2013. The total outstanding Tax and Revenue Anticipation Notes of \$2,500,000 were paid in full to the fiscal agent on May 26, 2013.

In March, 2013 the District issued \$2,910,000 Tax and Revenue Anticipation Notes bearing interest at 2%. The notes were issued to supplement cash flows. Interest and principal are due and payable on December 31, 2013. Repayment requires that a percentage of principal and interest be deposited with the fiscal agent until 100% of the total principal and interest is due at maturity on December 31, 2013. As of June 30, 2013, the Tax and Revenue Anticipation Notes of \$2,910,000 and the related accrued interest and cash held in trust, are included in these financial statements.

| | Outstanding Beginning of Year | Additions | Deletions | Outstanding Ending of Year |
|---------------------------------|-------------------------------------|--------------|--------------|----------------------------------|
| 2012-2013 2.00% TRANS, Series A | \$ - | \$ 2,500,000 | \$ 2,500,000 | \$ - |
| 2012-2013 2.00% TRANS, Series G | \$ - | \$ 2,910,000 | \$ - | \$ 2,910,000 |

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

NOTE 9 – LONG-TERM OBLIGATIONS

Summary

Long-term liabilities, for the fiscal year ended June 30, 2013, are summarized as follows:

| | Balance July 01, 2012 | Additions | Deductions | Due in One Year | Long-term Balance |
|--------------------------------|--------------------------|-----------|------------|--------------------|----------------------|
| Governmental Activities | | | | | |
| Compensated absences | \$ 389,303 | \$ - | \$ 17,581 | \$ 15,000 | \$ 356,722 |

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, 2013, was \$178,943 and contributions made by the District during the year were \$219,596 which resulted in a net OPEB asset for 2013 of \$40,653. See Note 10 for additional information regarding the OPEB Obligation and the postemployment plan.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Description

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

| | 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 |

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

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.

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 | (35,256) |
| Adjustment to annual required contribution | 45,870 |
| Annual OPEB cost (expense) | 178,943 |
| Contributions made | (219,596) |
| Increase in net OPEB obligation | (40,653) |
| Net OPEB obligation (asset), beginning of year | (705,123) |
| Net OPEB obligation (asset), end of year | <u>\$ (745,776)</u> |

Trend Information

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

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed | Net OPEB Obligation |
|------------------------|---------------------------------|---------------------------|------------------------|
| 2011 | \$ 173,275 | 180.14% | \$ (597,064) |
| 2012 | \$ 177,317 | 160.94% | \$ (705,123) |
| 2013 | \$ 178,943 | 122.72% | \$ (745,776) |

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

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 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, 2012 was 29 years. The actuarial value of assets held in the trust at June 30, 2013 was \$3,060,546.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

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

Funding Policy – Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

The District's contributions to CalSTRS for the last three fiscal years were as follows:

| | Contribution | Percent of Required Contribution |
|-----------|--------------|-------------------------------------|
| 2012-2013 | \$ 413,591 | 100% |
| 2011-2012 | \$ 464,577 | 100% |
| 2010-2011 | \$ 486,937 | 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.

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 2012-13 was 11.417 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 |
|-----------|--------------|-------------------------------------|
| 2012-2013 | \$ 404,558 | 100% |
| 2011-2012 | \$ 356,217 | 100% |
| 2010-2011 | \$ 327,628 | 100% |

Social Security

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

NOTE 12 – FUNCTIONAL EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net position for the year ended June 30, 2013.

| | Salaries and Benefits | Supplies, Materials & Other Expenses & Services | Payments to Students | Depreciation | Total |
|---|--------------------------|---|-------------------------|-------------------|----------------------|
| 6200 Admissions and records | \$ 418,376 | \$ 25,629 | \$ 125,677 | \$ - | \$ 569,682 |
| 6900 Ancillary services | 612,768 | 171,912 | - | - | 784,680 |
| 7000 Auxilliary operations | 189,590 | 739,494 | - | - | 929,084 |
| 6800 Community services and economic development | 664,220 | 85,406 | - | - | 749,626 |
| 6700 General institutional support services | 1,446,660 | 812,982 | - | - | 2,259,642 |
| 5900 Instructional activities | 5,475,994 | 563,465 | - | - | 6,039,459 |
| 6000 Instructional administration | 946,582 | 84,868 | - | - | 1,031,450 |
| 6100 Instructional support services | 284,520 | 37,835 | - | - | 322,355 |
| 7100 Physical property and acquisitions | 439,276 | 109,132 | - | - | 548,408 |
| 6600 Planning, policy making, coordination, general support | 473,870 | 155,623 | - | - | 629,493 |
| 6500 Plant operations and maintenance | 517,139 | 709,007 | - | - | 1,226,146 |
| 6300 Student services-counseling and guidance | 621,664 | 36,218 | - | - | 657,882 |
| 6400 Students services-other | 997,864 | 270,366 | - | - | 1,268,230 |
| Other outgo | - | 76,365 | - | - | 76,365 |
| Depreciation Expense | - | - | - | 822,106 | 822,106 |
| | <u>\$ 13,088,523</u> | <u>\$ 3,878,302</u> | <u>\$ 125,677</u> | <u>\$ 822,106</u> | <u>\$ 17,914,608</u> |

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District may be involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPAs) for its health and welfare benefits, workers' compensations benefits, and property/liability insurance. Refer to Note 15 for additional information regarding the JPAs.

BARSTOW COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements
June 30, 2013

NOTE 15 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

During the year ended June 30, 2013, the District made the following payments to each JPA:

| <u>Joint Powers Authority</u> | <u>2013 Payments</u> |
|-------------------------------|----------------------|
| SCRSM | \$ 80,100 |

REQUIRED SUPPLEMENTARY INFORMATION

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Other Postemployment Benefits (OPEB) Funding Progress For the Fiscal Year Ended June 30, 2013

| <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

Note to Required Supplementary Information
June 30, 2013

Schedule of Postemployment Benefits (OPEB) 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.

SUPPLEMENTARY INFORMATION

BARSTOW COMMUNITY COLLEGE DISTRICT

History and Organization
June 30, 2013

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, 2013, were as follows:

| <u>Member</u> | <u>Office</u> | <u>Term Expires</u> |
|-------------------------|----------------|---------------------|
| Timothy T. Heiden | President | 2014 |
| Marcia E. Zableckis | Vice-President | 2016 |
| Philip M. Harris | Secretary | 2014 |
| Ted P. Baca | Member | 2016 |
| Fernando R. (Fred) Baca | Member | 2016 |

DISTRICT ADMINISTRATION

| | |
|----------------------|---|
| Dr. Debbie DiThomas | District President |
| Stephen Eaton | Vice-President: Academic Affairs |
| Virgil Stanford, Jr. | Vice-President: Administrative Services |
| James Daniels | Vice-President: Student Services |

See the accompanying note to the supplementary information.

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2013

| Federal Grantor/Pass-Through Grantor/Program or Cluster | CFDA Number | Pass Through Identifying Number | Federal Expenditures |
|---|------------------------|--|---------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Student Financial Aid Cluster [1]: | | | |
| Pell | 84.007 | | 7,124,264 |
| SEOG | 84.032 | | 88,322 |
| Federal Workstudy | 84.063 | | 104,718 |
| Subtotal of the Student Financial Aid Cluster | | | <u>7,317,304</u> |
| CAREER & TECHNICAL EDUCATION ACT passed through from the California Community College Chancellors Office Career and Technical Education, Title IC | 84.048 | * | <u>191,887</u> |
| Total U.S. Department of Education | | | 7,509,191 |
| U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES | | | |
| Passed through from the California Community College Chancellors Office Temporary Assistance to Needy Families (TANF) | 93.558 | * | <u>31,614</u> |
| Total U.S. Department of Health & Human Services | | | 31,614 |
| Total Federal Expenditures | | | <u><u>\$ 7,540,805</u></u> |

[1]: Major Program

* Pass through Identifying Number not available

See the accompanying note to the supplementary information.

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of State Awards For the Fiscal Year Ended June 30, 2013

| Program Name | Program Revenues | | | Total | Total Program Expenditures |
|--|---------------------|------------------------|--------------------|---------------------|----------------------------------|
| | Cash Received | Accounts Receivable | Deferred Income | | |
| Lottery | \$ 68,051 | \$ - | \$ - | 68,051 | \$ 68,051 |
| Matriculation (Credit) | 90,727 | - | - | 90,727 | 90,727 |
| Extended Opportunity Program and Services (EOPS) | 292,485 | - | - | 292,485 | 292,485 |
| Cooperative Agencies Resources for Education (CARE) | 49,798 | - | 918 | 48,880 | 48,880 |
| Disabled Student Program and Services (DSPS) | 131,735 | - | - | 131,735 | 131,735 |
| Faculty & Staff Diversity | 3,870 | 3,870 | 3,650 | 4,090 | 4,090 |
| Child Development Training | 7,500 | - | - | 7,500 | 7,500 |
| Career Tech Education | 2,887 | 641,459 | 312,164 | 332,182 | 332,182 |
| Basic Skills Funding | 90,000 | 119,446 | 138,207 | 71,239 | 71,239 |
| Instructional Equipment and Library | - | 24,922 | 7,328 | 17,594 | 17,594 |
| Financial Aid Administration | 200,451 | 3,699 | 2,504 | 201,646 | 201,646 |
| Foster and Kinship Care Education | 124,132 | - | - | 124,132 | 124,132 |
| California Work Opportunity & Responsibility to Kids | 124,221 | - | 8,729 | 115,492 | 115,492 |
| | <u>\$ 1,185,857</u> | <u>\$ 793,396</u> | <u>\$ 473,500</u> | <u>\$ 1,505,753</u> | <u>\$ 1,505,753</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, 2013

| | Reported Data |
|---|------------------|
| A. Summer Intersession (Summer 2012) | |
| 1. Noncredit | 1 |
| 2. Credit | 222 |
| B. Summer Intersession (Summer 2013 - Prior to July 1, 2013) | |
| 1. Noncredit | 2 |
| 2. Credit | 1 |
| C. Primary Terms (Exclusive of Summer Intersession) | |
| 1. Census Procedure Courses | |
| (a) Weekly Census Contact Hours | 785 |
| (b) Daily Census Contact Hours | 381 |
| 2. Actual Hours of Attendance | |
| (a) Noncredit | 54 |
| (b) Credit | 6 |
| 3. Alternative Attendance Accounting Procedure | |
| (a) Weekly Census Contact Hours | - |
| (b) Daily Census Contact Hours | 1,028 |
| (c) Noncredit Independent Study/Distance Education Courses | - |
| D. Total FTES | 2,480 |
| Supplemental Information (subset of above information) | |
| E. In-Service Training Courses | - |
| H. Basic Skills Courses & Immigrant Education | |
| 1. Noncredit | 55 |
| 2. Credit | 200 |

See the accompanying note to supplementary information.

BARSTOW COMMUNITY COLLEGE DISTRICT

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation For the Fiscal Year Ended June 30, 2013

| | | ESC 84362 A Instructionalf Salary Cost AC 0100 - and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|--|-----------------|--|---------------------|-----------------|--|---------------------|-----------------|
| | Object Codes | Reported Data | Audit Adjustment | Revised Data | Reported Data | Audit Adjustment | Revised Data |
| ACADEMIC SALARIES | | | | | | | |
| Instructional Salaries | | | | | | | |
| Contract or Regular | 1100 | \$ 2,193,007 | | \$ 2,193,007 | \$ 2,193,007 | | \$ 2,193,007 |
| Other | 1300 | 1,750,472 | | 1,750,472 | 1,750,472 | | 1,750,472 |
| Total Instructional Salaries | | 3,943,479 | | 3,943,479 | 3,943,479 | | 3,943,479 |
| Non-Instructional Salaries | | | | | | | |
| Contract or Regular | 1200 | | | | 828,066 | | 828,066 |
| Other | 1400 | | | | 50,680 | | 50,680 |
| Total Non-Instructional Salaries | | 0 | | | 878,746 | | 878,746 |
| Total Academic Salaries | | 3,943,479 | | 3,943,479 | 4,822,225 | | 4,822,225 |
| | | | | | | | |
| CLASSIFIED SALARIES | | | | | | | |
| Non-Instructional Salaries | | | | | | | |
| Regular Status | 2100 | | | | 1,624,350 | | 1,624,350 |
| Other | 2300 | | | | 148,546 | | 148,546 |
| Total Non-Instructional Salaries | | 0 | | | 1,772,896 | | 1,772,896 |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 315,081 | | 315,081 | 315,081 | | 315,081 |
| Other | 2400 | 96,739 | | 96,739 | 96,739 | | 96,739 |
| Total Instructional Aides | | 411,820 | | 411,820 | 411,820 | | 711,820 |
| Total Classified Salaries | | 411,820 | | 411,820 | 2,184,716 | | 2,184,716 |
| | | | | | | | |
| Employee Benefits | 3000 | 1,056,230 | | 1,056,230 | 2,497,491 | | 2,497,491 |
| Supplies and Materials | 4000 | | | | 177,428 | | 177,428 |
| Other Operating Expenses | 5000 | | | | 1,848,010 | | 1,848,010 |
| Equipment Replacement | 6420 | | | | | | |
| | | | | | | | |
| Total Expenditures Prior to Exclusions | | 5,411,529 | | 5,411,529 | 11,529,870 | | 11,529,870 |
| Activities to Exclude | | | | | | | |
| Instructional Staff - | | | | | | | |
| Retirees' Benefits and Retirement Incentives | 5900 | 31,206 | | 31,206 | 31,206 | | 31,206 |
| Student Health Services Above Amount Collected | 6441 | | | | | | |
| Student Transportation | 6491 | | | | | | |
| Non-Instructional Staff - | | | | | | | |
| Retirees' Benefits and Retirement Incentives | 6740 | | | | 252,446 | | 252,446 |
| Objects to Exclude | | | | | | | |
| Rents and Leases | 5060 | | | | 119,846 | | 119,846 |
| Lottery Expenditures | | | | | | | |
| Academic Salaries | 1000 | | | | | | |
| Classified Salaries | 2000 | | | | | | |
| Employee Benefits | 3000 | | | | | | |
| Supplies and Materials | 4000 | | | | | | |
| Software | 4100 | | | | | | |
| Books, Magazines, & Periodicals | 4200 | | | | | | |
| Instructional Supplies & Materials | 4300 | | | | | | |
| Noninstructional, Supplies & Materials | 4400 | | | | | | |
| Total Supplies and Materials | | 0 | | | - | | |
| Other Operating Expenses and Services | 5000 | | | | 163,616 | | 163,616 |
| Capital Outlay | 6000 | | | | | | |
| Library Books | 6300 | | | | | | |
| Equipment | 6400 | | | | | | |
| Equipment - Additional | 6410 | | | | | | |
| Equipment - Replacement | 6420 | | | | | | |
| Total Equipment | | 0 | | - | - | | |
| Total Capital Outlay | | 0 | | - | - | | |
| Other Outgo | 7000 | | | | | | |
| Total Exclusions | | 31,206 | | 31,206 | 567,114 | | 567,114 |
| Total for ECS 84362, 50% Law | | \$ 5,380,323 | | \$ 5,380,323 | \$ 10,962,756 | | \$ 10,962,756 |
| Percent of CEE (Instructional Salary Cost / Total CEE) | | 49.08% | | 49.08% | 100% | | 100% |
| 50% of Current Expense of Education | | | | | \$ 5,481,378 | | \$ 5,481,378 |

See the accompanying note to supplementary information.

BARSTOW COMMUNITY COLLEGE DISTRICT

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements For the Fiscal Year Ended June 30, 2013

| | General Fund | Bookstore Fund | Capital Outlay Fund | Self Insurance Fund | Trust Funds |
|--|---------------------|-------------------|---------------------------|------------------------|-------------------|
| FUND BALANCE | | | | | |
| June 30, 2013, Annual Financial & Budget Report (Form CCFS-311) Fund Balances | \$ 4,438,150 | \$ 205,058 | \$ 7,329,771 | \$ 165,894 | \$ 100,759 |
| Audited financial statements fund balance | <u>\$ 4,438,150</u> | <u>\$ 205,058</u> | <u>\$ 7,329,771</u> | <u>\$ 165,894</u> | <u>\$ 100,759</u> |

See the accompanying note to supplementary information.

BARSTOW COMMUNITY COLLEGE DISTRICT

Proposition 30 Education Protection Act (EPA) Expenditure Report For the Fiscal Year Ended June 30, 2013

| Activity Classification | Object Code | Unrestricted | | | |
|----------------------------|---------------|-----------------------|--------------------|----------------|--------------|
| EPA Proceeds: | 8630 | | | | |
| | | | | | \$ 2,402,315 |
| Activity Classification | Activity Code | Salaries and Benefits | Operating Expenses | Capital Outlay | |
| | | (Obj 1000-3000) | (Obj 4000-5000) | (Obj 6000) | Total |
| Instructional Activities | 0100-5900 | 2,402,315 | 0 | 0 | 2,402,315 |
| Total Expenditures for EPA | | 2,402,315 | 0 | 0 | 2,402,315 |
| Revenues Less Expenditures | | | | | \$ - |

See the accompanying note to supplementary information.

BARSTOW COMMUNITY COLLEGE DISTRICT

Reconciliation of Governmental Funds to the Statement of Net Position June 30, 2013

Total Fund Balance and Retained Earnings:

| | | |
|---|--------------|----------------------|
| General Funds | \$ 4,438,149 | |
| Capital Outlay Projects | 7,329,771 | |
| Proprietary Funds | 202,604 | |
| Internal Service Funds | 165,895 | |
| Fiduciary Funds | 259,448 | |
| Total Fund Balances and Retained Earnings - All District Funds | | \$ 12,395,867 |

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

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

| | | |
|-------------------------------|--------------|------------|
| The cost of capital assets is | 53,903,420 | |
| Accumulated depreciation is | (10,524,084) | |
| Net Capital Assets | | 43,379,336 |

Amounts held in trust on behalf of others (Trust and Agency Funds) (259,448)

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

Long-term obligations at year-end consist of:

| | | |
|---|-----------|----------------------|
| Compensated absences (vacations) | (371,722) | |
| Other postemployment benefits (OPEB) | 745,776 | |
| Total Long-Term Obligations | | 374,054 |
| Total Net Position - Governmental Activities | | \$ 55,889,809 |

See the accompanying note to supplementary information

BARSTOW COMMUNITY COLLEGE DISTRICT

Note to Supplementary Information
June 30, 2013

PURPOSE OF SCHEDULES

History and Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which appointments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Education Code Section 84362 (50 percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

The Board of Trustees
Barstow Community College District
Barstow, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of Barstow Community College District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 23, 2013

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

The Board of Trustees
Barstow Community College District
Barstow, California

Report on Compliance for Each Major Federal Program

We have audited Barstow Community College District's (the "District") compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 23, 2013

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Barstow Community College District
Barstow, California

Report on State Compliance

We have audited Barstow Community College District's (the "District") compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis of Qualified Opinion on Salaries of Classroom Instructors

As described in the accompanying schedule of findings and questions costs as Finding 2013-1, Barstow Community College District did not comply with the requirements regarding the "Salaries of Classroom Instructors (50% Law)" of the compliance requirements referred to above. Compliance with such requirements is necessary, in our opinion, for Barstow Community College District to comply with the requirements applicable to that State compliance requirement.

Qualified Opinion on Salaries of Classroom Instructors

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Barstow Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the programs noted below, for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other State Compliance Tests

In our opinion, Barstow Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-2. Our opinion on each of the other State Compliance requirements is not modified with respect to these matters.

Barstow Community College Districts' responses to the State compliance findings identified in our audit are described in the accompanying State Awards Finds and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on them.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

| | |
|-------------|---|
| Section 421 | Salaries of Classroom Instructors (50 Percent Law) |
| Section 423 | Apportionment for Instructional Service Agreements/Contract |
| Section 424 | State General Apportionment Funding System |
| Section 425 | Residency Determination for Credit Courses |
| Section 426 | Students Actively Enrolled |
| Section 427 | Concurrent Enrollment of K-12 Students in Community College Credit Courses |
| Section 431 | Gann Limit Calculation |
| Section 433 | CalWORKS |
| Section 435 | Open Enrollment |
| Section 437 | Student Fees – Instructional and Other Materials |
| Section 438 | Student Fees – Health Fees and Use of Health Fee Funds |
| Section 474 | Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) |
| Section 475 | Disabled Student Programs and Services (DSPS) |
| Section 479 | To Be Arranged (TBA) Hours |
| Section 490 | Proposition 1D State Bond Funded Projects |
| Section 491 | Proposition 30 Education Protection Account Funds |

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests, within this section, were not applicable.

Purpose of the Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 23, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
June 30, 2013

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

| | |
|---|----------------------|
| Internal control over major programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>None Reported</u> |
| Type of auditors' report issued on compliance for major programs: | <u>Unqualified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | <u>No</u> |
| Identification of major programs: | |

CFDA Numbers

84.007, 84.032, 84.063

Name of Federal Program of Cluster

Financial Aid Cluster

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

STATE AWARDS

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

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
June 30, 2013

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, 2013

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, 2013

SECTION 4 – STATE AWARDS FINDINGS

2013-1 50% LAW CALCULATION

Criteria – Education Code 84362 requires that a minimum of 50 percent of the District's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors."

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

Questioned Costs –

| | |
|--|---------------|
| 1 Current Expense of Education | \$ 10,962,756 |
| 2 Amount Required to be expended for salaries of classroom instructors. | \$ 5,481,378 |
| 3 Amount actually expended for salaries of classroom instructors | \$ 5,380,323 |
| 4 Amount designated as the current deficiency and for which an exemption application was filed | \$ 101,055 |

Context – The fact that the District left instructor positions unfilled during this fiscal year caused the percentage of salaries of classroom instructors to be under the required 50%. The auditor has determined that this is an isolated instance based on economic factors for this District and not a systematic problem.

Effect – The expenditures for instructional salaries are less than 50% of the current expense of education. The District is in noncompliance with the Education Code Section 84362 requirement.

Recommendation – That management continues to develop a plan to meet the requirements of Section 84362 of the Education Code requiring salaries of classroom instructors to meet or exceed 50% of the District's current expense of education.

District's Corrective Action Plan – As of the date of the audit, the District has filed the 50% Law exemption application. The District will develop strategies to achieve compliance with Section 84362 of the Education Code.

BARSTOW COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
June 30, 2013

SECTION 4 – STATE AWARDS FINDINGS, Continued

2013-2 STATE COMPLIANCE

ECONOMIC OPPORTUNITY PROGRAMS AND SERVICES (EOPS)

Criteria – Per guidelines set forth by the California State Chancellor's Office, the EOPS student eligibility should be verified and documented. Required documents are: 1) EOPS application; 2) EOPS student educational plan; 3) EOPS mutual responsibility contract. The documentation in an EOPS student's file should have the necessary information cited above, and it should be signed by the appropriate college staff, i.e., EOPS director, EOPS counselor or regular college counselor, along with the signature of the student to whom services were provided.

Condition – The auditor noted the student files did not contain a signed EOPS mutual responsibility contract for 10 of 40 student files tested. After further inquiry, 4 of the missing EOPS mutual responsibility contracts were found.

Questioned Costs – None

Context – Adequate procedures are not in place to ensure Mutual Responsibility Contracts, signed by the student and appropriate college staff, be maintained in student's file.

Effect – The extrapolated error resulted in the District being out of compliance with 45 out of 302 students served by EOPS.

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

District's Corrective Action Plan – The District will develop strategies to achieve compliance with the Extended Opportunity Programs and Services program.

BARSTOW COMMUNITY COLLEGE DISTRICT

Status of Prior Year Findings and Questioned Costs
June 30, 2013

FINANCIAL STATEMENT FINDINGS

There were no prior year findings or questioned costs.

FEDERAL AWARDS FINDINGS

There were no prior year findings or questioned costs.

STATE AWARDS FINDINGS

There were no prior year findings or questioned costs.