BARSTOW COMMUNITY COLLEGE DISTRICT

San Bernardino County
Barstow, California

Report on Audit
June 30, 2017

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FINANCIAL SECTION

Messner & Hadley, LLP
Certified Public Accountants

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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, 2017, 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.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of Barstow Community College District, as of June 30, 2017, and the changes in net position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 8, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 37, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 38, and the Schedule of the District's Pension Contributions on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 14, 2017, 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 14, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of Barstow Community College District (the "District") as of June 30, 2017. The report consists of three basic financial statements: the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

Barstow Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements (GASB) No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenue and expenses categorized as operating and non-operating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community College Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

Financial Highlights Of The Past Year

- The District's primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2016-2017 fiscal year, total reported resident FTES were 2,582 as compared to 2,497 in the 2015-2016 fiscal year.

- The Statement of Revenues, Expenses, and Changes in Net Position once again reflects a negative year due to a prior period adjustment to reflect increased pension costs. Operating revenues increased by $1,377,962, while operating expenses increased by $4,011,993. Non-operating revenues increased by $560,248. Other revenues, which consist primarily of state apportionments for capital projects, increased by $27,697.

- During the 2016-2017 fiscal year, the District provided over $7.9 million in federal and state financial aid to students attending the college.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The Statement of Net Position presents the assets, liabilities and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private sector organizations.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

The Net Position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets. These net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities, legislation and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted and is available to the District for any lawful purpose of the District. As illustrated in the following table, the June 30, 2017 fiscal year ended with a decrease in total net position of $1,180,276 to a grand total of $51,997,558.

	Governmental Activities		
	2017	**2016**	**Net Change**
Assets			
Current assets	$ 16,351,855	$ 11,893,908	$ 4,457,947
Non-current assets	50,744,576	52,117,116	(1,372,540)
Total Assets	**67,096,431**	**64,011,024**	**3,085,407**
Deferred outflows of resources	3,308,999	2,519,516	789,483
Liabilities			
Current liabilities	1,339,166	1,349,085	(9,919)
Non-current liabilities	15,811,343	9,938,073	5,873,270
Total Liabilities	**17,150,509**	**11,287,158**	**5,863,351**
Deferred inflows of resources	1,257,363	2,065,548	(808,185)
Net Position			
Net investment in capital assets	49,744,827	51,210,924	(1,466,097)
Restricted	9,506,870	4,757,138	4,749,732
Unrestricted	(7,254,139)	(2,790,228)	(4,463,911)
Total Net Position	**$ 51,997,558**	**$ 53,177,834**	**$ (1,180,276)**

The District's financial position, as a whole, weakened. During the fiscal year ending June 30, 2017, the total net position decreased $1,180,276 from the previous year.

Change in Net Position

The change in total net position presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned (whether received or not) by the District, the operating and non-operating expenses incurred (whether paid or not) by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District.

Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. As an example, tuition fees paid by the student are considered an exchange for instructional services. This activity is considered an operating activity. The receipt of State apportionments and property taxes do not include this exchange relationship between payment and receipt of goods or services. These revenues and related expenses are classified as non-operating activities.

A summary of the Statement of Revenues, Expenses, and Changes in Net Position, for the years ended June 30, 2017 and June 30, 2016, is shown below.

	Governmental Activities		
	2017	2016	Net Change
Operating revenues	$ 6,187,224	$ 4,809,262	$ 1,377,962
Operating expenses	24,757,876	20,745,883	4,011,993
Non-operating revenues	20,024,222	19,463,974	560,248
Other revenues	164,091	136,394	27,697
Net Increase (Decrease) in Net Position	1,617,661	3,663,747	(2,046,086)
Net Position - Beginning	53,177,834	49,514,087	3,663,747
Adjustments for restatements	(2,797,938)	-	(2,797,938)
Net Position - Beginning, as restated	50,379,896	49,514,087	865,809
Net Position - Ending	**$ 51,997,557**	**$ 53,177,834**	**$ (1,180,277)**

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment – non-capital, which, as a whole, increased in fiscal year 2016-2017.

Cash Flows

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. The net cash used by the District for operating activities, for the year ending June 30, 2017, was $15,747,912.

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		
	2017	**2016**	**Net Change**
Land, site improvements and construction in progress	$ 5,117,808	$ 5,100,613	$ 17,195
Buildings and equipment	59,468,341	59,362,069	106,272
Accumulated depreciation	(14,841,322)	(13,251,758)	(1,589,564)
Total Capital Assets	**$ 49,744,827**	**$ 51,210,924**	**$ (1,466,097)**

The decrease in fixed assets is predominantly attributable to accumulated depreciation growing faster than asset purchases.

Long-Term Liabilities

At June 30, 2017, the District had $15,811,343 in long-term debt. A comparison of long-term debt is summarized below:

	Governmental Activities		
	2017	**2016**	**Net Change**
Compensated absences	$ 365,923	$ 427,025	$ (61,102)
Net pension liability	15,445,420	9,511,048	5,934,372
Total Long-term Liabilities	**$ 15,811,343**	**$ 9,938,073**	**$ 5,873,270**

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures.

The District's final revised budget for the General Fund anticipated that expenditures would exceed revenue by $5.4 million. The actual results for the year showed revenues exceeded expenditures by $2.2 million.

Economic Factors Bearing on the District's Future

The economic outlook is beginning to stabilize statewide. After several years of improved tax revenues, income is beginning to level off statewide. Cash flow for the district continues to be stable. Restricted funding continues to improve with several programs receiving additional funding.

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-PRIMARY GOVERNMENT

June 30, 2017

Assets	
Current assets:	
Cash and cash equivalents	$ 15,127,837
Accounts receivable	1,224,018
Total current assets	16,351,855
Non-Current assets:	
Other postemployment benefits	999,749
Fixed assets, net	49,744,827
Total non-current assets	50,744,576
Total Assets	**$ 67,096,431**
Deferred outflows of resources	
Deferred outflows of resources - pensions only	3,308,999
Liabilities	
Current liabilities:	
Current liabilities	1,252,486
Compensated absences-current portion	15,000
Deferred revenue	71,680
Total current liabilities	1,339,166
Non-Current Liabilities	15,811,343
Total Liabilities	**17,150,509**
Deferred inflows of resources	
Deferred inflows of resources - pensions only	1,257,363
Net Position	
Invested in capital assets	49,744,827
Restricted for:	
Capital projects	6,368,410
Other activities	3,138,460
Unrestricted	(7,254,139)
Total Net Position	**$ 51,997,558**

The accompanying notes are an integral part of these financial statements

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-PRIMARY GOVERNMENT

June 30, 2017

Operating Revenues	
Tuition and fees	$ 3,441,357
Less: Scholarship discounts and allowances	(2,580,220)
Net Tuition amd Fees	861,137
Grants and contracts	
Federal	537,303
State	4,331,003
Local	309,161
Auxilary enterprise sales and charges	148,620
Total Operating Revenues	**6,187,224**
Operating Expenses	
Salaries	11,743,760
Benefits	6,522,804
Payments to students	542,432
Supplies, materials, and other expenses	4,073,714
Utilities	277,630
Depreciation	1,597,536
Total Operating Expenses	**24,757,876**
Operating Income/(Loss)	(18,570,652)
Non-Operating Revenues/(Expenses)	
State apportionments, non-capital	14,131,137
Local property taxes	3,253,423
State taxes and other revenues	2,582,538
Investment income, net	57,124
Financial aid revenues-federal	7,426,365
Financial aid revenues-state	517,162
Financial aid expenses	(7,943,527)
Total non-operating revenues (expenses)	**20,024,222**
Income Before Other Revenues, Expenses, Gains or Losses	1,453,570
Other Revenues, Expenses, Gains, Or Losses	
State apportionments, capital	50,000
Investment income-capital	114,091
Total Other Revenues, Expenses, Gains or Losses	164,091
Change In Net Position	1,617,661
Net Position - Beginning, as previously reported	53,177,834
Prior period adjustment	(2,797,937)
Net Position - Beginning, as restated	50,379,897
Net Position - Ending	**$ 51,997,558**

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS-PRIMARY GOVERNMENT

For the Fiscal Year Ended June 30, 2017

Cash Flows from Operating Activities	
Tuition and fees	$ 917,774
Federal grants and contracts	376,761
State grants and contracts	4,279,024
Local grants and contracts	247,825
Payments to suppliers	(4,212,511)
Payments for utilities	(277,630)
Payments to/on-behalf of employees	(16,777,120)
Payments to/on-behalf of students	(450,655)
Auxiliary enterprise sales and charges	148,620
Net cash provided by (used in) operating activities	(15,747,912)
Cash Flows from Non-capital Financing Activities	
State apportionments and receipts	14,132,216
Property taxes	2,582,538
State taxes and other revenues	3,253,423
Net cash provided by (used in) by non-capital financing activities	19,968,177
Cash Flows from Capital Financing Activities	
State apportionments for capital purposes	50,000
Purchases of capital assets	(131,439)
Net cash provided by (used in) capital financing activities	(81,439)
Cash Flows from Investing Activities	
Investment income	153,458
Net cash provided by (used in) investing activities	153,458
Net Increase in Cash and Cash Equivalents	4,292,284
Cash and Cash Equivalents	
Beginning of year	**10,835,553**
End of year	**$ 15,127,837**
Reconciliation of operating loss to cash used in operating activities	
Operating loss	$ (18,570,652)
Depreciation and amortization	1,597,536
Pension expense	3,136,434
(Increase) decrease in accounts receivable	(148,988)
(Increase) decrease in OPEB assets	(93,557)
(Increase) decrease in deferred outflows	(789,483)
Increase (decrease) in accounts payable	(85,863)
Increase (decrease) in deferred revenues	14,846
Increase (decrease) in deferred inflows	(808,185)
Net cash used in operating activities	**$ (15,747,912)**

Barstow Community College District

Statement of Fiduciary Net Position

For the Year Ended June 30, 2017

	ASB	Scholarship and Loan
Assets		
Cash and cash equivalents	$ 134,097	$ 166,932
Accounts Receivable	9,521	54,288
Total Assets	$ 143,618	$ 221,220
Liabilities		
Due to student groups	$ 143,079	$ 221,220
Acounts Payable	539	-
Total Liabilities	143,618	221,220
Liabilities and Net Position	**$ 143,618**	**$ 221,220**

The accompanying notes are an integral part of these financial statements

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2017

	ASB Trust Fund	Scholarship and Loan Trust Fund
Additions		
Student activities	$ 103,024	$ 95,799
Total Additions	103,024	95,799
Deductions		
Student activities	109,173	92,015
Change in Net Position	(6,149)	3,784
Net Position - Beginning	**149,228**	**217,436**
Net Position - Ending	**$ 143,079**	**$ 221,220**

NOTE 1 – ORGANIZATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board ("GASB") Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District.

Basis of Presentation and Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective of the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level.

Cash and Cash Equivalents

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

Investments

The District records its investment in San Bernardino County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Changes in Net Position. The fair value of investments, at June 30, 2017, approximated their carrying value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Asset Class	Estimated Useful Life
Buildings	50
Land Improvements	10
Equipment and vehicles	8
Technology equipment	3

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the District-wide Statement of Net Position. This represents the effects of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (PERS and STRS) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

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.

Accrued Liabilities and Long-Term Obligations

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

Unearned Revenue

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncurrent Liabilities

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees Retirement Plan (PERS) and the State Teachers Retirement Plan (STRS) and additions to/deductions from PERS and STRS' fiduciary net position have been determined on the same basis as they are reported by PERS and STRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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 in incurred for purposes for which both restricted and unrestricted resources are available.
- **Unrestricted –** Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

State Apportionments

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017.

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 Title 2 U.S*. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.

On-Behalf Payments

GASB Cod. Sec N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement Systems on behalf of all Community Colleges in California. These payments consist of state general fund contributions to CalSTRS.

Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB Cod. Sec. C05.101, including state appropriations, local property taxes, and investment income. Nearly all of the District's expenses are from exchange transactions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues are classified according to the following criteria:

- **Operating revenues and expenses –** Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of fee waivers and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital asset related debt.

- **Non-operating revenues and expenses –** Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

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.

Estimates

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

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standards issued by GASB:

- GASB Statement 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for the year ending June 30, 2017.

- GASB Statement 74, "*Financial Reporting for Postemployment Benefits Other Than Pension Plans*", effective for the year ending June 30, 2017.

- GASB Statement 77, "*Tax Abatement Disclosures", effective for the year ended June 30, 2017.*

- GASB Statement 78, "*Pension Plans Provided through Muliple-Employer Defined Benefit Pension Plans", effective for the year ended June 30, 2017.*

- GASB Statement 79, "*Certain External Investment Pools and Pool Participants", effective for the year ended June 30, 2017.*

- GASB Statement 80, "*Blending Requirements for Certain Component Units-and amendment of GASB Statement No. 14", effective for the year ended June 30, 2017.*

Note 2 – Summary of Significant Accounting Policies (continued)

Future Changes in Accounting Standards

GASB has issued Statement 75, "*Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions*", which improves accounting and financial reporting by state an local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

GASB has issued Statement 81, "Irrevocable Split-Interest Agreements", which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

GASB has issued Statement 82, "*Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73",* which addresses certain issues that have been raised with respect to Statements No. 67, 68 and 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement 83, "*Certain Asset Retirement Obligations"*, which will enhance comparability of governments by establishing uniform criteria for governments to recognize and measure certain asset retirements obligations' (ARO), including obligations that may not have been previously reported. An ARO is a legally enforceable liability associated with the retirement of a tangible capital assets. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 84, "*Fiduciary Activities",* which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

Note 2 – Summary Of Significant Accounting Policies (continued)

Future Changes in Accounting Standards (continued)

GASB has issued Statement No. 85, "*Omnibus 2017",* which will enhance consistency in the application of accounting and financial reporting requirements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 86, "*Certain Debt Extinguishment Issues",* which will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 87, "*Leases",* which will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were not classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings f the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2021 financial statements.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments, as of June 30, 2017, consist of the following:

Business-type activities	$ 14,921,044
Fiduciary funds	206,793
Total Cash and Investments	**$ 15,127,837**

Cash on hand and in banks	$ 91,193
Cash in County treasury	15,036,644
Total Cash and Investments	**$ 15,127,837**

Policies and Practices

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

Investment in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains a significant portion 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, 2017, as provided by the pool sponsor, was $15,053,142, and the amortized book value is $15,036,644. The average weighted maturity of this pool is 341 days. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2017, consist of the following and are considered collectible in full:

	Federal	State	Other	Total
General fund	$ 147,160	$ 489,009	$ 339,818	$ 975,987
Capital outlay fund	-	-	18,167	18,167
Financial aid fund	229,745	-	-	229,745
Other funds	-	-	119	119
	$ 376,905	**$ 489,009**	**$ 358,104**	**$ 1,224,018**

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

The following provides a summary of changes in capital assets for the year ended June 30, 2017:

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets not being depreciated				
Land	$ 119,462	$ -	$ -	$ 119,462
Total capital assets not being depreciated	**119,462**	**-**	**-**	**119,462**
Capital assets being depreciated				
Building	56,812,817	-	-	56,812,817
Furniture and equipment	2,549,252	114,244	7,972	2,655,524
Site improvements	4,981,151	17,195	-	4,998,346
Total capital assets being depreciated	64,343,220	131,439	7,972	64,466,687
Total capital assets	**64,462,682**	**131,439**	**7,972**	**64,586,149**
Less accumulated depreciation				
Building	10,179,714	1,205,420	-	11,385,134
Furniture and equipment	1,533,489	159,017	7,972	1,684,534
Site improvements	1,538,555	233,099	-	1,771,654
Total accumulated depreciation	**13,251,758**	**1,597,536**	**7,972**	**14,841,322**
Net capital assets	**$ 51,210,924**	**$ (1,466,097)**	**$ -**	**$ 49,744,827**

Depreciation expense for the year was $1,597,536.

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable, at June 30, 2017, consisted of the following:

	Business-Type Activities	Fiduciary Funds	Total
Payroll	$ 458,406	$ -	$ 458,406
Construction	66,983	-	66,983
Vendor payable	456,531	540	457,071
Financial aid	267,566	-	267,566
	$ 1,249,486	**$ 540**	**$ 1,250,026**

NOTE 7 – INTERFUND TRANSACTIONS

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 – LONG-TERM OBLIGATIONS

Summary

Long-term liabilities, for the fiscal year ended June 30, 2017, are summarized as follows:

	Balance July 01, 2016	Additions	Deductions	Due in One Year	Long-term Balance
Governmental Activities					
Compensated absences	$ 442,025	$ -	$ 61,102	$ 15,000	$ 365,923
Net pension liability	9,511,048	5,934,372	-	-	15,445,420
	$ 9,953,073	**$ 5,934,372**	**$ 61,102**	**$ 15,000**	**$ 15,811,343**

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

Other Postemployment Benefits (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, 2017, was $97,245 and contributions made by the District during the year were $190,802 which resulted in a net increase in the OPEB asset for 2017 of $93,557. See Note 9 for additional information regarding the OPEB Obligation and the postemployment plan.

NOTE 9 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

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	$16,400	$16,400	$16,400

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.

NOTE 9 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION (CONTINUED)

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	$ 64,792
Interest on net OPEB obligation	(45,310)
Adjustment to annual required contribution	77,763
Annual OPEB cost (expense)	97,245
Contributions made	(190,802)
Increase in net OPEB obligation	(93,557)
Net OPEB obligation (asset), beginning of year	(906,192)
Net OPEB obligation (asset), end of year	$ (999,749)

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 (Asset)
2015	$ 137,553	122.43%	$ (786,483)
2016	$ 92,958	228.78%	$ (906,192)
2017	$ 97,245	196.21%	$ (999,749)

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

In the July 1, 2016 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.00% 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

NOTE 9 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION (CONTINUED

estimated at 4 percent annually. The UAAL is being amortized at a level dollar method. The actuarial value of assets held in the trust, at July 1, 2015, was $3,207,735.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement 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 Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows

	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expense
CalSTRS	$ 9,531,686	$ 865,350	$ (1,818)	$ 1,909,349
CalPERS	5,913,734	2,443,649	(1,255,545)	94,600
	$ 15,445,420	$ 3,308,999	$ (1,257,363)	$ 2,003,949

Benefits Paid

CalSTRS and CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year full-time employment. Members with five years of total service are eligible for retirement benefits. Employees hired after January 1, 2013 (PEPRA) are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 (non-PEPRA) are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of service.

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 and disability benefits 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 found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

NOTE 10 – Employee Retirement Systems (continued)

Contributions

Active 2% at 60 Non-PEPRA members and active 2% at 62 PEPRA plan members are required to contribute 10.25 and 9.205 percent of their salary, respectively, 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016-2017 was 12.58 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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 Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Contributions

Active 2% at 60 Non-PEPRA members and 2% at 62 PEPRA plan members are required to contribute 7.0 percent and 6.0 percent of their salary, respectively, 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 rate for fiscal year 2016-2017 was 13.888 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Note 10 – Employee Retirement System (continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows / Inflows of Resources Related to Pensions
At June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 9,531,686
CalPERS	5,913,734
Total Net Pension Liability	$ 15,445,420

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts, actuarially determined.

The District's proportionate share of the net pension liability for each plan as of June 30, 2016 and June 30, 2017 were as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2016	0.0117%	0.0069%	0.0186%	0.0331%
Proportion June 30, 2017	0.0118%	0.0069%	0.0187%	0.0299%
Change in Proportion	0.0001%	0.0000%	0.0001%	-0.0031%

For the year ended June 30, 2017, the District recognized CalSTRS pension expense of $1,909,349 and CalPERS pension expense of $94,600. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ 799,188	$ 562,077	$ 1,361,265	$ -	$ -	$ -
Differences between actual and expected experience	-	320,671	320,671	(1,818)	-	(1,818)
Changes in assumptions	-	-	-	-	(241,711)	(241,711)
Changes in employer's proportionate share	63,486	2,391	65,877	-	(369,409)	(369,409)
Net difference between projected and actual earnings	2,676	1,558,510	1,561,186	-	(644,425)	(644,425)
Total	$ 865,350	$ 2,443,649	$ 3,308,999	$ (1,818)	$ (1,255,545)	$ (1,257,363)

NOTE 10 – Employee Retirement Systems (continued)

$1,361,265 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows or resources will be recognized as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources		
Year ended June 30:	CalSTRS	CalPERS	CalSTRS	CalPERS	Net Effect on Expenses
2018	818,870	$ 1,101,451	(697)	$ (495,135)	$ 1,424,489
2019	19,682	539,374	(696)	(495,134)	63,226
2020	19,680	539,373	(361)	(172,923)	385,769
2021	7,118	263,451	(64)	(92,353)	178,152
Total	865,350	$ 2,443,649	(1,818)	$ (1,255,545)	$ 2,051,636

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

	STRS	**PERS**
Valuation date	June 30, 2015	June 30, 2015
Measurement date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	7.6%	7.65%
Investment rate of return	7.6%	7.65%
Consumer price inflation	3.0%	2.75%
Wage growth	3.75%	3.0%

CalSTRS

CalSTRS uses mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns.

NOTE 10 – Employee Retirement Systems (continued)

CalPERS

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvements using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' assets classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter or one percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table

CalSTRS			**CalPERS**			
Asset Class	Assumed Allocation 6/30/2016	Long Term Expected Return*	Asset Class	Assumed Allocation 6/30/2016	Real Return Yrs 1-10(1)	Real Return Yrs 11+(2)
Global Equity	47.00%	6.30%	Global Equity	51.00%	5.25%	5.71%
Fixed Income	12.00%	0.30%	Global Debt Sec.	20.00%	0.99%	2.43%
Real Estate	13.00%	5.20%	Inflation Assets	6.00%	0.45%	3.36%
Private Equity	13.00%	9.30%	Private Equity	10.00%	6.83%	6.95%
Absolute Return	9.00%	2.90%	Real Estate	10.00%	4.50%	5.13%
Inflation Sensitive	4.00%	3.80%	Infrastructure	2.00%	4.50%	5.09%
Cash/Liquidity	2.00%	-1.00%	Liquidity	1.00%	-0.55%	-1.05%

*20 year geometric average used for long term e
real rate of return.

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.6 percent for STRS and 7.65 percent for PERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 – Employee Retirement Systems (continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.6 percent and 7.65 percent for STRS and PERS, respectively, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate for each plan:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 13,718,246	$ 8,823,325
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 9,531,686	$ 5,913,734
1% Increase	8.60%	8.65%
Net Pension Liability	$ 6,054,573	$ 3,490,928

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017, the District had no amounts payable for contributions to the pension plan required for the year ended June 30, 2017.

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 Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS of approximately $465,184 (8.578% of salaries subject to CalSTRS). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 11 – 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, 2017.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Payments to Students	Depreciation	Total
Admissions and records	$ 387,234	$ 9,977	$ 542,432	$ -	$ 939,643
Ancillary services	770,154	234,161	-	-	1,004,315
Auxilliary operations	18,384	17,508	-	-	35,892
Community services and economic development	856,089	20,512	-	-	876,601
General institutional support	1,558,161	1,130,787	-	-	2,688,948
Instructional activities	8,783,718	482,486	-	-	9,266,204
Instructional administration	1,287,757	62,106	-	-	1,349,863
Instructional support services	375,282	38,388	-	-	413,670
Physical property and acquisitions	504,088	860,635	-	-	1,364,723
Planning, policy making, coordination, general support	624,024	272,445	-	-	896,469
Plant operations and maintenance	504,654	527,456	-	-	1,032,110
Student services-counseling and guidance	986,178	168,329	-	-	1,154,507
Students services-other	1,610,841	526,554	-	-	2,137,395
Depreciation Expense			-	1,597,536	1,597,536
	$ 18,266,564	**$ 4,351,344**	**$ 542,432**	**$1,597,536**	**$ 24,757,876**

NOTE 12 – 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, 2017.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2018	$ 50,808
2019	50,808
2020	6,113
Total	**$ 107,729**

Construction Commitments

As of June 30, 2017, the District had no commitments with respect to unfinished capital projects.

NOTE 13 – 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 14 for additional information regarding the JPAs.

NOTE 14 – 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, 2017, the District made the following payments to the JPA:

Joint Powers Authority	2017 Payments
SCRSM	$ 128,755

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The District recorded a prior period adjustment in the amount of $2,797,938 to decrease beginning net position. The adjustment was made to reflect corrections to net pension liability and related deferred inflows and outflows.

Net Position, July 1, 2016		$53,177,834
Prior Period Adjustment:		
Deferred Outflows	(307,768)	
Deferred Inflows	774,435	
Net Pension Liability	(3,264,604)	
		(2,797,937)
Restated Net Position July 1, 2016		$50,379,897

NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 14, 2017, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2017, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	$ 2,254,167	$ 2,694,694	$ 440,527	83.65%	$ 10,118,790	4.35%
July 1, 2013	$ 2,700,563	$ 2,248,320	$ 435,920	120.11%	$ 9,706,829	4.49%
July 1, 2015	$ 3,207,735	$ 2,244,067	$ 452,678	142.94%	$ 10,472,007	4.32%

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Three Years Ended June 30, 2017

	2015		2016		2017	
	PERS	**STRS**	**PERS**	**STRS**	**PERS**	**STRS**
District's proportion of the net pension liability (asset)	0.0330%	0.0116%	0.0331%	0.0117%	0.000299	0.000118
District's proportionate share of the net pension liability (asset)	$3,750,895	$6,796,535	$4,875,369	$7,900,285	$5,913,734	$9,531,686
District's covered-employee payroll	3,678,218	5,422,838	$3,625,981	$5,855,107	$4,047,213	$6,352,846
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	101.98%	125.33%	134.46%	134.93%	146.12%	150.04%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	76.52%	79.43%	74.02%	73.90%	70.04%

**Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown*

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

For the Three Years Ended June 30, 2017

	2015		2016		2017	
	PERS	**STRS**	**PERS**	**STRS**	**PERS**	**STRS**
Contractually required contribution	$ 432,963	$ 481,548	$ 429,570	$ 628,253	$ 562,077	$ 799,188
Contributions in relation to the contractually required contribution	432,963	481,548	429,570	628,253	562,077	799,188
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$3,678,218	$5,422,838	$3,625,981	$5,855,107	$4,047,213	$6,352,846
Contributions as a percentage of covered-employee payroll	11.771%	8.880%	11.847%	10.730%	13.888%	12.580%

**Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown*

SUPPLEMENTARY INFORMATION

BARSTOW COMMUNITY COLLEGE DISTRICT

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2017

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:

- Baker Unified School District;
- Barstow Unified School District; and
- 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, 2017, were as follows:

Member	Office	Term Expires
Philip M. Harris	President	2018
Dr. Ted Baca	Vice-President	2020
Timothy t. Heiden	Clerk	2018
Fernando (Fred) Baca	Member	2016
Paul Wilkey	Member	2020

District Administration

Member	Office
Eva Bagg, Ph.D.	Superintendent / President
Dr. Sherrie Guerrero	Interim Vice-President: Academic Affairs
Dr. Brenda K. Findley	Vice-President: Administrative Services
Dr. Khushner Dadabhoy	Vice-President: Student Services
Vacant	Associate Vice-President: Human Resources

Barstow Community College District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster: [1]			
Federal Pell Grants	84.063		$ 7,226,582
Federal Supplement Education Opportunity (FSEOG	84.007		89,685
Federal Work Study Progrm (FWS)	84.033		110,098
Subtotal Student Financial Assistance Cluster			7,426,365
Career and Technical Education Act			
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education, Title 1-C	84.048	13-112-910	164,393
Total U.S. Department of Education			7,590,758
U.S. Department of Health and Human Services			
Temporary Assistance to Needy Families (TANF)	93.558		46,182
Total U.S. Department of Health and Human Services			46,182
U.S. Department of Labor			
Passed through California Department of Education			
Trade Adjustment Assistance Community College and Career Training	17.282	*	199,559
Total U.S. Department of Labor			199,559
Total Federal Expenditures			**$ 7,836,499**

[1]: Major Program

**Passthrough Identifying number not available*

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended June 30, 2017

Program Name	Program Revenues: Cash Received	Accounts	Deferred Income	Total	Total Program Expenditures
Lottery	$ 120,536	$ 48,706	$ 1,392	$ 167,850	$ 167,850
Extended Opportunity program and Services (EOPS)	513,130	-	2,027	511,103	511,103
Disabled Student Program and Services (DSPS)	293,082	-	-	293,082	293,082
Child Development Training	7,500	-	-	7,500	7,500
CEC Mentor Program	650	-	-	650	650
CalWorks	238,586	7,615	2,774	243,427	243,427
CARE	125,518			125,518	125,518
College Promise	750,000		748,564	1,436	1,436
CTE Data Unlock	50,000			50,000	50,000
Basic Skills Funding	90,000	-	1,534	88,466	88,466
Physical Plant and Instructional Support Block grant	394,693	-	241,577	153,116	153,116
Financial Aid Administration	178,779	-	24,414	154,365	154,365
Foster and Kinship Care Education	122,137	-	-	122,137	122,137
Innovative & Effectivemess Grant	60,334		4,535	55,799	55,799
Student Success - Credit	903,483	-	313,294	590,189	590,189
Student Success Equity Plan through the Student	492,684	333,602	290,960	535,326	535,326
Strong Workforce Regional	343,375		340,089	3,286	3,286
Strong Workforce	204,128		137,294	66,834	66,834
STRS on Behalf	32,563			32,563	32,563
Proposition 39 Clean Energy Act	118,466	-	89,550	28,916	28,916
California Career Pathways Trust	76,331		76,331	-	-
Full Time Student Success	91,316		12,391	78,925	78,925
	$ 5,207,291	**$ 389,923**	**$ 2,286,726**	**$ 3,310,488**	**$ 3,310,488**

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURE(S) FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE

For the Year Ended June 30, 2017

	Reported Data
Summer Intersession (Summer 2016 only)	
1. Noncredit	3
2. Credit	263
Summer Intersession (Summer 2017 - Prior to July 1, 2017)	
1. Noncredit	3
2. Credit	81
Primary Terms (Exclusive of Summer Intersesion)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	748
(b) Daily Census Contact Hours	312
2. Actual Hours of Attendance	
(a) Noncredit	12
(b) Credit	34
3. Alternative Attendance Accounting Procedure	
(a) Weekly Census Contact Hours	11
(b) Daily Census Contact Hours	1,115
(c) Noncredit Independent Study/Distance Education Courses	-
Total FTES	2,582
Total Credit FTES	2,565
Total Noncredit FTES	17
Total FTES	2,582

Supplemental Information (subset of above information)	
In-Service Training Courses	30
Basic Skills Courses & Immigrant Education	182
1. Noncredit	
2. Credit	

See the accompanying notes to the supplementary information

BARSTOW COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION TO AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

		ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
ACADEMIC SALARIES	Object Codes	Reported Data	Audit Adjustment	Revised Data	Reported Data	Audit Adjustment	Revised Data
Instructional Salaries							
Contract or Regular	1100	$ 2,746,308		$ 2,746,308	$ 2,746,308		$ 2,746,308
Other	1300	1,985,775		1,985,775	1,985,775		1,985,775
Total Instructional Salaries		4,732,083		4,732,083	4,732,083		4,732,083
Non-Instructional Salaries							
Contract or Regular	1200				1,184,530		1,184,530
Other	1400				50,139		50,139
Total Non-Instructional Salaries					1,234,669		1,234,669
Total Academic Salaries		4,732,083		4,732,083	5,966,752		5,966,752
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular Status	2100				2,061,356		2,061,356
Other	2300				77,959		77,959
Total Non-Instructional Salaries					2,139,315		2,139,315
Instructional Aides							
Regular Status	2200	225,522		225,522	225,522		225,522
Other	2400	63,996		63,996	63,996		63,996
Total Instructional Aides		289,518		289,518	289,518		289,518
Total Classified Salaries		289,518		289,518	2,428,833		2,428,833
Employee Benefits	3000	1,621,724		1,621,724	3,350,656		3,350,656
Supplies and Materials	4000				176,131		176,131
Other Operating Expenses	5000	-		-	1,719,153		1,719,153
Equipment Replacement	6420						
Total Expenditures Prior to Exclusio		6,643,325		6,643,325	13,641,525		13,641,525

BARSTOW COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION TO AUDITED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2017

		ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
EXCLUSIONS	**Object Codes**	**Reported Data**	**Audit Adjustment**	**Revised Data**	**Reported Data**	**Audit Adjustment**	**Revised Data**
Activities to Exclude							
Instructional Staff - Retirees' Benefits and	5900	325,110		325,110	325,110		325,110
Student Health Services Above Amount Collected	6441						
Student Transportation	6491				-		-
Non-Instructional Staff - Retirees' Benefits and Retirement Incentives	6740				317,004		317,004
Objects to Exclude							
Rents and Leases	5060				134,959		134,959
Lottery Expenditures							
Academic Salaries	1000						
Classified Salaries	2000						
Employee Benefits	3000						
Supplies and Materials	4000						
Software	4100						
Books, Magazines, &	4200						
Instructional Supplies &	4300						
Noninstructional, Supplies & Materials	4400						
Total Supplies and Mater							
Other Operating Expenses and Services	5000				362,449		362,449
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000				-		-
Total Exclusions		325,110		325,110	1,139,522		1,139,522
Total for ECS 84362, 50% Law		$ 6,318,215		$ 6,318,215	$ 12,502,003		$ 12,502,003
Percent of CEE (Instructional Salary		50.54%		50.54%	100%		100%
50% of Current Expense of Education					$ 6,251,002		$ 6,251,002

BARSTOW COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT

For the Fiscal Year Ended June 30, 2017

Activity Classification	**Object Code**			Unrestricted	
EPA Proceeds:	**8630**				$2,606,654
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	0100-5900	$ 2,606,654	-	-	2,606,654
Total Expenditures for EPA		$ 2,606,654	-	-	2,606,654
Revenues Less Expenditures					$ -

BARSTOW COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Total Fund Balance and Retained Earnings:		
General Funds	$ 8,529,220	
Special Revenue Funds	(39,414)	
Capital Outlay Projects	6,368,410	
Fiduciary Funds	169,470	
Total Fund Balances and Retained Earnings - All District Funds		$ 15,027,686
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	64,586,149	
Accumulated depreciation is	(14,841,322)	
Net Capital Assets		49,744,827
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources relating to pensions	3,309,002	
Deferred inlows of resources relating to pensions	(1,257,363)	2,051,639
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:		
Net pension liability	(15,445,420)	
Supplemental employee retirement plan	(380,923)	
Other postemployment benefits (OPEB)	999,749	
Total Long-Term Obligations		(14,826,594)
Total Net Position - Governmental Activities		**$ 51,997,558**

BARSTOW COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1 – 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 Title 2 U.S. Code of Federal Regulations (Part 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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 apportionments 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.

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

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

INDEPENDENT AUDITOR'S 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, 2017, 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 14, 2017.

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.

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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 14, 2017

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

Independent Auditors' Report On Compliance For Each Major Federal Program and On Internal Control Over Compliance Required By Uniform Guidance

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 *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, 2017. 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 Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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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, 2017.

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 the Uniform Guidance, 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 out audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 14, 2017

Messner & Hadley, LLP
Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

Independent Auditors' Report On State Compliance

The Board of Trustees
Barstow Community College District
Barstow, California

Report on State Compliance

We have audited Barstow Community College District's (the "District") compliance with the state laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM) for the year ended June 30, 2017 and issued our report thereon December 14, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

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 and the Standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015. 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.

Unmodified Opinion on Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017.

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In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community College Contracted *District Audit Manual* (CDAM):

- Section 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Instructional Service Agreements/Contract
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 428 Student Equity
- Section 429 Student Success and Support Program (SSSP)
- Section 430 Scheduled Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 439 Prop 39 Clean Energy Fund
- Section 440 Intersession Extension Programs
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged (TBA) Hours
- Section 490 Proposition 1D State Bond Funded Projects
- Section 491 Education Protection Account Funds

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the California Community Colleges *Contracted District Audit Manual* 2016-2017. Accordingly, this report is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
December 14, 2017

SCHEDULE OF FINDINGS AND RESPONSES

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.007,84.032,84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for State programs:	Unmodified

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

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*.

SECTION 3 - FEDERAL AWARDS FINDINGS AND RESPONSES

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

SECTION 4 - STATE AWARDS FINDINGS AND RESPONSES

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

BARSTOW COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

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.