BARSTOW COMMUNITY COLLEGE DISTRICT

San Bernardino County
Barstow, California

Report on Audit
June 30, 2018

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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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 7, Schedule of Net OPEB Liability and Related Ratios and Notes on page 43, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 44, and the Schedule of the District's Pension Contributions on page 45 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 January 2, 2019, 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
January 2, 2019

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, 2018. 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, 2018. 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 2017-2018 fiscal year, total reported resident FTES were 2,350 as compared to 2,582 in the 2016-2017 fiscal year.

- The Statement of Revenues, Expenses, and Changes in Net Position reflects a positive year as the Net Change in Net Position before Prior Period Restatement increased by $540,332. Operating revenues decreased by $105,607, while operating expenses increased by $814,268. Non-operating revenues decreased by $65,715. Other revenues, which consist primarily of state apportionments for capital projects, decreased by $91,737.

- During the 2017-2018 fiscal year, the District provided over $8.7 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, 2018 fiscal year ended with an increase in total net position of $1,280,217 to a grand total of $53,277,772.

	Governmental Activities		
	2018	**2017**	**Net Change**
Assets			
Current assets	$ 17,972,217	$ 16,351,855	$ 1,620,362
Non-current assets	52,114,734	50,744,576	1,370,158
Total Assets	**70,086,951**	**67,096,431**	**2,990,520**
Deferred outflows of resources	6,264,709	3,308,999	2,955,710
Liabilities			
Current liabilities	2,489,117	1,339,169	1,149,948
Non-current liabilities	18,744,704	15,811,343	2,933,361
Total Liabilities	**21,233,821**	**17,150,512**	**4,083,309**
Deferred inflows of resources	1,840,067	1,257,363	582,704
Net Position			
Net investment in capital assets	50,033,836	49,744,827	289,009
Restricted	9,547,816	9,506,870	40,946
Unrestricted	(6,303,880)	(7,254,142)	950,262
Total Net Position	**$ 53,277,772**	**$ 51,997,555**	**$ 1,280,217**

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, 2018 and June 30, 2017, is shown below.

	Governmental Activities		
	2018	2017	Net Change
Operating revenues	$ 6,081,617	$ 6,187,224	$ (105,607)
Operating expenses	25,572,144	24,757,876	(814,268)
Non-operating revenues	19,958,507	20,024,222	(65,715)
Other revenues	72,352	164,089	(91,737)
Net Increase (Decrease) in Net Position	540,332	1,617,659	(1,077,327)
Net Position - Beginning	51,997,555	53,177,834	(1,180,279)
Adjustments for restatements	739,885	(2,797,938)	3,537,823
Net Position - Beginning, as restated	52,737,440	50,379,896	2,357,544
Net Position - Ending	**$ 53,277,772**	**$ 51,997,555**	**$ 1,280,217**

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment – non-capital, which, as a whole, decreased in fiscal year 2017-2018.

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, 2018, was $16,233,010.

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		
	2018	2017	Net Change
Land, site improvements and construction in progress	$ 6,540,099	$ 5,117,808	$ 1,422,291
Buildings and equipment	59,431,141	59,468,341	(37,200)
Accumulated depreciation	(15,937,404)	(14,841,322)	(1,096,082)
Total Capital Assets	**$ 50,033,836**	**$ 49,744,827**	**$ 289,009**

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

Long-Term Liabilities

At June 30, 2018, the District had $18,744,704 in long-term debt. A comparison of long-term debt is summarized below:

	Governmental Activities		
	2018	2017	Net Change
Compensated absences	$ 410,869	$ 365,923	$ 44,946
Net pension liability	18,333,835	15,445,420	2,888,415
Total Long-term Liabilities	**$ 18,744,704**	**$ 15,811,343**	**$ 2,933,361**

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 $4.1 million. The actual results for the year showed expenditures exceeded revenues by $155,195.

The District benefitted from the recent change in formula funding. The new Student Centered Funding Formula provided a 14.35% increase in revenue over the FY2016-2017 State Appropriation allocation.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The economic outlook is holding steady, although most economic pundits are predicting that a recession will occur within the next couple of years. Cash flow for the district continues to be stable. Restricted funding continues to improve with the implementation of the Student Centered Funding Formula at the beginning of Fiscal year 2018-2019.

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, 2018

Assets	
Current assets:	
Cash and cash equivalents	$ 17,011,033
Accounts receivable	961,184
Total current assets	17,972,217
Non-Current assets:	
Other postemployment benefits	2,080,898
Fixed assets, net	50,033,836
Total non-current assets	52,114,734
Total Assets	**$ 70,086,951**
Deferred outflows of resources	
Deferred outflows of resources - OPEB	259,846
Deferred outflows of resources - pensions only	6,004,863
Total deferred outflows of resources	6,264,709
Liabilities	
Current liabilities:	
Current liabilities	2,417,177
Compensated absences-current portion	15,000
Deferred revenue	56,940
Total current liabilities	2,489,117
Non-Current Liabilities	18,744,704
Total Liabilities	**21,233,821**
Deferred inflows of resources	
Deferred inflows of resources - pensions only	1,840,067
Net Position	
Invested in capital assets	50,033,836
Restricted for:	
Capital projects	6,629,242
Other activities	2,918,574
Unrestricted	(6,303,880)
Total Net Position	**$ 53,277,772**

BARSTOW COMMUNITY COLLEGE DISTRICT

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

June 30, 2018

Operating Revenues	
Tuition and fees	$ 2,669,021
Less: Scholarship discounts and allowances	(1,808,513)
Net Tuition amd Fees	860,508
Grants and contracts	
Federal	469,207
State	4,342,729
Local	229,701
Auxilary enterprise sales and charges	179,472
Total Operating Revenues	**6,081,617**
Operating Expenses	
Salaries	12,667,357
Benefits	5,284,693
Payments to students	905,508
Supplies, materials, and other expenses	4,741,029
Utilities	373,498
Depreciation	1,600,059
Total Operating Expenses	**25,572,144**
Operating Income/(Loss)	(19,490,527)
Non-Operating Revenues/(Expenses)	
State apportionments, non-capital	14,623,955
Local property taxes	3,910,040
State taxes and other revenues	1,312,132
Investment income, net	112,645
Financial aid revenues-federal	7,935,764
Financial aid revenues-state	739,171
Financial aid expenses	(8,674,935)
Other non-operating revenues	(265)
Total non-operating revenues (expenses)	**19,958,507**
Income Before Other Revenues, Expenses, Gains or Losses	467,980
Other Revenues, Expenses, Gains, Or Losses	
Investment income-capital	72,352
Total Other Revenues, Expenses, Gains or Losses	72,352
Change In Net Position	540,332
Net Position - Beginning, as previously reported	51,997,555
Prior period restatement	739,885
Net Position - Beginning, as restated	52,737,440
Net Position - Ending	**$ 53,277,772**

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS-PRIMARY GOVERNMENT

For the Fiscal Year Ended June 30, 2018

Cash Flows from Operating Activities	
Tuition and fees	$ 968,485
Federal grants and contracts	545,501
State grants and contracts	4,413,325
Local grants and contracts	295,722
Payments to suppliers	(3,970,858)
Payments for utilities	(373,498)
Payments to/on-behalf of employees	(17,343,239)
Payments to/on-behalf of students	(947,920)
Auxiliary enterprise sales and charges	179,472
Net cash provided by (used in) operating activities	(16,233,010)
Cash Flows from Non-capital Financing Activities	
State apportionments and receipts	14,623,955
Property taxes	3,910,040
State taxes and other revenues	1,312,132
Other nonoperating revenues	(265)
Net cash provided by (used in) by non-capital financing activities	19,845,862
Cash Flows from Capital Financing Activities	
Purchases of capital assets	(1,889,333)
Net cash provided by (used in) capital financing activities	(1,889,333)
Cash Flows from Investing Activities	
Investment income	159,677
Net cash provided by (used in) investing activities	159,677
Net Increase in Cash and Cash Equivalents	1,883,196
Cash and Cash Equivalents	
Beginning of year	**15,127,837**
End of year	**$ 17,011,033**
Reconciliation of operating loss to cash used in operating activities	
Operating loss	$ (19,490,527)
Depreciation and amortization	1,600,059
(Gain) Loss on Sale of PP&E	265
Pension expense	775,255
OPEB expense	(601,110)
(Increase) decrease in accounts receivable	288,151
Increase (decrease) in accounts payable	1,164,691
Increase (decrease) in deferred revenues	(14,740)
Increase (decrease) in other liabilities	44,946
Net cash used in operating activities	**$ (16,233,010)**

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2018

	ASB	Scholarship and Loan
Assets		
Cash and cash equivalents	$ 123,010	$ 145,031
Accounts Receivable	25,047	31,029
Total Assets	$ 148,057	$ 176,060
Liabilities		
Due to student groups	$ 147,620	$ 176,060
Acounts Payable	437	-
Total Liabilities	148,057	176,060
Liabilities and Net Position	**$ 148,057**	**$ 176,060**

BARSTOW COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2018

	ASB Trust Fund	Scholarship and Loan Trust Fund
Additions		
Student activities	$ 116,309	$ 78,864
Total Additions	116,309	78,864
Deductions		
Student activities	111,768	117,599
Change in Net Position	4,541	(38,735)
Net Position - Beginning	**143,079**	**214,795**
Net Position - Ending	**$ 147,620**	**$ 176,060**

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, 2018, 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 reports deferred outflows of resources for pension and postemployment benefit related items.

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 reports deferred outflows of resources for pension related items.

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.

Accrued Liabilities and Long-Term Obligations

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

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018.

Scholarships, Discounts and Allowances

Student tuition and fee revenues and certain other revenues are reported, net of scholarships and allowances 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.

Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measures by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. 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]).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Principles (continued)

The District has implemented provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January, 2017 the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were 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 of 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, and 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 requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Payments", which is intended to (1) to enhance the relevance and comparability of information about

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (continued)

capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 3 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Cash and investments, as of June 30, 2018, consist of the following:

Business-type activities	$ 16,718,795
Fiduciary funds	292,238
Total Cash and Investments	**$ 17,011,033**

Cash on hand and in banks	$ 174,318
Cash in County treasury	16,836,715
Total Cash and Investments	**$ 17,011,033**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018, as provided by the pool sponsor, was $16,742,901, and the amortized book value is $16,836,715. The average weighted maturity of this pool is 353 days. Interest earned is deposited quarterly into participating funds. An investment losses are proportionately shared by all funds in the pool.

General Authorizations

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2018, consist of the following and are considered collectible in full:

	Federal	State	Other	Total
General fund	$ 181,545	$ 283,904	$ 355,769	$ 821,218
Capital outlay fund	-	-	20,674	20,674
Financial aid fund	119,066	-	-	119,066
Other funds	-	-	226	226
	$ 300,611	**$ 283,904**	**$ 376,669**	**$ 961,184**

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

The following provides a summary of changes in capital assets for the year ended June 30, 2018:

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
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	7,390	-	56,820,207
Furniture and equipment	2,655,524	459,652	504,242	2,610,934
Site improvements	4,998,346	1,422,291	-	6,420,637
Total capital assets being depreciated	64,466,687	1,889,333	504,242	65,851,778
Total capital assets	**64,586,149**	**1,889,333**	**504,242**	**65,971,240**
Less accumulated depreciation				
Building	11,385,134	1,198,591	-	12,583,725
Furniture and equipment	1,684,534	188,013	503,977	1,368,570
Site improvements	1,771,654	213,455	-	1,985,109
Total accumulated depreciation	**14,841,322**	**1,600,059**	**503,977**	**15,937,404**
Net capital assets	**$49,744,827**	**$ 289,274**	**$ 265**	**$50,033,836**

Depreciation expense for the year was $1,600,059.

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable, at June 30, 2018, consisted of the following:

	Business-Type Activities	Fiduciary Funds	Total
Payroll	$ 901,547	$ -	$ 901,547
Construction	582,398	-	582,398
Vendor payable	692,843	6,862	699,705
Financial aid	240,389	-	240,389
	$ 2,417,177	**$ 6,862**	**$ 2,424,039**

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.

NOTE 7 – INTERFUND TRANSACTIONS (CONTINUED)

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, 2018, are summarized as follows:

	Balance July 01, 2017	Additions	Deductions	Due in One Year	Long-term Balance
Governmental Activities					
Compensated absences	$ 380,923	$ 44,946	$ -	$ 15,000	$ 410,869
Net pension liability	15,445,420	2,888,415	-	-	18,333,835
	$ 15,826,343	**$ 2,933,361**	**$ -**	**$ 15,000**	**$ 18,744,704**

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

Plan Description

The District offers post-employment medical insurance to its eligible retirees. The District established and Other Post Employment Plan (the Plan) which is an agent multiple-employer defined benefit healthcare plan administered by the California Employers Retirement Benefit Trust (CERBT). CERBT serves as an irrevocable trust, ensuring that funds contributed into its Investment Trust are dedicated to serving the needs of member districts, and their employees and retirees. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Separate financial statements are prepared for the CERBT and can found at https://www.calpers.ca.gov The District provides retirees with healthcare benefits, subject to eligibility requirements.

Employees covered by benefit terms

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plan:

Active employees	82
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to; but not yet receiving benefits	-
Total	84

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Funding Policy

The District makes health premium contributions for eligible retirees that enroll in a CalPERS health plan during retirement. The amount paid by the District changes annually based on the retiree's health plan election and rates published by CalPERS. For the year ended June 30, 2018, the District made contributions of $247,934 to the Plan, including the implicit rate subsidy.

Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount rate	7.00%
Healthcare trend rate	4.0%
Salary increases	2.75% per annum, in aggregate
Investment rate of return	7.00%
Pre-retirement mortality rate	
Certificated	2009 CalSTRS Mortality
Classified	2014 CalPERS Active Mortality for Miscellanous Employees
Post-retirement mortality rate	
Certificated	2009 CalSTRS Retirement Rates
Classified	Hired Before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired After 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @60 adjusted to minimum retirement age of 5

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	43%	7.80%
Us Small Cap	23%	7.80%
Long-Term Corporate Bonds	12%	5.30%
Long-Term Government Bonds	6%	4.50%
Treasury Inflated Protected Securities (TIPS)	5%	7.80%
US Real Estate	8%	7.80%
All Commodities	3%	7.80%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. It is assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. Historic 30 year real rates of return for each asset class were used, along with an assumed long-term inflation assumption, to set the discount rate. The expected investment return was offset by investment expenses of 25 basis points. Rolling periods of time for all assets, in combination, were reviewed to appropriately reflect the correlation between asset classes. That means that the average returns of any asset class won't necessarily reflect the averages over time individually, but do reflect the return for the asset class for the portfolio average. Geometric means were used.

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

Changes in the Net OPEB Liability

The changes in the Net OPEB liability for the OPEB plan are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/ (Asset)
Balance, July 1, 2017			
(Valuation date June 30, 2016)	$ 1,913,533	$ 3,653,167	$ (1,739,634)
Service cost	159,731		159,731
Interest (on the total OPEB liability)	130,706	-	130,706
Contributions-employer	-	-	-
Contributions-employer	-	247,934	(247,934)
Net investment income	-	385,725	(385,725)
Benefit payments, including refunds of employee contributions	(247,934)	(247,934)	-
Administrative expenses	-	(1,958)	1,958
Net changes	42,503	383,767	(341,264)
Balance, June 30, 2018			
(Valuation date June 30, 2017)	$ 1,956,036	$ 4,036,934	$ (2,080,898)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability, as well as what the Net OPEB 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 discount rate:

	1% Decrease (6.0%)	Current Rate (7.0%)	1% Increase (8.0%)
Net OPEB Liability (asset)	$ (1,946,459)	$ (2,080,898)	$ (2,201,686)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability, as well as what the Net OPEB liability would be if it were calculated using health care cost trend rates that ire 1 percentage point lower or 1 percentage point higher than the current rate:

	Trend 1% Lower (3.0%)	Valuation Trend (4.0%)	Trend 1% Higher (5.0%)
Net OPEB Liability (asset)	$ (1,946,459)	$ (2,080,898)	$ (2,201,686)

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

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of negative $93,330. The District reported $259,846 as deferred outflows of resources related to contributions made subsequent to the June 30, 2017 measurement date of which will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019.

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	$ 10,775,779	$ 3,510,654	$ (1,065,186)	$ 579,474
CalPERS	7,558,056	2,494,209	(774,881)	1,853,215
	$ 18,333,835	$ 6,004,863	$ (1,840,067)	$ 2,432,689

CalSTRS

PLAN DESCRIPTION

Barstow Community College District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

BENEFITS PROVIDED

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalSTRS (continued)

This STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

CalSTRS' provisions and benefits in effect at June 30, 2018, are summarized as follows:

Employer Rate Plans

Plan name	**Classic**	**PEPRA**
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits, as of % of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rates	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

CONTRIBUTIONS

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $917,318.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalSTRS (continued)

PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2018, Barstow Community College District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to Barstow Community College District. The amount recognized by Barstow Community College District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with Barstow Community College District were as follows:

	Proportionate Share of Net Pension Liability
Barstow Community College District proportionate share of net pension liability	$10,775,779
State's proportionate share of net pension liability	$6,374,860
Total net pension liability	$17,150,639

The net pension liability was measured as of June 30, 2017. Barstow Community College District's proportion of the net pension liability was based on a projection of Barstow Community College District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined.

The Barstow Community College District's proportionate share percentage of the net pension liability was as follows:

	Proportionate Share Percentage of Net Pension Liability
Proportion at measurement date – January 01, 0001	0.011785%
Proportion at measurement date – June 30, 2017	0.011652%
Change – increase (decrease)	(0.000133)%

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalSTRS (continued)

For the year ended June 30, 2018, the Barstow Community College District recognized pension expense of $579,174. At June 30, 2018, the Barstow Community College 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
Differences between Expected and Actual Experience	$39,850	($9,553)
Changes of Assumptions	1,996,310	-
Net Difference between Projected and Actual Earnings on Pension Plan	-	(1,055,633)
Adjustment due to Differences in Proportions	308,056	-
Differences between Actual and Required Contributions	249,120	-
Contributions after Measurement Date	917,318	-
Total	**$3,510,654**	**($1,065,186)**

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30:	Deferred Outflows/(Inflows) of Resources
2018	$177,983
2019	178,316
2020	166,051
2021	159,001
2022	423,408
Thereafter	423,391
Total	**1,528,150**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalSTRS (continued)

ACTUARIAL ASSUMPTIONS

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase (1)	Varies By Age & Length of Service
Investment Rate of Return (2)	7.10%
Mortality Rate Table (3)	Custom

(1) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

(3) For active employees, mortality is based on the RP-2014 White Collar Employee mortality table set back 2 years. For retirees, mortality is based on the 2016 CalSTRS mortality table for retirees. For disabled participants, mortality is based on the RP-2014 Disabled Retiree mortality table set back 2 years. All tables use 110% of the MP-2016 Ultimate Projection Scale. The combined base tables and projection scale specified contain a margin for expected future mortality improvement.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalSTRS (continued)

is re-balanced annually and that the annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long Term Expected Real Rate of Return
Global Equity	47.0%	6.3%
Fixed Income	12.0	0.3
Real Estate	13.0	5.2
Private Equity	13.0	9.3
Absolute Return/Risk Mitigating Strategies	9.0	2.9
Inflation Sensitive	4.0	3.8
Cash/Liquidity	2.0	(1.0)

SENSITIVITY OF THE BARSTOW COMMUNITY COLLEGE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Barstow Community College District's proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the Barstow Community College 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:

	Discount Rate -1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate +1% (8.10%)
Barstow Community College District's proportionate share of the School Risk Pool's net pension liability	$15,822,435	$10,775,779	$6,680,286

CalPERS

PLAN DESCRIPTION

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalPERS (continued)

The Plan consists of a school pool (referred to as "risk pool"), which is comprised of individual employer rate plans, including those of the Barstow Community College District.

BENEFITS PROVIDED

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

Employer Rate Plans in the School Risk Pool

Plan name	**Classic**	**PEPRA**
Hire Date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits, as of % of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rates	7.00%	6.5%
Required employer contribution rates	15.531%	15.531%

CONTRIBUTIONS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The Barstow Community College District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Barstow Community College District's contributions to the risk pools in the Plan for the year ended June 30, 2018, were as follows:

	Contributions
Total School Risk Pool contributions	$676,407

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalPERS (continued)

PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

As of June 30, 2018, Barstow Community College District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

	Proportionate Share of Net Pension Liability
Total net pension liability	$7,558,056

* The proportionate share of the total NPL to each of the enterprise and internal service funds is not being allocated because it is deemed to have an immaterial effect on the financial statements.

The Barstow Community College District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The Barstow Community College District's proportionate share of the net pension liability as of June 30, 2016, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2016. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The Barstow Community College District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the Barstow Community College District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The Barstow Community College District's proportionate share of the net pension liability as of June 30, 2017, the measurement date, was calculated as follows:

> Each risk pool's total pension liability was computed at the measurement date, June 30, 2017, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2017, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalPERS (continued)

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2017, was calculated by applying Barstow Community College District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2017, to obtain the total pension liability and fiduciary net position as of June 30, 2017. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The Barstow Community College District's proportionate share percentage of the net pension liability for each risk pool as of June 30, 2016, and June 30, 2017, was as follows:

	School Risk Pool
Proportion at measurement date – January 01, 0001	0.029943%
Proportion at measurement date – June 30, 2017	0.031660%
Change – increase (decrease)	0.001717%

For the year ended June 30, 2018, the Barstow Community College District recognized pension expense of $1,853,215. At June 30, 2018, the Barstow Community College 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**
Differences between Expected and Actual Experience	$335,303	$-
Changes of Assumptions	1,094,523	(114,493)
Net Difference between Projected and Actual Earnings on Pension Plan	153,952	-
Adjustment due to Differences in Proportions	234,024	(240,460)
Differences between Actual and Required Contributions	-	(419,928)
Contributions after Measurement Date	676,407	-
Total	**$2,494,209**	**($774,881)**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalPERS (continued)

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30:	Deferred Outflows/(Inflows) of Resources
2018	$257,560
2019	579,770
2020	348,762
2021	(143,171)
2022	-
Thereafter	-
Total	**1,042,921**

ACTUARIAL ASSUMPTIONS

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	School Risk Pool
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase (1)	Varies By Age & Length of Service
Investment Rate of Return (2)	7.50%
Mortality Rate Table (3)	Derived using CalPERS' Membership Data for all Funds

(1) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

(3) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalPERS (continued)

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2017 based on June 30, 2016 Valuations,* that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.
In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (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 the Plan. 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 of one percent.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

CalPERS (continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 [a]	Real Return Years 11+[b]
Global Equity	47.0%	4.9%	5.38%
Global Fixed Income	19.0	0.8	2.27
Inflation Sensitive	6.0	0.6	1.39
Private Equity	12.0	6.6	6.63
Real Estate	11.0	2.8	5.21
Infrastructure and Forestland	3.0	3.9	5.36
Liquidity	2.0	(0.4)	(0.9)

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

SENSITIVITY OF THE BARSTOW COMMUNITY COLLEGE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Barstow Community College District's proportionate share of the net pension liability of each risk pool as of the measurement date, calculated using the discount rate, as well as what the Barstow Community College 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:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Barstow Community College District's proportionate share of the School Risk Pool's net pension liability	$11,120,354	$7,558,056	$4,602,871

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 $595,280 (9.328% 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, 2018.

	Salaries and Benefits	Supplies, Materials & Other Expenses & Services	Payments to Students	Depreciation	Total
Admissions and records	$ 407,315	$ 26,054	$ 905,508	$ -	$ 1,338,877
Ancillary services	863,126	282,722	-	-	1,145,848
Auxilliary operations	48,260	10,067	-	-	58,327
Community services and economic development	944,509	61,107	-	-	1,005,616
General institutional support	1,528,896	1,322,064	-	-	2,850,960
Instructional activities	8,034,124	573,114	-	-	8,607,238
Instructional administration	1,189,774	191,612	-	-	1,381,386
Instructional support services	397,479	31,737	-	-	429,216
Physical property and acquisitions	501,405	808,379	-	-	1,309,784
Planning, policy making, coordination, general support	573,012	303,326	-	-	876,338
Plant operations and maintenance	532,333	650,423	-	-	1,182,756
Student services-counseling and guidance	1,068,376	49,275	-	-	1,117,651
Students services-other	1,863,441	804,647	-	-	2,668,088
Depreciation Expense			-	1,600,059	1,600,059
	$ 17,952,050	**$ 5,114,527**	**$ 905,508**	**$1,600,059**	**$ 25,572,144**

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, 2018.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2019	$ 50,808
2020	6,113
Total	**$ 56,921**

Construction Commitments

As of June 30, 2018, 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, 2018, the District made the following payments to the JPA:

Joint Powers Authority	2018 Payments
SCRSM	$ 133,876

NOTE 15 – RESTATEMENT OF PRIOR YEAR NET POSITION

The Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

Net Position as previously reported at June 30, 2017		$ 51,997,555
GASB No. 75 Implementation		
Total OPEB obligation measured under previous standards	(999,749)	
Total OPEB obligation at June 30, 2017	1,739,634	
		739,885
Net Position as restated, July 1, 2017		$ 52,737,440

NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 2, 2019, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2018, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

For the Year Ended June 30, 2018

Total OPEB Liability		
Service cost	$	159,731
Interest (on the total OPEB liability)		130,706
Benefit payments, including refunds of employee contributions		(247,934)
Net change in Total OPEB Liability		42,503
Total OPEB Liability-beginning		1,913,533
Total OPEB Liability-ending	$	1,956,036
OPEB Plan's Fiduciary Net Position		
Contributions-employer	$	247,934
Contributions-employee		
Net investment income		385,725
Benefit payments, including refunds of employee contributions		(247,934)
Administrative expenses		(1,958)
Net change in OPEB Plan's Fiduciary Net Position		383,767
OPEB Plan's Fiduciary Net Position-Beginning		3,653,167
OPEB Plan's Fiduciary Net Position-Ending	$	4,036,934
Net OPEB Liability-Beginning	$	(1,739,634)
Change in Net OPEB Liability		(341,264)
Net OPEB Liability-Ending	$	(2,080,898)
OPEB Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability		206.38%
Covered Employee Payroll	$	10,742,596
Total OPEB Liability as a Percentage of Covered Employee Payroll		-19.37%

*Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown

Notes to Schedule of Changes in the District's Net OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

There were no significant changes in benefit terms.

BARSTOW COMMUNITY COLLEGE DISTRICT

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

For the Four Years Ended June 30, 2018

	Measurement Date June 30,							
	2014		2015		2016		2017	
	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS
District's proportion of the net pension liability (asset)	0.0330%	0.0116%	0.0331%	0.0117%	0.0299%	0.0118%	0.0317%	0.0117%
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	$7,558,056	$ 10,775,779
District's covered-employee payroll	3,678,218	5,422,838	$3,625,981	$5,855,107	$4,047,213	$6,352,846	$4,355,158	$ 6,387,438
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%	173.54%	168.70%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	76.52%	79.43%	74.02%	73.90%	70.04%	71.87%	69.46%

Note: In the future, as data becomes available, ten years of information will be presented

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

For the Four Years Ended June 30, 2018

	Fiscal Year							
	2014-15		2015-16		2016-17		2017-18	
	PERS	STRS	PERS	STRS	PERS	STRS	PERS	STRS
Contractually required contribution	$ 432,963	$ 481,548	$ 429,570	$ 628,253	$ 562,077	$ 799,188	$ 676,407	$ 917,318
Contributions in relation to the contractually required contribution	432,963	481,548	429,570	628,253	562,077	799,188	676,407	917,318
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	$4,355,158	$6,387,438
Contributions as a percentage of covered-employee payroll	11.771%	8.880%	11.847%	10.730%	13.888%	12.580%	13.888%	12.580%

Note: In the future, as data becomes available, ten years of information will be presented

SUPPLEMENTARY INFORMATION

BARSTOW COMMUNITY COLLEGE DISTRICT

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2018

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, 2018, were as follows:

Member	Office	Term Expires
Dr. Ted Baca	President	2020
Timothy T. Heiden	Vice-President	2022
Fernando (Fred) Baca	Clerk	2020
Philip M. Harris	Member	2022
Paul Wilkey	Member	2020

District Administration

Member	Office
Eva Bagg, Ph.D.	Superintendent / President
Karen Kane	Interim Vice-President: Academic Affairs
Dr. Brenda K. Findley	Vice-President: Administrative Services
Karen Kane	Interim Vice-President: Student Services
Lyle Engeldinger	Associate Vice-President: Human Resources

BARSTOW COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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		$ 7,715,441
Federal Supplement Education Opportunity (FSEOG	84.007		89,197
Federal Work Study Progrm (FWS)	84.033		89,369
Subtotal Student Financial Assistance Cluster			7,894,007
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	154,301
Total U.S. Department of Education			8,048,308
U.S. Department of Health and Human Services			
Temporary Assistance to Needy Families (TANF)	93.558		47,586
Total U.S. Department of Health and Human Services			47,586
U.S. Department of Labor			
Passed through California Department of Education			
Trade Adjustment Assistance Community College and Career Training	17.282	*	160,958
Total U.S. Department of Labor			160,958
Total Federal Expenditures			**$ 8,256,852**

[1]: Major Program

**Passthrough Identifying number not available*

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended June 30, 2018

	Program Revenues				
Program Name	Cash Received	Accounts Receivable	Deferred Income	Total	Total Program Expenditures
Lottery	$ 165,549	$ 1,392	$ 63,427	$ 103,514	$ 103,514
Extended Opportunity program and Services (EOPS)	560,249	-	-	560,249	560,249
Campus Safety & Sexual Assault	13,075		13,075	-	-
Cooperative Agencies Resources for Education (CARE)	131,853	-	-	131,853	131,853
Disabled Student Program and Services (DSPS)	291,646	-	-	291,646	291,646
Emergency Aid Dreamer Students	6,075	-	-	6,075	6,075
Child Development Training	7,500	-	-	7,500	7,500
CC Completion Grant	18,000	-	-	18,000	18,000
CEC Mentor Program	500	-	-	500	500
CalWorks	266,763	-	-	266,763	266,763
CARE	125,518			125,518	125,518
College Promise	-	748,564	422,275	326,289	326,289
CTE Data Unlock	-	50,000		50,000	50,000
EEO	50,000	4,535	48,176	6,359	6,359
Basic Skills Funding	122,112	1,534	32,044	91,602	91,602
Physical Plant and Instructional Support Block grant	155,446	241,578	334,502	62,522	62,522
Adult Education Block Grant	389,612	-	128,606	261,006	261,006
Foster and Kinship Care Education	144,482	-	-	144,482	144,482
Foster Kinship CSEC	10,500			10,500	10,500
GUIDED PATHWAYS	151,179		151,179	-	-
Hunger Free Campus Support	5,406		500	4,906	4,906
Innovative & Effectivemess Grant	-	1,665	-	1,665	1,665
Student Success - Credit	932,331	404,877	568,906	768,302	768,302
Student Success Equity Plan through the Student	385,093	322,770	316,829	391,034	391,034
Strong Workforce Regional	(154,617)	340,089	-	185,472	185,472
Strong Workforce	255,140	137,294	365,373	27,061	27,061
SFAA	166,512	(16,901)	24,414	125,197	159,002
STRS on Behalf	37,915			37,915	37,915
Propositition 39 Mini Grant	40,000	-	40,000	-	-
Proposition 39 California Clean Energy	86,696	89,550	68,961	107,285	107,285
California Career Pathways Trust	-	132,141	-	132,141	132,141
Veterans Resource Center	19,327		19,327	-	-
Full Time Student Success	267,500	12,225	-	279,725	279,725
	$ 4,651,362	**$ 2,459,088**	**$ 2,597,595**	**$ 4,525,080**	**$ 4,558,885**

BARSTOW COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2018

	Reported Data
Summer Intersession (Summer 2017 only)	
1. Noncredit	3
2. Credit	194
Summer Intersession (Summer 2018 - Prior to July 1, 2018)	
1. Noncredit	-
2. Credit	-
Primary Terms (Exclusive of Summer Intersesion)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	682
(b) Daily Census Contact Hours	341
2. Actual Hours of Attendance	
(a) Noncredit	84
(b) Credit	18
3. Alternative Attendance Accounting Procedure	
(a) Weekly Census Contact Hours	187
(b) Daily Census Contact Hours	1,074
(c) Noncredit Independent Study/Distance Education Courses	-
Total FTES	2,583
Total Credit FTES	2,496
Total Noncredit FTES	87
Total FTES	2,583

Supplemental Information (subset of above information)	
In-Service Training Courses	-
Basic Skills Courses & Immigrant Education	
1. Noncredit	32
2. Credit	171

BARSTOW COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2018

		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	$ 2,963,769		$ 2,963,769	$ 2,963,769		$ 2,963,769
Other	1300	2,153,777		2,153,777	2,153,777		2,153,777
Total Instructional Salaries		5,117,546		5,117,546	5,117,546		5,117,546
Non-Instructional Salaries							
Contract or Regular	1200				1,106,225		1,106,225
Other	1400				86,904		86,904
Total Non-Instructional Salaries					1,193,129		1,193,129
Total Academic Salaries		5,117,546		5,117,546	6,310,675		6,310,675
CLASSIFIED SALARIES							
Non-Instructional Salaries							
Regular Status	2100				1,983,357		1,983,357
Other	2300				133,326		133,326
Total Non-Instructional Salaries					2,116,683		2,116,683
Instructional Aides							
Regular Status	2200	345,308		345,308	345,308		345,308
Other	2400	61,033		61,033	61,033		61,033
Total Instructional Aides		406,341		406,341	406,341		406,341
Total Classified Salaries		406,341		406,341	2,523,024		2,523,024
Employee Benefits	3000	1,976,720		1,976,720	3,678,029		3,678,029
Supplies and Materials	4000				230,560		230,560
Other Operating Expenses	5000	-		-	2,223,354		2,223,354
Equipment Replacement	6420						
Total Expenditures Prior to Exclusio		7,500,607		7,500,607	14,965,642		14,965,642

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 (CONTINUED)

For the Year Ended June 30, 2018

		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	367,237		367,237	367,237		367,237
Student Health Services Above Amount Collected	6441						
Student Transportation	6491				-		-
Non-Instructional Staff - Retirees' Benefits and Retirement Incentives	6740				297,926		297,926
Objects to Exclude							
Rents and Leases	5060				141,672		141,672
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				433,023		433,023
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000				-		-
Total Exclusions		367,237		367,237	1,239,858		1,239,858
Total for ECS 84362, 50% Law		$ 7,133,370		$ 7,133,370	$ 13,725,784		$ 13,725,784
Percent of CEE (Instructional Salary		51.97%		51.97%	100%		100%
50% of Current Expense of Education					$ 6,862,892		$ 6,862,892

BARSTOW COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

There were no adjustments made to the Annual Financial and Budget Report (CCFS-311)

BARSTOW COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT

For the Fiscal Year Ended June 30, 2018

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	**8630**				$2,693,701
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	0100-5900	$ 2,693,701	-	-	2,693,701
Total Expenditures for EPA		$ 2,693,701	-	-	2,693,701
Revenues Less Expenditures					$ -

See the accompanying notes to the supplementary information

BARSTOW COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

Total Fund Balance and Retained Earnings:		
General Funds	$ 8,737,126	
Special Revenue Funds	(39,856)	
Capital Outlay Projects	6,629,242	
Fiduciary Funds	171,585	
Total Fund Balances and Retained Earnings - All District Funds		$ 15,498,097
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	65,971,240	
Accumulated depreciation is	(15,937,404)	
Net Capital Assets		50,033,836
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	6,264,709	
Deferred inlows of resources relating to pensions	(1,840,067)	4,424,642
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	(18,333,835)	
Supplemental employee retirement plan	(425,869)	
Other postemployment benefits (OPEB)	2,080,901	
Total Long-Term Obligations		(16,678,803)
Total Net Position - Governmental Activities		**$ 53,277,772**

BARSTOW COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2018

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.

The District did not participate in any loan or loan guaranty programs as described in Title 2*, Code of Federal Regulations*, *Part 200.502(b*) during the year ended June 30, 2018.

The District does not provide Federal awards to subrecipients during the year ended June 30, 2018.

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 2, 2019.

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
January 2, 2019

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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

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
January 2, 2019

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 2017-2018 Contracted District Audit Manual (CDAM) for the year ended June 30, 2018 and issued our report thereon January 2, 2019.

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*D2017-18 Contracted District Audit Manual*.

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 2017-2018 *Contracted District Audit Manual*. 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, 2018.

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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 444 Apprenticeship Related and Supplemental Instruction (RSI) Funds
- 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* 2017-2018. Accordingly, this report is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants
Victorville, California
January 2, 2019

SCHEDULE OF FINDINGS AND RESPONSES

BARSTOW COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2018

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, 2018

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, 2018

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.