Financial Statements
June 30, 2021

# Barstow Community College District

EideBailly

We believe 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 respective financial position of the business-type activities and the remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter – Change in Accounting Principle**

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 14, and other required supplementary information on pages 53 through 58 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are 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 March 21, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that 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 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.

Rancho Cucamonga, California
March 21, 2022

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, total liabilities, and deferred inflows of resources 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, 2021 fiscal year ended with an increase in total net position of $2,662,058 to a grand total of $55,523,739.

| | 2021 | 2020, as restated | Change |
|---|---|---|---|
| **Assets** | | | |
| Cash and investments | $ 22,899,542 | $ 21,316,390 | $ 1,583,152 |
| Receivables | 8,867,413 | 3,262,249 | 5,605,164 |
| Other current assets | 39,728 | 5,961 | 33,767 |
| Net other postemployment benefits (OPEB) asset | 1,397,628 | 1,490,938 | (93,310) |
| Capital assets, net | 46,964,378 | 47,936,257 | (971,879) |
| Total assets | 80,168,689 | 74,011,795 | 6,156,894 |
| Deferred Outflows of Resources | 7,389,756 | 7,789,467 | (399,711) |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | 5,893,402 | 4,767,608 | 1,125,794 |
| Noncurrent portion of long-term liabilities | 25,215,311 | 22,591,660 | 2,623,651 |
| Total liabilities | 31,108,713 | 27,359,268 | 3,749,445 |
| Deferred Inflows of Resources | 925,993 | 1,580,313 | (654,320) |
| **Net Position** | | | |
| Net investment in capital assets | 46,964,378 | 47,936,257 | (971,879) |
| Restricted | 13,579,311 | 12,369,648 | 1,209,663 |
| Unrestricted deficit | (5,019,950) | (7,444,224) | 2,424,274 |
| Total net position | $ 55,523,739 | $ 52,861,681 | $ 2,662,058 |

This schedule has been prepared from the District's Statement of Net Position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

**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 nonoperating revenues earned (whether received or not) by the District, the operating and nonoperating 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 nonoperating activities.

A summary of the Statement of Revenues, Expenses and Changes in Net Position, for the years ended June 30, 2021 and June 30, 2020, is shown below.

| | 2021 | 2020, as restated | Change |
|---|---|---|---|
| Operating Revenues | | | |
| Tuition and fees, net | $ 388,420 | $ 858,359 | $ (469,939) |
| Grants and contracts, noncapital | 9,815,723 | 7,254,249 | 2,561,474 |
| Total operating revenues | 10,204,143 | 8,112,608 | 2,091,535 |
| Operating Expenses | | | |
| Salaries and benefits | 24,360,979 | 24,152,967 | 208,012 |
| Supplies, services, equipment, and maintenance | 5,468,777 | 5,435,236 | 33,541 |
| Student financial aid | 12,840,220 | 11,985,775 | 854,445 |
| Depreciation | 1,804,530 | 1,814,442 | (9,912) |
| Total operating expenses | 44,474,506 | 43,388,420 | 1,086,086 |
| Loss on operations | (34,270,363) | (35,275,812) | 1,005,449 |
| Nonoperating Revenues | | | |
| State apportionments, noncapital | 19,382,983 | 18,512,147 | 870,836 |
| Property taxes | 3,588,241 | 3,462,430 | 125,811 |
| Student financial aid grants | 10,853,066 | 10,855,541 | (2,475) |
| State revenues | 94,157 | 691,284 | (597,127) |
| Investment income | 414,861 | 334,647 | 80,214 |
| Other nonoperating revenues | 1,439,054 | 1,036,323 | 402,731 |
| Total nonoperating revenues | 35,772,362 | 34,892,372 | 879,990 |
| Other Revenues | | | |
| State capital income | 1,160,059 | - | 1,160,059 |
| Change in net position | $ 2,662,058 | $ (383,440) | $ 3,045,498 |

Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionments, noncapital, which, as a whole, increased in fiscal year 2020-2021.

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

| | Salaries and Employee Benefits | Supplies, Material, and Other Operating Expenses and Services | Student Financial Aid | Depreciation | Total |
|---|---|---|---|---|---|
| Instructional activities | $ 9,291,843 | $ 223,342 | $ - | $ - | $ 9,515,185 |
| Academic support | 1,756,333 | 520,180 | - | - | 2,276,513 |
| Student services | 5,882,833 | 361,752 | 3,000 | - | 6,247,585 |
| Plant operations and maintenance | 537,585 | 591,672 | - | - | 1,129,257 |
| Instructional support services | 3,790,491 | 2,899,115 | - | - | 6,689,606 |
| Community services and economic development | 1,315,088 | (3,624) | - | - | 1,311,464 |
| Ancillary services and auxiliary operations | 1,093,117 | 235,802 | - | - | 1,328,919 |
| Student aid | - | - | 12,837,220 | - | 12,837,220 |
| Physical property and related acquisitions | 693,689 | 640,538 | - | - | 1,334,227 |
| Unallocated depreciation | - | - | - | 1,804,530 | 1,804,530 |
| Total | $ 24,360,979 | $ 5,468,777 | $ 12,840,220 | $ 1,804,530 | $ 44,474,506 |

**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 nonoperating, noninvesting, and noncapital 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, 2021, was $33,173,801.

The Statement of Cash Flows for the year ended June 30, 2021 and 2020, is summarized below:

| | 2021 | 2020, as restated | Change |
|---|---|---|---|
| Net Cash Flows from | | | |
| Operating activities | $ (33,173,801) | $ (30,508,767) | $ (2,665,034) |
| Noncapital financing activities | 33,737,383 | 34,377,731 | (640,348) |
| Capital financing activities | 578,823 | (1,018,461) | 1,597,284 |
| Investing activities | 440,747 | 353,104 | 87,643 |
| Net Increase in Cash | 1,583,152 | 3,203,607 | (1,620,455) |
| Cash, Beginning of Year | 21,316,390 | 18,112,783 | 3,203,607 |
| Cash, End of Year | $ 22,899,542 | $ 21,316,390 | $ 1,583,152 |

**The District's Fiduciary Responsibility**

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:

| | Balance, Beginning of Year | Additions | Deletions | Balance, End of Year |
|---|---|---|---|---|
| Land and construction in progress | $ 119,462 | $ 468,204 | $ - | $ 587,666 |
| Buildings and improvements | 64,038,853 | 119,797 | - | 64,158,650 |
| Furniture and equipment | 3,297,457 | 244,650 | - | 3,542,107 |
| Subtotal | 67,455,772 | 832,651 | - | 68,288,423 |
| Accumulated depreciation | (19,519,515) | (1,804,530) | - | (21,324,045) |
| Total | $ 47,936,257 | $ (971,879) | $ - | $ 46,964,378 |

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

Note 6 in the financial statements provides additional information on capital assets.

**Long-Term Liabilities**

At June 30, 2021, the District had $25,215,311 in long-term liabilities. A comparison of long-term liabilities is summarized below:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|---|---|---|---|---|
| Compensated absences | $ 680,824 | $ 76,388 | $ - | $ 757,212 |
| Aggregate net pension liability | 21,910,836 | 2,547,263 | - | 24,458,099 |
| Total long-term liabilities | $ 22,591,660 | $ 2,623,651 | $ - | $ 25,215,311 |
| Amount due within one year | | | | $ - |

Note 7 and Note 10 in the financial statements provides additional information on long-term liabilities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Cost of Living Allowance (COLA) of 5.07% has being included in the revenue estimates. The COLA represents two fiscal years' worth of COLA. Student (FTES) decline with continued protections under the COVID-19 Emergency Conditions Protections that were extended into fiscal year 2021-2022. This is expected to be the final year of emergency conditions protections. A 1.03% revenue deficit is included in the state apportionment figures. This will protect any potential shortfalls in the Student-Centered Funding Formula (SCFF), property tax and student fee estimates, which are not automatically backfilled.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Unrestricted 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 Board of Trustees adopted the fiscal year 2021-2022 budget on September 15, 2021.

On July 12, 2021, the Governor signed the 2021 Budget Act. Below is the California Community College budget and changes through the legislative process.[1]

1*Association of California Community College Administrators, the Association of Chief Business Officials, and the Community College League of California's Joint Analysis on the Enacted 2021-2022 Budget dated July 13, 2021

2021-2022 Adopted Budget for Community Colleges (In Millions)[1]

| Program | 2020-21 Revised | 2021-22 Enacted | Change from 2020-21 | Percent Change | Explanation of Change |
|---|---|---|---|---|---|
| Student Centered Funding Formula | $7,502.5 | $7,927.0 | $424.5 | 5.7% | COLA, growth, and base adjustments |
| Deferrals--Student Centered Funding Formula and Student Equity and Achievement | -1,453.2 | 1,453.2 | 1,453.2 | 100.0% | Pay off the 2020-21 deferral |
| Deferred maintenance (one-time) | 0.0 | 511.0 | 511.0 | - | Adds one-time funding |
| Student Equity and Achievement Program | 475.2 | 499.0 | 23.8 | 5.0% | Base adjustment |
| Strong Workforce Program | 248.0 | 290.4 | 42.4 | 17.1% | Base adjustment |
| Student Success Completion Grant | 159.0 | 162.6 | 3.6 | 2.3% | Adjust for revised estimate of recipients |
| Emergency financial assistance grants (one-time)[b] | 100.0 | 150.0 | 50.0 | 50.0% | Adds one-time funding (from federal ARP funds) |
| Full-time faculty hiring | 50.0 | 150.0 | 100.0 | 200.0% | Adds ongoing funding |
| Extended Opportunity Programs and Services (EOPS) | 115.9 | 135.9 | 20.0 | 17.3% | Adds ongoing funding and 1.7% COLA |
| Disabled Students Programs and Services (DSPS) | 124.3 | 126.4 | 2.1 | 1.7% | 1.7% COLA |
| Support zero-textbook-cost degrees (one-time) | 0.0 | 115.0 | 115.0 | - | Adds one-time funding |
| Part-time faculty office hours | 12.2 | 112.2 | 100.0 | 819.7% | Adds ongoing funding of $10 million (and $90 million one-time in 2021-22 ) |
| Retention and enrollment (one-time)[b] | 20.0 | 100.0 | 80.0 | 400.0% | Adds one-time funding |
| Basic needs for food insecurity (one-time) | 0.0 | 100.0 | 100.0 | - | Adds one-time funding |

| | | | | | |
|---|---|---|---|---|---|
| Financial aid administration[b] | 78.7 | 74.3 | -4.4 | -5.6% | Adjust for revised estimates of fee waivers and removal of one-time funding. Includes $3.1 million one-time to support CalFresh application that was part of SB 85 Immediate Action Budget |
| California College Promise (AB 19) | 81.4 | 72.5 | -8.9 | -10.9% | Adjust for revised estimates of first-time, full-time students |
| College-specific allocations[e] | 0.0 | 67.9 | 67.9 | - | Adds one-time funding |
| Integrated technology | 41.9 | 65.5 | 23.6 | 56.3% | Augmentation for CENIC, online education infrastructure, CCC Registry, and library services platform |
| Adult Education Program – Community College Districts[c] | 62.0 | 65.0 | 3.0 | 4.8% | COLA |
| Apprenticeship (community college districts) | 43.6 | 60.1 | 16.5 | 37.8% | Adjusts for revised estimate of related supplemental instruction hours and adds ongoing funding |
| Guided Pathways implementation (one-time) | 0.0 | 50.0 | 50.0 | - | Adds one-time funding |
| CalWORKs student services | 46.9 | 47.7 | 0.8 | 1.7% | 1.7% COLA |
| Mandates Block Grant and reimbursements | 33.4 | 33.7 | 0.3 | 0.9% | Revised enrollment estimates and 1.7% COLA; funded at $30.67 |
| Student mental health services | 0.0 | 30.0 | 30.0 | - | Adds ongoing funding |
| Basic needs centers | 0.0 | 30.0 | 30.0 | - | Adds ongoing funding |
| Institutional effectiveness initiative | 27.5 | 27.5 | 0.0 | - | |
| Part-time faculty compensation | 24.9 | 24.9 | 0.0 | - | |
| Online education initiative | 23.0 | 23.0 | 0.0 | - | |
| Economic and Workforce Development | 22.9 | 22.9 | 0.0 | - | |
| NextUp (foster youth program) | 20.0 | 20.0 | 0.0 | - | |
| EEO best practices (one-time) | 0.0 | 20.0 | 20.0 | - | Adds one-time funding |
| Workforce investment initiatives with CWDB (one-time) | 0.0 | 20.0 | 20.0 | - | Adds one-time funding |

| | | | | | |
|---|---|---|---|---|---|
| Culturally competent professional development (one-time) | 0.0 | 20.0 | 20.0 | - | Adds one-time funding |
| Cooperative Agencies Resources for Education (CARE) | 16.8 | 19.0 | 2.2 | 13.2% | Adds ongoing funding and 1.7% COLA |
| California Online Community College (Calbright College)[d] | 15.0 | 15.0 | 0.0 | - | |
| Nursing grants | 13.4 | 13.4 | 0.0 | - | |
| Lease revenue bond payments | 12.8 | 12.8 | 0.0 | - | |
| Dreamer Resource Liaisons | 5.8 | 11.6 | 5.8 | 100.0% | Adds ongoing funding |
| Mathematics, Engineering, Science Achievement (MESA) | 2.5 | 10.7 | 8.2 | 323.0% | Adds ongoing funding |
| Rising Scholars Network | 0.0 | 10.0 | 10.0 | - | Adds ongoing funding |
| Competency-based education (one-time) | 0.0 | 10.0 | 10.0 | - | Adds one-time funding |
| LGBTQ+ support (one-time) | 0.0 | 10.0 | 10.0 | - | Adds one-time funding |
| Common course numbering (one-time) | 0.0 | 10.0 | 10.0 | - | Adds one-time funding |
| Immigrant legal services through CDSS | 10.0 | 10.0 | 0.0 | - | |
| Veterans Resource Centers | 10.0 | 10.0 | 0.0 | - | |
| Puente Project | 2.0 | 9.3 | 7.3 | 369.0% | Adds ongoing funding |
| Student Housing Program | 9.0 | 9.0 | 0.0 | - | |
| Umoja | 2.6 | 7.5 | 4.9 | 190.0% | Adds ongoing funding |
| Foster Parent Education Program | 5.7 | 5.7 | 0.0 | - | |
| AB 1460 implementation (one-time) | 0.0 | 5.6 | 5.6 | - | Adds one-time funding |
| Community college law school initiative | 0.0 | 5.0 | 5.0 | - | Adds one-time funding |
| Childcare tax bailout | 3.6 | 3.7 | 0.1 | 1.7% | 1.7% COLA |
| Equal Employment Opportunity Program | 2.8 | 2.8 | 0.0 | - | |
| Instructional Materials for Dual Enrollment (one-time) | 0.0 | 2.5 | 2.5 | - | Adds one-time funding |
| Middle College High School Program | 1.8 | 1.8 | 0.0 | - | |
| Academic Senate for Community Colleges | 1.7 | 1.7 | 0.0 | - | |
| Historically Black Colleges and Universities (HBCU) Transfer Pathway project | 0.1 | 1.4 | 1.3 | 1300.0% | Adds ongoing funding |
| Transfer education & articulation projects | 0.7 | 0.7 | 0.0 | - | |

| | | | | | |
|---|---|---|---|---|---|
| Fiscal Crisis and Management Assistance Team (FCMAT) | 0.6 | 0.6 | 0.0 | - | |
| Part-time faculty health insurance | 0.5 | 0.5 | 0.0 | - | |
| COVID-19 Response Block Grant (one-time) | 120.0 | 0.0 | -120.0 | -100.0% | Removes one-time funding |
| **Total** | **$8,097.5** | **$12,808.0** | **$4,710.5** | **58.2%** | |

*[a] Table reflects total programmatic funding for the system, including amounts from prior years available for use in the years displayed.*
*[b] The Immediate Action Package implemented in February 2021 through SB 85 included $100 million for emergency financial grants for students, $20 million to support retention and enrollment strategies, and $3 million for financial aid administration to support student applications for CalFresh. The funding for emergency financial assistance grants was allocated from federal ARP funds, while the funds for retention and financial aid administration were state Proposition 98 funds. The same sources of funds apply for the 2021-22 allocations.*
*[c] Amounts represent share ultimately received by California Community College districts. For the overall adult education program in 2021-22, $432 million (77%) is distributed through school district fiscal agents or funded directly to school districts and K-12 agencies, and $128 million (23%) is distributed by community college district fiscal agents or funded directly to community college districts.*
*[d] Budget Act continued funding for Calbright College, but includes language stating that any legislation that eliminates the college will be binding (such as AB 1432; this bill was passed by the Assembly in May 2021 but the Senate canceled a scheduled hearing of the bill; it could still come up for a hearing in the next legislative cycle).*
*[e] Includes 15 college-specific allocations as prescribed in statute.*

**Deferrals**

The State adopted budget eliminates the $1.46 billion in system deferrals. It accelerates the projected payments of 2020-2021 deferrals to be completely paid in July and August 2021. This represents approximately $5.9 million to Barstow College. $4.6 million is apportionment the other $1.3 million in Student Equity & Achievement (SEA) categorical funding.

**Cost Of Living Adjustment (COLA)**

COLA saw the most notable adjustment between the Governor's January budget release, the May revision and the State adopted budget. The proposed January COLA for the Student-Centered Funding Formula (SCFF) was 1.5%. In the May revision, it had been increased to 4.05%. The State adopted 5.07% COLA to make up for two fiscal years' worth of COLA between 2020-2021 & 2021-2022. Categorical programs have an increase in COLA from 1.5% to 1.7% in the State adopted budget.

**Full-Time Equivalent Students (FTES)**

The Chancellor's Office has allowed the extension of the Emergency Protection Conditions for Full-Time Equivalent Students due to COVID-19. It is expected that 2021-2022 will be the final year for this revenue protection extension. Barstow saw an enrollment decline of roughly 26% in 2020-2021 at second principle apportionment. Protected FTES apportionment is 2,556 and reported FTES is 1,889.

**One-Time funding versus Ongoing Investment**

Although there is a significant projected increase in general fund revenues, the State adopted the Governor's approach of allocating the majority of funds using one-time funding measures as opposed to ongoing programs.

**Pension**

*CalSTRS & CalPERS*
Below are the CalSTRS and CalPERS that were reduced with investments aimed at lowering the projected employer contribution rates as follows:

- CalSTRS 2021-2022 Employer Obligation Rate: 16.92%
- CalPERS 2021-2022 Employer Obligation Rate: 22.91%

**Minimum Wage**

The Fair Wage Act of 2016 was passed that will increase the minimum wage per hour over the next four years starting at $10.50 effective January 1, 2017 and then increasing $11 starting January 1, 2018. It will then increase $1 per year up to $15 per hour on January 1, 2022.

**CONTACTING THE DISTRICT**

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

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 779,167 |
| Investments | 22,120,375 |
| Accounts receivable | 8,427,232 |
| Student receivables | 335,340 |
| Due from fiduciary funds | 104,841 |
| Prepaid expenses | 39,728 |
| Net other postemployment benefits (OPEB) asset | 1,397,628 |
| Capital assets | |
| Nondepreciable capital assets | 587,666 |
| Depreciable capital assets, net of depreciation | 46,376,712 |
| Total capital assets | 46,964,378 |
| Total assets | 80,168,689 |
| **Deferred Outflows of Resources** | |
| Deferred outflows of resources related to OPEB | 737,793 |
| Deferred outflows of resources related to pensions | 6,651,963 |
| Total deferred outflows of resources | 7,389,756 |
| **Liabilities** | |
| Accounts payable | 2,880,366 |
| Unearned revenue | 3,013,036 |
| Long-term liabilities | |
| Long-term liabilities other than pensions, due in more than one year | 757,212 |
| Aggregate net pension liability | 24,458,099 |
| Total liabilities | 31,108,713 |
| **Deferred Inflows of Resources** | |
| Deferred inflows of resources related to OPEB | 15,547 |
| Deferred inflows of resources related to pensions | 910,446 |
| Total deferred inflows of resources | 925,993 |
| **Net Position** | |
| Net investment in capital assets | 46,964,378 |
| Restricted for | |
| Capital projects | 11,927,686 |
| Educational programs | 1,284,772 |
| Other activities | 366,853 |
| Unrestricted deficit | (5,019,950) |
| Total Net Position | $ 55,523,739 |

| | |
|---|---|
| Operating Revenues | |
| Tuition and fees | $ 2,485,583 |
| Less: Scholarship discounts and allowances | (2,097,163) |
| Net tuition and fees | 388,420 |
| Grants and contracts, noncapital | |
| Federal | 2,658,064 |
| State | 6,943,117 |
| Local | 214,542 |
| Total grants and contracts, noncapital | 9,815,723 |
| Total operating revenues | 10,204,143 |
| Operating Expenses | |
| Salaries | 15,101,772 |
| Employee benefits | 9,259,207 |
| Supplies, materials, and other operating expenses and services | 4,766,303 |
| Student financial aid | 12,840,220 |
| Equipment, maintenance, and repairs | 702,474 |
| Depreciation | 1,804,530 |
| Total operating expenses | 44,474,506 |
| Operating Loss | (34,270,363) |
| Nonoperating Revenues | |
| State apportionments, noncapital | 19,382,983 |
| Local property taxes, levied for general purposes | 3,588,241 |
| Federal and state financial aid grants | 10,853,066 |
| State taxes and other revenues | 94,157 |
| Investment income | 414,861 |
| Other nonoperating revenue | 1,439,054 |
| Total nonoperating revenues | 35,772,362 |
| Income Before Other Revenues | 1,501,999 |
| Other Revenues | |
| State revenues, capital | 1,160,059 |
| Change In Net Position | 2,662,058 |
| Net Position, Beginning of Year, as Restated | 52,861,681 |
| Net Position, End of Year | $ 55,523,739 |

| | |
|---|---|
| **Cash Flows from Operating Activities** | |
| Tuition and fees | $ 382,625 |
| Federal, state, and local grants and contracts, noncapital | 6,413,929 |
| Payments to or on behalf of employees | (21,936,775) |
| Payments to vendors for supplies and services | (5,193,360) |
| Payments to students for scholarships and grants | (12,840,220) |
| Net cash flows from operating activities | (33,173,801) |
| **Cash Flows from Noncapital Financing Activities** | |
| State apportionments | 17,422,579 |
| Federal and state financial aid grants | 11,537,607 |
| Property taxes - nondebt related | 3,588,241 |
| State taxes and other apportionments | 71,794 |
| Other nonoperating | 1,117,162 |
| Net cash flows from noncapital financing activities | 33,737,383 |
| **Cash Flows from Capital Financing Activities** | |
| Purchase of capital assets | (581,236) |
| State revenue, capital | 1,160,059 |
| Net cash flows from capital financing activities | 578,823 |
| **Cash Flows from Investing Activities** | |
| Interest received from investments | 440,747 |
| Change In Cash and Cash Equivalents | 1,583,152 |
| Cash and Cash Equivalents, Beginning of Year, as Restated | 21,316,390 |
| Cash and Cash Equivalents, End of Year | $ 22,899,542 |

| | |
|---|---|
| Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities | |
| Operating Loss | $ (34,270,363) |
| Adjustments to reconcile operating loss to net cash flows from operating activities | |
| Depreciation expense | 1,804,530 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources | |
| Accounts receivable | (3,424,663) |
| Student receivables | (2,487) |
| Prepaid expenses | (33,767) |
| Deferred outflows of resources related to OPEB | 61,695 |
| Deferred outflows of resources related to pensions | 338,016 |
| Accounts payable | 271,036 |
| Unearned revenue | 19,561 |
| Compensated absences | 76,388 |
| Net OPEB asset | 93,310 |
| Aggregate net pension liability | 2,547,263 |
| Deferred inflows of resources related to OPEB | (7,774) |
| Deferred inflows of resources related to pensions | (646,546) |
| Total adjustments | 1,096,562 |
| Net cash flows from operating activities | $ (33,173,801) |
| Cash and Cash Equivalents Consist of the Following: | |
| Cash in banks | $ 779,167 |
| Cash in county treasury | 22,120,375 |
| Total cash and cash equivalents | $ 22,899,542 |

| | Retiree OPEB Trust |
|---|---|
| **Assets** | |
| Investments | $ 5,814,747 |
| **Liabilities** | |
| Due to primary government | 104,841 |
| **Net Position** | |
| Restricted for postemployment benefits other than pensions | $ 5,709,906 |

| | Retiree OPEB Trust |
|---|---|
| **Additions** | |
| Interest and investment income | $ 1,256,030 |
| **Deductions** | |
| Benefit payments | 104,841 |
| Administrative expenses | 4,446 |
| Total deductions | 109,287 |
| Change in Net Position | 1,146,743 |
| Net Position - Beginning of Year, as Restated | 4,563,163 |
| Net Position - End of Year | $ 5,709,906 |

## Note 1 - Organization

The Barstow Community College District (the District) was established in 1959 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of San Bernardino County. The District operates under a locally elected five-member Governing Board form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, Special Revenue funds, Capital Project funds, and Proprietary funds, but these budgets are managed at the department level. Currently, the District operates one community college located in Barstow, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

## Note 2 - Summary of Significant Accounting Policies

### Financial Reporting Entity

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The District has identified no component units.

### Basic Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

**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 cash with county treasury balances for purposes of the Statement of Cash Flows.

**Investments**

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value , including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District’s investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

**Accounts Receivable**

Accounts receivable include 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 also consist of tuition and fee charges to students. Management has analyzed these accounts and believes all amounts are fully collectable.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 20 years; equipment, 5 to 20 years; and vehicles, 5 to 10 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for OPEB and pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB asset, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District OPEB Plan, additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District OPEB Plan. For this purpose, the District OPEB Plan recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Payments related to the net OPEB asset are made by the fund for which the employee worked.

**Unearned Revenue**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year, and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

**Noncurrent Liabilities**

Noncurrent liabilities include compensated absences and aggregate net pension liability with maturities greater than one year.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $13,579,311 of restricted net position, and the fiduciary fund financial statements report $5,709,906 of restricted net position.

**Operating and Nonoperating Revenues and Expenses**

**Classification of Revenues** - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

> **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts.
>
> **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

**Classification of Expenses** - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

**Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

**Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

**State Apportionments**

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**Scholarship Discounts and Allowances**

Tuition and fee revenue is reported net of scholarship discount, and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarship discount, and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

**Financial Assistance Programs**

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses and Changes in Net Position. Federal financial assistance 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*.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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, and those differences could be material.

**Interfund Activity**

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 primary government and fiduciary fund has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary fund are not eliminated in the consolidation process.

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 primary government and fiduciary fund has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary fund are not eliminated in the consolidation process.

**Change in Accounting Principles**

**Implementation of GASB Statement No. 84**

As of July 1, 2020, the District adopted GASB No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements and this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's trust and agency funds from fiduciary to governmental. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

## Note 3 - Deposits and Investments

### Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within 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 mortgage obligations.

Investment in County Treasury - The District deposits substantially all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules 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 |
| Banker's 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 |

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021, consist of the following:

| | Primary Government | Fiduciary Fund |
|---|---|---|
| Cash on hand and in banks | $ 678,767 | $ - |
| Cash in revolving | 100,400 | - |
| Investments | 22,120,375 | 5,814,747 |
| Total deposits and investments | $ 22,899,542 | $ 5,814,747 |

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment Pool and mutual funds.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in mutual funds are not required to be rated, nor have they been rated. The District's investments in the San Bernardino County Investment Pool was rated by Fitch Ratings as of June 30, 2021.

Information about the sensitivity of the fair values of the District's investments to interest rate risk and credit risk is provided by the following schedule that shows the distribution of the District's investment by maturity and credit rating:

| Investment Type | Fair Value | Weighted Average Maturity in Days | Credit Rating |
|---|---|---|---|
| Mutual funds | $ 5,814,747 | No maturity | Not rated |
| San Bernardino County Investment Pool | 22,120,375 | 461 | AAAf/S1 |
| Total | $ 27,935,122 | | |

**Custodial Credit Risk**

**Deposits**

This 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 for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of approximately $1.1 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**Investments**

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2021, the District's investment balance of approximately $5.8 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

## Note 4 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2021:

| Investment Type | Fair Value | Fair Value Measurements Using Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
|---|---|---|---|---|
| Mutual funds | $ 5,814,747 | $ 5,814,747 | $ - | $ - |

All assets have been valued using a market approach, , which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

## Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2021 consisted of the following:

| | Primary Government |
|---|---|
| Federal Government | |
| Categorical aid | $ 2,509,356 |
| Other federal sources | 45,746 |
| State Government | |
| Apportionment | 3,376,111 |
| Categorical aid | 1,510,223 |
| Lottery | 175,495 |
| Other state sources | 300,121 |
| Local Sources | |
| Property taxes | 71,151 |
| Interest | 55,220 |
| Other local sources | 383,809 |
| Total | $ 8,427,232 |
| Student receivables | $ 335,340 |

## Note 6 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2021, was as follows:

| | Balance, Beginning of Year | Additions | Deductions | Balance, End of Year |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 119,462 | $ - | $ - | $ 119,462 |
| Construction in progress | - | 468,204 | - | 468,204 |
| Total capital assets not being depreciated | 119,462 | 468,204 | - | 587,666 |
| Capital Assets Being Depreciated | | | | |
| Buildings and improvements | 64,038,853 | 119,797 | - | 64,158,650 |
| Furniture and equipment | 3,297,457 | 244,650 | - | 3,542,107 |
| Total capital assets being depreciated | 67,336,310 | 364,447 | - | 67,700,757 |
| Total capital assets | 67,455,772 | 832,651 | - | 68,288,423 |
| Less Accumulated Depreciation | | | | |
| Buildings and improvements | 17,601,605 | 1,537,196 | - | 19,138,801 |
| Furniture and equipment | 1,917,910 | 267,334 | - | 2,185,244 |
| Total accumulated depreciation | 19,519,515 | 1,804,530 | - | 21,324,045 |
| Net capital assets | $ 47,936,257 | $ (971,879) | $ - | $ 46,964,378 |

## Note 7 - Long-Term Liabilities other than Pensions

### Summary

The changes in the District's long-term liabilities other than pensions during the year ended June 30, 2021 consisted of the following:

| | Balance, Beginning of Year | Additions | Deductions | Balance, End of Year | Due in One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 680,824 | $ 76,388 | $ - | $ 757,212 | $ - |

### Description of Long Term Liabilities

The compensated absences will be paid by the fund for which the employee worked.

## Note 8 - Net Other Postemployment Benefits (OPEB) Asset

For the year ended June 30, 2021, the District reported a net OPEB asset, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

| OPEB Plan | Net OPEB Asset | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---|---|---|---|---|
| District Plan | $ 1,397,628 | $ 737,793 | $ 15,547 | $ 147,231 |

### District Plan

### Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the California Employers' Retiree Benefit Trust Fund.

**Plan Membership**

At June 30, 2020, the measurement date, the Plan membership consisted of the following:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits payments | 10 |
| Active employees | 123 |
| Total | 133 |

**Retiree Health Benefit OPEB Trust**

The Barstow Community College District's Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the District's Governing Board as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the trust.

**Benefits Provided**

The Plan provides medical, dental, vision, and life insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

**Contributions**

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The voluntary contributions based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by management and the District's governing board. For measurement period of June 30, 2020, the District contributed $154,365 to the Plan, all of which was used for current premiums.

**Investment**

**Investment Policy**

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2020:

| Asset Class | Target Allocation |
|---|---|
| All Equities | 59% |
| All Fixed Income | 25% |
| Real Estate Investment Trusts | 8% |
| All Commodities | 3% |
| Treasury Inflation Protected Securities (TIPS) | 5% |

**Rate of Return**

For the year ended June 30, 2020, the annual money-weighed rate of return on investments, net of investment expense, was 3.49%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Asset of the District**

The District's net OPEB asset of $1,397,628 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB asset of the District at June 30, 2020, were as follows:

| | |
|---|---|
| Total OPEB liability | $ 3,165,535 |
| Plan fiduciary net position | (4,563,163) |
| Net OPEB Asset | $ (1,397,628) |
| Plan fiduciary net position as a percentage of the total OPEB liability | 144.15% |

**Actuarial Assumptions**

The total OPEB liability measured as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.75% |
| Salary increases | 2.75% |
| Investment rate of return | 7.00% |
| Healthcare cost trend rate | 4.00% |

The discount rate was based on the long-term expected return on plan assets assuming 100% funding through the Trust, using the building block method.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study as of July 2019.

The long-term expected rate of return on OPEB 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, (see the discussion of the Plan's investment policy) are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|---|---|
| All Equities | 7.80% |
| All Fixed Income | 4.50% |
| Real Estate Investment Trusts | 7.50% |
| All Commodities | 7.80% |
| Treasury Inflation Protected Securities (TIPS) | 3.25% |

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Asset**

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Asset (a) - (b) |
| Balance, June 30, 2019 | $ 2,918,496 | $ 4,409,434 | $ (1,490,938) |
| Service cost | 225,613 | - | 225,613 |
| Interest | 205,740 | - | 205,740 |
| Difference between expected and actual experience | (29,949) | - | (29,949) |
| Contributions - employer | - | 154,365 | (154,365) |
| Expected investment income | - | 308,565 | (308,565) |
| Differences between projected and actual earnings on OPEB plan investments | - | (152,674) | 152,674 |
| Benefit payments | (154,365) | (154,365) | - |
| Administrative expense | - | (2,162) | 2,162 |
| Net change in total OPEB liability | 247,039 | 153,729 | 93,310 |
| Balance, June 30, 2020 | $ 3,165,535 | $ 4,563,163 | $ (1,397,628) |

There were no changes in benefit terms since the previous valuation.

There were no changes of economic assumptions since the previous valuation.

**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate**

The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net OPEB Asset |
|---|---|
| 1% decrease (6.00%) | $ 1,166,326 |
| Current discount rate (7.00%) | 1,397,628 |
| 1% increase (8.00%) | 1,605,819 |

**Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using healthcare cost trend rate that is one percent lower or higher than the current healthcare cost trend rate:

| Healthcare Cost Trend Rate | Net OPEB Asset |
|---|---|
| 1% decrease (3.00%) | $ 1,644,878 |
| Current healthcare cost trend rate (4.00%) | 1,397,628 |
| 1% increase (5.00%) | 1,127,580 |

**Deferred Outflows/Inflows of Resources Related to OPEB**

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 32,722 | $ - |
| Changes of assumptions | 565,500 | - |
| Net difference between projected and actual earnings on OPEB plan investments | 139,571 | 15,547 |
| Total | $ 737,793 | $ 15,547 |

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2022 | $ 28,558 |
| 2023 | 28,559 |
| 2024 | 36,331 |
| 2025 | 30,576 |
| Total | $ 124,024 |

The deferred outflows of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 15.5 years and will be recognized in OPEB expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources |
|---|---|
| 2022 | $ 44,457 |
| 2023 | 44,457 |
| 2024 | 44,457 |
| 2025 | 44,457 |
| 2026 | 44,457 |
| Thereafter | 375,937 |
| Total | $ 598,222 |

## Note 9 - Risk Management

### Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2021, the District contracted with the Southern California Schools Risk Management (SCSRM) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2021, the District participated in the Southern California Schools Risk Management (SCSRM) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

## Note 10 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Aggregate Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 12,055,546 | $ 3,615,566 | $ 910,446 | $ 1,660,182 |
| CalPERS | 12,402,553 | 3,036,397 | - | 2,984,357 |
| Total | $ 24,458,099 | $ 6,651,963 | $ 910,446 | $ 4,644,539 |

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers' Retirement Plan (STRP) administered by 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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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% of final compensation for each year of credited service.

The 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 nonemployer contributing entity to the STRP.

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2021, are summarized as follows:

| Hire date | On or before December 31, 2012 | On or after January 1, 2013 |
|---|---|---|
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 10.205% |
| Required employer contribution rate | 16.15% | 16.15% |
| Required State contribution rate | 10.328% | 10.328% |

**Contributions**

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were $1,177,647.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the 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 the District were as follows:

| | |
|---|---|
| Total net pension liability, including State share: | |
| District's proportionate share of net pension liability | $ 12,055,546 |
| State's proportionate share of net pension liability associated with the District | 6,214,635 |
| Total | $ 18,270,181 |

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and 2019, was 0.0124%.

For the year ended June 30, 2021, the District recognized pension expense of $1,660,182. In addition, the District recognized pension expense and revenue of $870,609 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 1,177,647 | $ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 954,689 | 570,458 |
| Differences between projected and actual earnings on pension plan investments | 286,371 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 21,273 | 339,988 |
| Changes of assumptions | 1,175,586 | - |
| Total | $ 3,615,566 | $ 910,446 |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2022 | $ (174,742) |
| 2023 | 97,572 |
| 2024 | 194,667 |
| 2025 | 168,874 |
| Total | $ 286,371 |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2022 | $ 349,456 |
| 2023 | 373,092 |
| 2024 | 394,488 |
| 2025 | (19,233) |
| 2026 | 125,093 |
| Thereafter | 18,206 |
| Total | $ 1,241,102 |

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2020 |
| Experience study | July 1, 2015 through June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Public equity | 42.0% | 4.8% |
| Private equity | 13.0% | 6.3% |
| Real estate | 15.0% | 3.6% |
| Inflation sensitive | 6.0% | 3.3% |
| Fixed income | 12.0% | 1.3% |
| Risk mitigating strategies | 10.0% | 1.8% |
| Cash/liquidity | 2.0% | -0.4% |

**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 following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.10%) | $ 18,214,251 |
| Current discount rate (7.10%) | 12,055,546 |
| 1% increase (8.10%) | 6,970,668 |

**California Public Employees' Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' 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, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

**Benefits Provided**

CalPERS 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 service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, 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. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 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 CalPERS School Employer Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

| Hire date | On or before December 31, 2012 | On or after January 1, 2013 |
|---|---|---|
| Benefit formula | 2% at 55 | 2% at 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 a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.00% | 7.00% |
| Required employer contribution rate | 20.70% | 20.70% |

**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 actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the total District contributions were $1,228,159.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $12,402,553. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.0404% and 0.0369%, respectively, resulting in a net increase in the proportionate share of 0.0035%.

For the year ended June 30, 2021, the District recognized pension expense of $2,984,357. At June 30, 2021, the District reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources |
|---|---|
| Pension contributions subsequent to measurement date | $ 1,228,159 |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 889,447 |
| Differences between projected and actual earnings on pension plan investments | 258,181 |
| Differences between expected and actual experience in the measurement of the total pension liability | 615,129 |
| Changes of assumptions | 45,481 |
| Total | $ 3,036,397 |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2022 | $ (96,618) |
| 2023 | 86,179 |
| 2024 | 149,794 |
| 2025 | 118,826 |
| Total | $ 258,181 |

The deferred outflows of resources related to the change in proportion and differences between contributions made and the District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources |
|---|---|
| 2022 | $ 797,425 |
| 2023 | 519,661 |
| 2024 | 214,873 |
| 2025 | 18,098 |
| Total | $ 1,550,057 |

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2020 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.15% |
| Investment rate of return | 7.15% |
| Consumer price inflation | 2.50% |
| Wage growth | Varies by entry age and service |

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global equity | 50% | 5.98% |
| Fixed income | 28% | 2.62% |
| Inflation assets | 0% | 1.81% |
| Private equity | 8% | 7.23% |
| Real assets | 13% | 4.93% |
| Liquidity | 1% | -0.92% |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. 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. Based on these assumptions, the School Employer Pool 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 following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.15%) | $ 17,830,931 |
| Current discount rate (7.15%) | 12,402,553 |
| 1% increase (8.15%) | 7,897,271 |

**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 for the fiscal year ended June 30, 2021, which amounted to $703,312 (10.328%) 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. No contributions were made for CalPERS for the year ended June 30, 2021. 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.

**Alternative Retirement Plan**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Accumulation Program for Part-Time and Limited-Services Employees (APPLE) as its plan. Contributions are made by the District and an employee vest immediately. The minimum total contribution is 7.5% of employees' salaries, of which the employee contributes 6.2% and the District contributes the remaining 1.3%. For the year ended, June 30, 2021, the District made total contributions of $9,251 into the plan.

## Note 11 - Commitments and Contingencies

**Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

**Litigation**

The District is involved in various litigation 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, 2021.

**Construction Commitments**

As of June 30, 2021, the District had approximately $9.3 million in commitments with respect to unfinished capital projects. The projects are funded through State construction funds.

## Note 12 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the Southern California Schools Risk Management (SCSRM) joint powers authority (JPA) public entity risk sharing pools for property/liability and workers' compensation. The District pays annual premiums to the entity for its workers' compensation and property/liability coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

The JPA has 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 JPA and the District are included in these statements. Audited financial statements are available from the respective entity.

## Note 13 - Restatement of Prior Year Net Position

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result, the effect on the current fiscal year is as follows:

| Primary Government | |
|---|---|
| Net Position - Beginning | $ 52,500,906 |
| Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84 | 360,775 |
| Net Position - Beginning, as Restated | $ 52,861,681 |

| Fiduciary Funds | |
|---|---|
| Net Position - Beginning | $ 4,747,885 |
| Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84 | (184,722) |
| Net Position - Beginning, as Restated | $ 4,563,163 |

Certain reclassifications of amounts previously reported have been made to the Management Discussion and Analysis and the Statement of Cash Flows to maintain consistency between fiscal years presented.

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Total OPEB Liability** | | | | |
| Service cost | $ 225,613 | $ 168,637 | $ 264,592 | $ 155,572 |
| Interest | 205,740 | 146,263 | 136,943 | 130,706 |
| Difference between expected and actual experience | (29,949) | 69,738 | - | - |
| Changes of assumptions | - | 649,280 | - | - |
| Benefit payments | (154,365) | (208,988) | (259,846) | (247,934) |
| Net change in total OPEB liability | 247,039 | 824,930 | 141,689 | 38,344 |
| Total OPEB Liability - Beginning | 2,918,496 | 2,093,566 | 1,951,877 | 1,913,533 |
| Total OPEB Liability - Ending (a) | $ 3,165,535 | $ 2,918,496 | $ 2,093,566 | $ 1,951,877 |
| **Plan Fiduciary Net Position** | | | | |
| Contributions - employer | $ 154,365 | $ - | $ 259,846 | $ 247,934 |
| Expected investment income | 308,565 | 297,197 | 283,609 | 385,725 |
| Differences between projected and actual earnings on OPEB plan investments | (152,674) | (26,688) | 38,869 | - |
| Benefit payments | (154,365) | (208,988) | (259,846) | (247,934) |
| Administrative expense | (2,162) | (3,708) | (3,632) | (6,117) |
| Net change in plan fiduciary net position | 153,729 | 57,813 | 318,846 | 379,608 |
| Plan Fiduciary Net Position - Beginning | 4,409,434 | 4,351,621 | 4,032,775 | 3,653,167 |
| Plan Fiduciary Net Position - Ending (b) | $ 4,563,163 | $ 4,409,434 | $ 4,351,621 | $ 4,032,775 |
| Net OPEB Asset - Ending (a) - (b) | $ (1,397,628) | $ (1,490,938) | $ (2,258,055) | $ (2,080,898) |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 144.15% | 151.09% | 207.86% | 206.61% |
| Covered Employee Payroll | $ 13,225,067 | $ 13,271,882 | $ 11,434,251 | $ 10,712,226 |
| Net OPEB Asset as a Percentage of Covered Employee Payroll | 10.57% | 11.23% | 19.75% | 19.43% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

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

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 3.49% | 6.13% | 7.91% | 10.52% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

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

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **CalSTRS** | | | | |
| Proportion of the net pension liability | 0.0124% | 0.0124% | 0.0111% | 0.0117% |
| Proportionate share of the net pension liability | $ 12,055,546 | $ 11,157,227 | $ 10,234,814 | $ 10,775,779 |
| State's proportionate share of the net pension liability associated with the District | 6,214,635 | 6,087,012 | 5,859,910 | 6,374,860 |
| Total | $ 18,270,181 | $ 17,244,239 | $ 16,094,724 | $ 17,150,639 |
| Covered payroll | $ 7,390,152 | $ 6,498,170 | $ 6,357,020 | $ 6,352,846 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 163.13% | 171.70% | 161.00% | 169.62% |
| Plan fiduciary net position as a percentage of the total pension liability | 72% | 73% | 71% | 69% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| **CalPERS** | | | | |
| Proportion of the net pension liability | 0.0404% | 0.0369% | 0.0330% | 0.0317% |
| Proportionate share of the net pension liability | $ 12,402,553 | $ 10,753,609 | $ 8,803,989 | $ 7,558,056 |
| Covered payroll | $ 5,881,730 | $ 4,936,081 | $ 4,355,206 | $ 4,047,213 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 210.87% | 217.86% | 202.15% | 186.75% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 70% | 71% | 72% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| **CalSTRS** | | | |
| Proportion of the net pension liability | 0.0118% | 0.0117% | 0.0116% |
| Proportionate share of the net pension liability | $ 9,531,686 | $ 7,900,285 | $ 6,796,535 |
| State's proportionate share of the net pension liability associated with the District | 5,913,734 | 4,169,973 | 3,604,088 |
| Total | $ 15,445,420 | $ 12,070,258 | $ 10,400,623 |
| Covered payroll | $ 5,855,107 | $ 5,422,838 | $ 5,145,047 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 162.79% | 145.69% | 132.10% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 74% | 77% |
| Measurement Date | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| **CalPERS** | | | |
| Proportion of the net pension liability | 0.0299% | 0.0331% | 0.0330% |
| Proportionate share of the net pension liability | $ 5,913,734 | $ 4,875,369 | $ 3,750,895 |
| Covered payroll | $ 3,625,981 | $ 3,678,218 | $ 3,474,038 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 163.09% | 132.55% | 107.97% |
| Plan fiduciary net position as a percentage of the total pension liability | 74% | 79% | 83% |
| Measurement Date | June 30, 2016 | June 30, 2015 | June 30, 2014 |

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

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **CalSTRS** | | | | |
| Contractually required contribution | $ 1,177,647 | $ 1,263,716 | $ 1,057,902 | $ 917,318 |
| Contributions in relation to the contractually required contribution | 1,177,647 | 1,263,716 | 1,057,902 | 917,318 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered payroll | $ 7,291,932 | $ 7,390,152 | $ 6,498,170 | $ 6,357,020 |
| Contributions as a percentage of covered payroll | 16.15% | 17.10% | 16.28% | 14.43% |
| **CalPERS** | | | | |
| Contractually required contribution | $ 1,228,159 | $ 1,159,936 | $ 891,555 | $ 676,407 |
| Contributions in relation to the contractually required contribution | 1,228,159 | 1,159,936 | 891,555 | 676,407 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered payroll | $ 5,933,135 | $ 5,881,730 | $ 4,936,081 | $ 4,355,206 |
| Contributions as a percentage of covered payroll | 20.700% | 19.721% | 18.062% | 15.531% |

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| **CalSTRS** | | | |
| Contractually required contribution | $ 799,188 | $ 628,253 | $ 481,548 |
| Contributions in relation to the contractually required contribution | 799,188 | 628,253 | 481,548 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered payroll | $ 6,352,846 | $ 5,855,107 | $ 5,422,838 |
| Contributions as a percentage of covered payroll | 12.58% | 10.73% | 8.88% |
| **CalPERS** | | | |
| Contractually required contribution | $ 562,077 | $ 429,570 | $ 432,963 |
| Contributions in relation to the contractually required contribution | 562,077 | 429,570 | 432,963 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered payroll | $ 4,047,213 | $ 3,625,981 | $ 3,678,218 |
| Contributions as a percentage of covered payroll | 13.888% | 11.847% | 11.771% |

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

## Note 1 - Purpose of Schedules

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

This schedule presents information on the District's changes in the net OPEB (asset) liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB (asset) liability. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.
- Changes of Assumptions – There were no changes in economic assumptions since the previous valuation.

### Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

### Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- Changes of Assumptions - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

### Schedule of the District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Barstow Community College was established in 1959. The curriculum offered includes lower division courses for students planning to transfer to a four-year college or university. Also offered are general education courses designed to provide continuing educational opportunities to students. The District serves the communities of Barstow, Lenwood, Newberry Springs, Daggett, Yermo, Hinkley, Ludlow, and Baker. College is accredited through the Western Association of Schools and Colleges.

**Board of Trustees as of June 30, 2021**

| Member | Office | Term Expires |
|---|---|---|
| Timothy T. Heiden | President | 2022 |
| Paul Wilkey | Vice President | 2024 |
| Philip M. Harris | Secretary | 2022 |
| Fernando (Fred) Baca | Member | 2024 |
| Dr. Ted Baca | Member | 2024 |
| Marlynne Hernandez | Student Trustee | 2022 |

**Administration as of June 30, 2021**

| | |
|---|---|
| Eva Bagg, Ph.D. | Superintendent/President |
| Tim (Richard) Botengan | Vice President, Academic Affairs |
| Deedee Garcia | Vice President, Administrative Services |
| Jennifer Burchett | Vice President, Human Resources |

**Auxiliary Organizations in Good Standing**

Barstow College Foundation, established 1981
Master Agreement entered into 1981
Melanie Burnau, Executive Director

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing/Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Education | | | |
| Student Financial Assistance Cluster | | | |
| Federal Pell Grant Program | 84.063 | | $ 6,162,176 |
| Federal Direct Student Loans | 84.268 | | 769,704 |
| Federal Supplemental Educational Opportunity Grants (FSEOG) | 84.007 | | 202,020 |
| Federal Work-Study Program | 84.033 | | 49,590 |
| Subtotal Student Financial Assistance Cluster | | | 7,183,490 |
| COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion | 84.425E | | 1,357,500 |
| COVID-19: Higher Education Emergency Relief Funds, Institutional Portion | 84.425F | | 1,892,787 |
| COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions | 84.425L | | 308,058 |
| Subtotal | | | 3,558,345 |
| Passed through California Community Colleges Chancellor's Office | | | |
| Career and Technical Education Act (CTEA), Title I, Part C | 84.048A | 20-C01-003 | 118,949 |
| Total U.S. Department of Education | | | 10,860,784 |
| U.S. Department of the Treasury | | | |
| Passed through California Community Colleges Chancellor's Office | | | |
| COVID-19: Coronavirus Relief Fund | 21.019 | [1] | 124,694 |
| Research and Development Cluster | | | |
| National Science Foundation | | | |
| Passed through University Enterprises Corporation at California State University San Bernardino | | | |
| Promoting Pre and Post-transfer Success in STEM at Hispanic Serving Institutions | 47.076 | GT17157 | 35,338 |
| Subtotal Research and Development Cluster | | | 35,338 |
| U.S. Department of Health and Human Services | | | |
| Passed through California Community Colleges Chancellor's Office | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | [1] | 44,582 |
| Foster and Kinship Care Education | 93.658 | [1] | 70,545 |
| Total U.S. Department of Health and Human Services | | | 115,127 |
| Total Federal Financial Assistance | | | $ 11,135,943 |

[1] Pass-Through Entity Identifying Number not available.

| Program | Program Revenues Cash Received | Accounts Receivable | Unearned Revenue | Total Revenue | Program Expenditures |
|---|---|---|---|---|---|
| Disaster Relief Student Fund | $ 28,306 | $ - | $ - | $ 28,306 | $ 28,306 |
| California College Promise | 154,831 | - | 118,034 | 36,797 | 36,797 |
| California College Promise 17/18 | - | - | - | - | 13,689 |
| Child Development Training Consortium (CDTC) | 9,200 | - | - | 9,200 | 9,200 |
| CEC-Mentor Program | - | 500 | - | 500 | 500 |
| CalWORKs | 255,228 | - | 56,344 | 198,884 | 198,884 |
| Foster & Kinship Care Education Program (FKCE) | 163,963 | - | 92,289 | 71,674 | 71,674 |
| Strong Workforce Local | 229,547 | - | 228,365 | 1,182 | 1,182 |
| Strong Workforce Local 17/18 | - | - | - | - | 1,888 |
| Strong Workforce Local 18/19 | - | - | - | - | 140,221 |
| Strong Workforce Local 19/20 | 233,491 | - | 122,242 | 111,249 | 111,249 |
| Adult Ed Block Grant | 1,342,328 | - | 158,167 | 1,184,161 | 1,184,161 |
| Adult Ed Consortium | 52,429 | - | 18,029 | 34,400 | 34,400 |
| Strong Workforce P01 18/19 | 141,230 | - | - | 141,230 | 141,230 |
| Strong Workforce P01 19/20 | - | 65,237 | - | 65,237 | 65,237 |
| Strong Workforce P05 19/20 | 1,069 | 504 | - | 1,573 | 1,573 |
| Strong Workforce P07 18/19 | 43,589 | - | - | 43,589 | 43,589 |
| Strong Workforce P07 19/20 | 19,870 | 31,393 | - | 51,263 | 51,263 |
| Strong Workforce P12 18/19 | 5,572 | - | - | 5,572 | 5,572 |
| Strong Workforce P12 19/20 | 1,738 | - | - | 1,738 | 1,738 |
| Strong Workforce P15 18/19 | 31,977 | - | - | 31,977 | 31,977 |
| Strong Workforce P15 19/20 | 4,238 | 4,237 | - | 8,475 | 8,475 |
| Strong Workforce P16 | - | 23,951 | - | 23,951 | 23,951 |
| Strong Workforce P16 18/19 | 60,839 | - | - | 60,839 | 60,839 |
| Strong Workforce P18 | - | 20,350 | - | 20,350 | 20,350 |
| Strong Workforce P18 18/19 | 14,428 | - | - | 14,428 | 14,428 |
| Strong Workforce P18 19/20 | - | 10,321 | - | 10,321 | 10,321 |
| Strong Workforce P00 19/20 | 13,000 | 12,000 | - | 25,000 | 25,000 |
| Strong Workforce P31 | - | 2,618 | 5,237 | (2,619) | 2,618 |

See Notes to Supplementary Information.

| Program | Program Revenues: Cash Received | Program Revenues: Accounts Receivable | Program Revenues: Unearned Revenue | Program Revenues: Total Revenue | Program Expenditures |
|---|---|---|---|---|---|
| Strong Workforce P47 | $ - | $ 24,460 | $ - | $ 24,460 | $ 24,460 |
| Student Equity | 486,980 | 1,314,652 | 332,212 | 1,469,420 | 1,469,420 |
| Hunger Free Campus Support 19/20 | 8,451 | - | - | 8,451 | 8,451 |
| College Rapid Rehousing | 966,329 | - | 504,259 | 462,070 | 462,070 |
| Undocumented Resources Liaisons | 32,145 | - | 32,145 | - | - |
| SFAA-BFAP | 195,350 | - | 17,952 | 177,398 | 177,398 |
| Financial Aid Technology | 82,437 | - | 82,437 | - | - |
| Financial Aid Technology 18/19 | 113,060 | - | 96,520 | 16,540 | 16,540 |
| Student Success Completion | 690,222 | - | - | 690,222 | 690,222 |
| Veteran's Resource Center | 74,362 | - | 49,914 | 24,448 | 24,448 |
| Veteran's Resource Center One Time Funds | 12,273 | - | 12,273 | - | - |
| Veteran's Resource Center 18/19 | (11,269) | - | - | (11,269) | - |
| Mental Health Grant | 232,055 | - | 57,887 | 174,168 | 174,168 |
| Guided Pathways | 211,651 | - | 98,614 | 113,037 | 113,037 |
| Guided Pathways 18/19 | - | - | - | - | 104,024 |
| EOPS | 808,873 | - | 162,219 | 646,654 | 646,654 |
| CARE | 237,567 | - | 86,042 | 151,525 | 151,525 |
| DSPS | 322,395 | - | 77,698 | 244,697 | 244,697 |
| DSPS Electronic Info | 17,450 | - | 189 | 17,261 | 17,261 |
| Gen Inst/Prop 39 CA Clean Energy | 15,130 | - | - | 15,130 | 15,130 |
| CALFRESH Outreach | 29,619 | - | 29,619 | - | (342) |
| COVID-19 Response Block Grant (98) | 153,064 | - | 35,408 | 117,656 | 117,656 |
| Retention and Enrollment | 76,477 | - | 76,477 | - | - |
| Staff Development 18/19 | 13,262 | - | 13,262 | - | - |
| EEO | 100,000 | - | 100,000 | - | - |
| EEO 17/18 | - | - | - | - | 3,313 |
| EEO 18/19 | 28,099 | - | 46,567 | (18,468) | 3,433 |
| Rural Technology Grant-19/20 | 197,997 | - | 197,997 | - | - |
| Physical Plant/Instrl Support 19/20 | 31,418 | - | 31,418 | - | - |
| Total state programs | $ 7,932,270 | $ 1,510,223 | $ 2,939,816 | $ 6,502,677 | $ 6,803,877 |

| CATEGORIES | Reported Data | Audit Adjustments | Audited Data |
|---|---|---|---|
| **A. Summer Intersession (Summer 2020 only)** | | | |
| 1. Noncredit | 0.19 | - | 0.19 |
| 2. Credit | 109.84 | - | 109.84 |
| **B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)** | | | |
| 1. Noncredit | 3.08 | - | 3.08 |
| 2. Credit | - | - | - |
| **C. Primary Terms (Exclusive of Summer Intersession)** | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | - | - | - |
| (b) Daily Census Contact Hours | - | - | - |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit | 2.39 | - | 2.39 |
| (b) Credit | 9.49 | - | 9.49 |
| 3. Alternative Attendance Accounting Procedure Courses | | | |
| (a) Weekly Census Procedure Courses | 469.47 | - | 469.47 |
| (b) Daily Census Procedure Courses | 1,280.09 | - | 1,280.09 |
| (c) Noncredit Independent Study/Distance Education Courses | - | - | - |
| **D. Total FTES** | 1,874.55 | - | 1,874.55 |
| **SUPPLEMENTAL INFORMATION (Subset of Above Information)** | | | |
| **E. In-Service Training Courses (FTES)** | - | - | - |
| **F. Basic Skills Courses and Immigrant Education** | | | |
| 1. Noncredit | 5.67 | - | 5.67 |
| 2. Credit | 4.63 | - | 4.63 |

| | Object/TOP Codes | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data | Audit Adjustments | Revised Data | ECS 84362 B Total CEE AC 0100 - 6799 Reported Data | Audit Adjustments | Revised Data |
|---|---|---|---|---|---|---|---|
| Academic Salaries | | | | | | | |
| Instructional Salaries | | | | | | | |
| Contract or Regular | 1100 | $ 3,674,088 | $ - | $ 3,674,088 | $ 3,674,088 | $ - | $ 3,674,088 |
| Other | 1300 | 1,601,666 | - | 1,601,666 | 1,601,666 | - | 1,601,666 |
| Total Instructional Salaries | | 5,275,754 | - | 5,275,754 | 5,275,754 | - | 5,275,754 |
| Noninstructional Salaries | | | | | | | |
| Contract or Regular | 1200 | - | - | - | 981,524 | - | 981,524 |
| Other | 1400 | - | - | - | 345,035 | - | 345,035 |
| Total Noninstructional Salaries | | - | - | - | 1,326,559 | - | 1,326,559 |
| Total Academic Salaries | | 5,275,754 | - | 5,275,754 | 6,602,313 | - | 6,602,313 |
| Classified Salaries | | | | | | | |
| Noninstructional Salaries | | | | | | | |
| Regular Status | 2100 | - | - | - | 2,684,064 | - | 2,684,064 |
| Other | 2300 | - | - | - | 70,991 | - | 70,991 |
| Total Noninstructional Salaries | | - | - | - | 2,755,055 | - | 2,755,055 |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 494,463 | - | 494,463 | 494,463 | - | 494,463 |
| Other | 2400 | (45,013) | - | (45,013) | (45,013) | - | (45,013) |
| Total Instructional Aides | | 449,450 | - | 449,450 | 449,450 | - | 449,450 |
| Total Classified Salaries | | 449,450 | - | 449,450 | 3,204,505 | - | 3,204,505 |
| Employee Benefits | 3000 | 2,373,014 | - | 2,373,014 | 4,609,591 | - | 4,609,591 |
| Supplies and Material | 4000 | - | - | - | 121,056 | - | 121,056 |
| Other Operating Expenses | 5000 | - | - | - | 2,223,995 | - | 2,223,995 |
| Equipment Replacement | 6420 | - | - | - | - | - | - |
| Total Expenditures Prior to Exclusions | | 8,098,218 | - | 8,098,218 | 16,761,460 | - | 16,761,460 |

| | | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---|---|---|---|---|---|---|---|
| | Object/TOP Codes | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| Exclusions | | | | | | | |
| Activities to Exclude | | | | | | | |
| Instructional Staff - Retirees' Benefits and Retirement Incentives | 5900 | $ - | $ - | $ - | $ - | $ - | $ - |
| Student Health Services Above Amount Collected | 6441 | - | - | - | - | - | - |
| Student Transportation | 6491 | - | - | - | - | - | - |
| Noninstructional Staff - Retirees' Benefits and Retirement Incentives | 6740 | - | - | - | 104,841 | - | 104,841 |
| Objects to Exclude | | | | | | | |
| Rents and Leases | 5060 | - | - | - | 172,911 | - | 172,911 |
| Lottery Expenditures | | | | | | | - |
| Academic Salaries | 1000 | - | - | - | 426,473 | - | 426,473 |
| Classified Salaries | 2000 | - | - | - | - | - | - |
| Employee Benefits | 3000 | - | - | - | - | - | - |
| Supplies and Materials | 4000 | - | - | - | - | - | - |
| Software | 4100 | - | - | - | - | - | - |
| Books, Magazines, and Periodicals | 4200 | - | - | - | - | - | - |
| Instructional Supplies and Materials | 4300 | - | - | - | - | - | - |
| Noninstructional Supplies and Materials | 4400 | - | - | - | - | - | - |
| Total Supplies and Materials | | - | - | - | - | - | - |

| | | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---|---|---|---|---|---|---|---|
| | Object/TOP Codes | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| Other Operating Expenses and Services | 5000 | $ - | $ - | $ - | $ - | $ - | $ - |
| Capital Outlay | 6000 | | | | | | |
| Library Books | 6300 | - | - | - | 20,548 | - | 20,548 |
| Equipment | 6400 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | 35,978 | - | 35,978 |
| Equipment - Replacement | 6420 | - | - | - | - | - | - |
| Total Equipment | | - | - | - | 56,526 | - | 56,526 |
| Total Capital Outlay | | | | | | | |
| Other Outgo | 7000 | - | - | - | - | - | - |
| Total Exclusions | | - | - | - | 760,751 | - | 760,751 |
| Total for ECS 84362, 50% Law | | $ 8,098,218 | $ - | $ 8,098,218 | $ 16,000,709 | $ - | $ 16,000,709 |
| % of CEE (Instructional Salary Cost/Total CEE) | | 50.61% | | 50.61% | 100.00% | | 100.00% |
| 50% of Current Expense of Education | | | | | $ 8,000,355 | | $ 8,000,355 |

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the audited financial statements.

| | Unrestricted General Fund | Restricted General Fund | Capital Outlay | Retiree Benefits |
|---|---|---|---|---|
| Fund Balance | | | | |
| Balance, June 30, 2021, (CCFS-311) | $ 11,559,785 | $ 1,221,173 | $ 11,846,538 | $ 180,489 |
| Increase in | | | | |
| Cash in county treasury | 57,882 | 11,005 | 81,148 | 1,240 |
| Accounts receivable | - | 587,168 | - | - |
| Due from other funds | 534,574 | - | - | - |
| Due to other funds | - | (534,574) | - | - |
| Balance, June 30, 2021, Audited | $ 12,152,241 | $ 1,284,772 | $ 11,927,686 | $ 181,729 |

| Activity Classification | Object Code | | | Unrestricted |
|---|---|---|---|---|
| EPA Revenue: | 8630 | | | $ 4,149,626 |
| **Activity Classification** | **Activity Code** | **Salaries and Benefits (Obj 1000-3000)** | **Operating Expenses (Obj 4000-5000)** | **Capital Outlay (Obj 6000)** | **Total** |
| Instructional Activities | 1000-5900 | $ 4,149,626 | $ - | $ - | $ 4,149,626 |
| Total Expenditures for EPA | | $ 4,149,626 | $ - | $ - | $ 4,149,626 |
| Revenues Less Expenditures | | | | | $ - |

| | | |
|---|---|---|
| Amounts reported for governmental activities in the Statement of Net Position are different because | | |
| Total fund balance | | |
| General Funds | $ 13,437,013 | |
| Special Revenue Funds | 366,853 | |
| Capital Project Funds | 11,927,686 | |
| Internal Service Funds | 181,729 | |
| Fiduciary Funds | 5,709,906 | |
| Total fund balance - all District funds | | $ 31,623,187 |
| Amounts held in trust on behalf of others (OPEB Trust) | | (5,709,906) |
| 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 | 68,288,423 | |
| Accumulated depreciation is | (21,324,045) | |
| Total capital assets, net | | 46,964,378 |
| Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of: | | |
| Deferred outflows of resources related to OPEB | 737,793 | |
| Deferred outflows of resources related to pensions | 6,651,963 | |
| Total deferred outflows of resources | | 7,389,756 |
| Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds. | | 1,397,628 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | | |
| Compensated absences | (757,212) | |
| Aggregate net pension liability | (24,458,099) | |
| Total long-term liabilities | | (25,215,311) |
| Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to | | |
| Deferred inflows of resources related to OPEB | (15,547) | |
| Deferred inflows of resources related to pensions | (910,446) | |
| Total deferred inflows of resources | | (925,993) |
| Total net position | | $ 55,523,739 |

See Notes to Supplementary Information

## Note 1 - Purpose of Schedules

### District Organization

This schedule provides information about the District's governing board members administration members, and auxiliary organizations in good standing.

### Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies
Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No Federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the 10% de minimis cost rate.

Donated Personal Protective Equipment (PPE) (unaudited)
Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately $182 thousand and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or CFDA numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

### 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 students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

**Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation**

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

**Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements**

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

**Proposition 30 Education Protection Account (EPA) Expenditure Report**

This schedule provides information about the District's EPA revenue and summarizes the expenditures of EPA funds.

**Reconciliation of Government 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 government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

**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 financial statements. 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*.

We noted certain matters that we reported to management of the District in a separate letter dated March 21, 2022.

**Barstow Community College District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control 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.

Rancho Cucamonga, California
March 21, 2022

**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, 2021.

**Other Matters**
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**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 a 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 in internal control over compliance* 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 and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-004 that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Rancho Cucamonga, California
March 21, 2022

**Independent Auditor's Report on State Compliance**

Board of Trustees
Barstow Community College District
Barstow, California

**Report on State Compliance**

We have audited Barstow Community College District's (the District) compliance with the types of compliance requirements described in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

**Management's Responsibility**

Management is responsible for compliance with the state laws and regulations as identified in the table below.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of each of the District's state programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit 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 the standards and procedures identified in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

| | |
|---|---|
| Section 411 | SCFF Data Management Control Environment |
| Section 412 | SCFF Supplemental Allocation Metrics |
| Section 413 | SCFF Success Allocation Metrics |
| Section 421 | Salaries of Classroom Instructors (50 Percent Law) |
| Section 423 | Apportionment for Activities Funded From Other Sources |
| Section 424 | Student Centered Funding Formula Base Allocation: FTES |
| Section 425 | Residency Determination for Credit Courses |
| Section 426 | Students Actively Enrolled |
| Section 427 | Dual Enrollment (CCAP and Non-CCAP) |
| Section 430 | Scheduled Maintenance Program |
| Section 431 | Gann Limit Calculation |
| Section 435 | Open Enrollment |
| Section 444 | Apprenticeship Related and Supplemental Instruction (RSI) Funds |
| Section 475 | Disabled Student Programs and Services (DSPS) |
| Section 479 | To Be Arranged Hours (TBA) |
| Section 490 | Proposition 1D and 51 State Bond Funded Projects |
| Section 491 | Education Protection Account Funds |
| Section 499 | COVID-19 Response Block Grant Expenditures |

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District reports no attendance for classes with To Be Arranged Hours (TBA); therefore, the compliance tests within this section were not applicable.

**Basis for Qualified Opinion on Section 412 – SCFF Supplemental Allocation Metrics and Section 427 – Dual Enrollment (CCAP and Non-CCAP)**
As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding Section 412 – SCFF Supplemental Allocation Metrics, as identified in finding 2021-005, and Section 427 – Dual Enrollment (CCAP and Non-CCAP), as identified in finding 2021-006. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

**Qualified Opinion on Section 412 – SCFF Supplemental Allocation Metrics and Section 427 – Dual Enrollment (CCAP and Non-CCAP)**
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to in the table above for the year ended June 30, 2021.

**Unmodified Opinion for Each of the Other Programs**
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2021, except as described in the state compliance findings and questioned costs section of the accompanying schedule of findings and questioned costs.

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

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
March 21, 2022

**Financial Statements**

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting | |
| Material weaknesses identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | Yes |
| Noncompliance 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 | Yes |
| Type of auditor's 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): | Yes |

**Identification of major programs**

| Name of Federal Program or Cluster | Federal Assistance Listing Number/ Federal CFDA Number |
|---|---|
| Student Financial Assistance Cluster | 84.007, 84.033, 84.063, 84.268 |
| COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion | 84.425E |
| COVID-19: Higher Education Emergency Relief Funds, Institutional Portion | 84.425F |
| COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions | 84.425L |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | No |

**State Compliance**

| | |
|---|---|
| Type of auditor's report issued on compliance for state programs | Qualified |

Unmodified for all programs except for the following programs which were qualified

| Name of Program |
|---|
| Section 412 - SCFF Supplemental Allocation Metrics |
| Section 427 - Dual Enrollment (CCAP and Non-CCAP) |

The following findings represent significant deficiencies and material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**2021-001 Year-End Closing**

**Criteria or Specific Requirement**
The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual (BAM). Community Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

**Condition**
*Material Weakness* - Several year-end adjustments were identified during the audit that resulted in changes in certain accounts from the client prepared trial balance.

**Questioned Costs**
Material adjustments to the financial statements were reviewed, accepted, and recorded by management. There are no questioned costs associated with this finding.

**Context**
Account balances associated with cash in county, categorical programs, and interfund transactions required adjustments in order to be in accordance with the BAM and GAAP.

**Effect**
Material adjustments to the general ledger, as noted in the Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements on page 68, were proposed as a result of audit procedures. These adjustments were accepted by management to ensure the financial statements were presented in accordance with generally accepted accounting principles.

**Cause**
The oversight and monitoring controls over the closing process were not effective in preventing or detecting errors.

**Repeat Finding (Yes or No)**
Yes, see prior year finding 2020-001 in the summary schedule of prior audit findings.

**Recommendation**
The District should establish policies and procedures to ensure account balances are fairly stated and reported in accordance with BAM and GAAP.

**View of Responsible Officials and Corrective Action Plan**
We concur. Serial administrative turnover that the District has experienced during the past auditing cycles has resulted in inadequate review and training of all closing entries to ensure the correct posting of all programs, categorical and general apportionment as well as interfund transfers. A year end checklist was developed but not consistently followed by the former Director of Fiscal Services. Year-end policies and procedures will be developed, and training will be provided to fiscal staff to ensure that all programs are closed out correctly. Administrative review and signoff of all programs will be ensured, with the permanent chief business officer. The District agrees with entries submitted for proper closeout.

**2021-002 Student Financial Aid Fund Closing Process**

**Criteria or Specific Requirements**
The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual (BAM). Colleges are also required to use fund accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Condition**
*Significant Deficiency* - The District was unable to provide fully reconciled Student Financial Aid Fund financial statements in a timely manner.

**Questioned Costs**
There are no questioned costs associated with this finding.

**Context**
Account balances associated with the Student Financial Aid Fund were not fully reconciled in a timely manner.

**Effect**
The Student Financial Aid Fund was not reconciled in a timely manner, which caused a delay in reporting requirements.

**Cause**
The oversight and monitoring controls over the closing process for the Student Financial Aid Fund were not operating effectively.

**Repeat Finding (Yes or No)**
No

**Recommendation**
The District should establish and implement procedures to ensure account balances related to the Student Financial Aid Fund are monitored and reconciled in a timely manner. The District's closing process should include a review process over all funds to ensure the funds are reconciled.

**View of Responsible Officials and Corrective Action Plan**
We concur. Through the use of expert consultation, the District has established and implemented procedures to ensure account balances related to the Student Financial Aid Fund are monitored and reconciled in a timely manner. The District's closing process will include a review process over all funds to ensure the funds are reconciled.

The following findings represent significant deficiencies in internal control over compliance and instances of noncompliance that are required to be reported by the Uniform Guidance.

**2021-003 Special Tests and Provisions – Return to Title IV**

**Program Name:** Student Financial Assistance Cluster
**Federal Financial Assistance Listing Numbers:** 84.063, 84.033, 84.007, 84.268
**Federal Agency:** U.S. Department of Education (ED)
Directed funded by the U.S. Department of Education (ED)

**Criteria or Specific Requirement**
34 CFR 668.22(j)(2): An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

**Condition**
*Significant Deficiency in Internal Control over Compliance*- The District did not calculate the withdrawal date within 30 days of the end of the academic period.

**Questioned Costs**
There are no questioned costs associated with this finding. The District did calculate the withdrawal date and perform the return to Title IV calculation; however, they did not calculate the withdrawal date within the 30-day requirement.

**Context**
There was 1 instance out of 36 tested where the District did not calculate the withdrawal date for the student within the 30-day requirement.

**Effect**
Without proper monitoring of accuracy and student withdrawals, the District risks noncompliance with the above referenced criteria.

**Cause**
The District did not implement procedures to ensure that the return to Title IV calculations were performed in a timely manner.

**Repeat Finding (Yes or No)**
No

**Recommendation**
The District should implement procedures to ensure that the student withdrawal calculations are performed accurately and occur within 30 days from the end of the academic period.

**View of Responsible Officials and Corrective Action Plan**
We concur. The District will implement procedures to ensure that the student withdrawal calculations are performed accurately and occur within 30 days from the end of the academic period.

**2021-004 Reporting**

**Program Name:** COVID-19: Higher Education Emergency Relief Funds, Institutional Portion and COVID-19: Higher Education Relief Funds, Minority Serving Institutions (MSIs)
**Federal Financial Assistance Listing Numbers:** 84.425F and 84.425L
**Federal Agency:** U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

**Criteria or Specific Requirement**
Section 18004(a)(1) of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Institutional Aid Portion and Minority Serving Institutions award to publicly post certain information on their website for each calendar quarter that can be reconciled with underlying documentation to ensure accuracy.

**Condition**
*Significant Deficiency in Internal Control over Compliance* - The quarters ended September 30, 2020 and December 31, 2020 quarterly public report and the annual report for Barstow College were tested. We noted that the federal funds reported on each report did not agree to the general ledger or other underlying documentation.

**Questioned Costs**
There are no questioned costs associated with this finding.

**Context**
The District has one college that was required to post forms covering the aggregate amounts spent for HEERF I quarterly and annually.

**Effect**
The documentation available for review was not adequate to support the compliance with the reporting requirements applicable to the program.

**Cause**
There was a lack of oversight in the quarterly and annual reporting requirements being reconciled with the underlying documentation.

**Repeat Finding (Yes or No)**
No

**Recommendation**
The District should ensure that reporting requirements and deadlines are clearly communicated to all staff, and procedures in place to ensure requirements and deadlines are met. The District should also ensure all underlying documentation supports amounts reported.

**View of Responsible Officials and Corrective Action Plan**
HEERF reporting was done and submitted on time. The issues were the data in the reporting contained encumbrances as well as expenditures. The reports were revised to reflect accurate expense information only. The District now uses only posted actuals for reporting. This finding has been resolved.

The following findings represent instances of noncompliance and questioned costs relating to compliance with state laws and regulations.

**2021-005 Section 412 – SCFF Supplemental Allocation Metrics**

**Criteria or Specific Requirement**
California *Education Code* 84750.4(e)(3) Each community college district shall be granted one point for each student who is granted an exemption from nonresident tuition pursuant to Section 68130.5, based on headcount data of students in the prior year.

Each district shall accurately report supplemental metrics data (headcount) to the Chancellor's Office through MIS and the CCFS-320 online reporting system.

**Condition**
*Significant Deficiency in Internal Control over Compliance* - During the testing over SCFF Supplemental Allocation Metrics, it was noted the population of AB 540 students was inaccurately reported in the 2019-2020 reporting year. The District reported 221 AB 540 student headcounts. The true population for the 2019-2020 reporting year was 93. A sample of ten AB 540 students were tested.

**Questioned Costs**
The total headcount misreported was 128. The Chancellor's Office will make the final determination of the dollar value of the total headcount misreported.

| SCFF Supplemental Allocation Metric | Reported Headcount | Audit Adjustment (Extrapolated from Sample Error Rate) | Audited Headcount |
|---|---|---|---|
| **AB 540** | 221 | (128) | 93 |
| **PELL Grant Recipient** | 2,246 | 0 | 2,246 |
| **Promise Grant Recipient** | 3,289 | 0 | 3,289 |
| **Total** | **5,756** | **(128)** | **5,628** |

**Context**
The District claimed a total of 5,756 students under the Supplemental Allocation Metrics in Exhibit C of the 2020-2021 Second Principal Apportionment. The overstatement of 128 students constitutes a 2.2% error rate.

**Effect**
The reported headcount on the Supplemental Allocation Metrics in Exhibit C of the 2020-2021 Second Principal Apportionment was overstated by 128 students.

**Cause**
The District inaccurately reported the headcount amount for AB 540 in the Supplemental Allocation Metrics due to lack of oversight and monitoring of controls in this process.

**Repeat Finding (Yes or No)**
No

**Recommendation**
The District should ensure that their student headcounts are accurately calculated and reported based on the guidance provided by the Chancellor's Office. Procedures should be in place to monitor the calculation and reporting to prevent future miscalculations.

**View of Responsible Officials and Corrective Action Plan**
The District will ensure that their student headcounts are accurately calculated and reported based on the guidance provided by the Chancellor's Office. The Chancellor's Office sends out the data in late Fall of each year with a turnaround of January for any data corrections. The supplemental metrics will be sent from the CBO to institutional research to verify the accuracy of data each year. Any changes will be promptly communicated to the Chancellor's Office.

**2021-006 Section 427 – Dual Enrollment (CCAP and Non-CCAP)**

**Criteria or Specific Requirement**
Per *Education Code* section 48800, the governing board of a school district may authorize K-12 pupils who would benefit from advanced scholastic or vocational work, upon recommendation of the principal of the pupil's school of attendance, and with parental permission, to attend community college as special part-time or full-time students.

**Condition**
*Significant Deficiency in Internal Control over Compliance* – During our review of dual enrollment students, we identified that the District had lack of support for one special-admit student.

**Questioned Costs**
One out of twenty-five students selected for testing did not have the support for the recommendation of the student's principal's approval nor the parental permission. This resulted in an error rate of 23 percent. The overall questioned costs when extrapolated to all special admit students is 6.74 FTES.

**Context**
We identified one student of the twenty-five selected for testing that the District did not have adequate supporting documentation for. The total population of special admit students was 159 or 28.69 FTES for the 2020-2021 fiscal year.

**Effect**
After extrapolating the error rate, the overstatement of one special admit student or 6.74 FTES was reported on the CCFS-320 Annual Report.

**Cause**
The oversight and monitoring controls over Dual Enrollment were not operating effectively.

**Repeat Finding (Yes or No)**
No

**Recommendation**
The District should implement procedures to ensure that all special admit students are supported for apportionment reporting purposes prescribed by the Chancellor's Office.

**View of Responsible Officials and Corrective Action Plan**
The District will implement procedures to ensure that all special admit students are supported for apportionment reporting purposes prescribed by the Chancellor's Office.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

**2020-001 Year-End Closing**

**Criteria or Specific Requirement**
The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual (BAM). Community Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

**Condition**
*Material Weakness* - Several year-end adjustments were identified during the audit that resulted in changes in certain accounts from the client prepared trial balance.

**Questioned Costs**
Material adjustments to the financial statements were reviewed, accepted, and recorded by management. No questioned costs were associated with this finding.

**Context**
Account balances associated with apportionment and categorical programs required adjustments in order to be in accordance with the BAM and GAAP.

**Effect**
Material adjustments to the general ledger, as noted in the Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements on page 74, were proposed as a result of audit procedures. These adjustments were accepted by management to ensure the financial statements were presented in accordance with generally accepted accounting principles.

**Cause**
The oversight and monitoring controls over the closing process were not effective in preventing or detecting errors.

**Recommendation**
The District should establish policies and procedures to ensure account balances are fairly stated and reported in accordance with BAM and GAAP.

**Current Status**
Not implemented. See current year finding 2021-001.

**2020-002 Federal Policies and Procedures**

**Criteria or Specific Requirement**
Non-Federal entities must establish written procedures to implement the requirements of 2 CFR section 200.305 (2 CFR section 200.302(b)(6)). Non-Federal entities must establish written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of this part and the terms and conditions of the Federal award (2 CFR section 200.302(b)(7). The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part (2 CFR section 200.318(a)). The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts (2 CFR section 200.318(c)(1)).

**Condition**
*Significant Deficiency* - The District has not adopted written procedures applicable to allowable costs, cash management, and procurement.

**Questioned Costs**
There are no questioned costs associated with this finding.

**Context**
Written procedures are required for allowable costs, cash management, and procurement in accordance with the Uniform Guidance.

**Effect**
The District did not comply with requirements noted in 2 CFR section 200.

**Cause**
The District has not developed written procedures over allowable costs, cash management, and procurement as required by 2 CFR section 200.

**Recommendation**
The District should establish and follow written procedures related to allowable costs, cash management, and procurement standards.

**Current Status**
Implemented.

**2020-003 Special Tests and Provisions – Return to Title IV**

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.063, 84.033, 84.007
Federal Agency: U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

**Criteria or Specific Requirement**
34 CFR 668.173(b): Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

**Condition**
*Significant Deficiency* - The District's portion of the Return to Title IV funds were not returned within the 45 day requirement.

**Questioned Costs**
There are no questioned costs associated with this finding. The District did return the funds; however, they were not returned within the 45 day requirement.

**Context**
The District performed approximately 164 Return to Title IV calculations during the 2019-2020 year. There were fifteen instances out of twenty-five tested where the District's portion of the Return to Title IV funds were not returned within the 45 day requirement.

**Effect**
Without proper monitoring of Title IV returns, the District is at risk of noncompliance with the above referenced criteria.

**Cause**
The District's internal controls associated with the Return to Title IV procedures failed to ensure that all required funds were returned in a timely manner.

**Recommendation**
The District should strengthen procedures to ensure that the Return to Title IV funds occurs within 45 days from the date the District determines the student withdrew from all classes.

**Current Status**
Implemented.