

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”

\$20,170,000
CITY OF BARSTOW
2022 TAXABLE PENSION OBLIGATION BONDS

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of Barstow (the “City”) is issuing the bonds captioned above (the “Bonds”) under an Indenture of Trust, dated as of April 1, 2022 (the “Indenture”), by and between the City and U.S. Bank Trust Company, National Association, as trustee. The net proceeds of the Bonds will be used to refund a portion of the City’s obligations to the California Public Employee’s Retirement System (“CalPERS”) under the CalPERS Contracts, evidencing all of the City’s obligation to pay the City’s unfunded accrued actuarial liability to CalPERS.

The Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2022, and will be issued in fully registered form, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) in the United States. DTC will act as Securities Depository for the Bonds. Individual purchases of Bonds will be made in book-entry form only in integral multiples of \$5,000. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds purchased. See “THE BONDS.”

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption Provisions.”

The obligations of the City under the Bonds, including the obligation to make all payments of the principal and interest on are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds will be payable from any source of legally available funds of the City, including amounts on deposit in the General Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the City by Colantuono, Highsmith & Whatley, PC, Pasadena, California, as City Attorney, and by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Law Offices of Rossi A. Russel, Los Angeles, California. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about April 20, 2022.



MATURITY SCHEDULE

\$20,170,000
CITY OF BARSTOW
2022 TAXABLE PENSION OBLIGATION BONDS
Base CUSIP†: 069042

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
2023	\$1,020,000	3.109%	3.109%	100.000	AA7
2024	1,155,000	3.359	3.359	100.000	AB5
2025	1,195,000	3.555	3.555	100.000	AC3
2026	1,240,000	3.746	3.746	100.000	AD1
2027	1,285,000	3.896	3.896	100.000	AE9
2028	1,335,000	4.029	4.029	100.000	AF6
2029	1,390,000	4.129	4.129	100.000	AG4
2030	1,445,000	4.210	4.210	100.000	AH2
2031	1,505,000	4.310	4.310	100.000	AJ8
2032	1,570,000	4.410	4.410	100.000	AK5
2033	1,640,000	4.560	4.560	100.000	AL3

\$5,390,000 5.060% Term Bonds due June 1, 2036 Yield 5.060%
CUSIP† 069042 AM1

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CITY OF BARSTOW

CITY COUNCIL

Dr. Paul Anthony Courtney, *Mayor*
James Noble, *Mayor Pro Tem*
Marilyn Dyer-Kruse, *Council Member*
Barbara M. Rose, *Council Member*
Tim Silva, *Council Member*

CITY OFFICIALS

Willie A. Hopkins, Jr., *City Manager*
Marc Puckett, *Interim Finance Director*
Andrea Flores, *City Clerk*
Colantuono, Highsmith & Whatley, PC, *City Attorney*

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

TRUSTEE

U.S. Bank Trust Company, National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information that is contained herein are subject to completion or amendment without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties that are described herein since the date hereof. These securities may not be sold, nor may an offer to buy them be accepted, prior to the time that the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements which are included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions "THE CITY" and "CITY FINANCIAL INFORMATION." As described under this Official Statement, the COVID-19 pandemic is expected to materially adversely impact the City's financial condition. Historical information set forth in the Official Statement is not intended to be predictive of future results.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, DEALER BANKS, BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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OFFICIAL STATEMENT

\$20,170,000
CITY OF BARSTOW
2022 TAXABLE PENSION OBLIGATION BONDS

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the City of Barstow (the “**City**”) of its 2022 Taxable Pension Obligation Bonds (the “**Bonds**”).

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Terms used in this Introduction and not otherwise defined will have the respective meanings assigned to them elsewhere in the Indenture.

Authority for the Bonds

The Bonds are being issued pursuant to Articles 10 and 11 (commencing with Sections 53570 and 53580) of Chapter 3 of Division 2 of Title 5 of the Government Code (the “**Bond Law**”) of the State of California (the “**State**”) and an Indenture of Trust, dated as of April 1, 2022 (the “**Indenture**”), by and between the City and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), and a resolution adopted by the City Council of the City on October 4, 2021.

Purpose

The City is obligated to make payments to the Board of Administration of the California Public Employee’s Retirement System (“**CalPERS**”) arising as a result of retirement benefits accruing to members of CalPERS pursuant to one or more contracts (as amended to date, and as may further be amended from time to time, the “**CalPERS Contracts**”) with CalPERS and the Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the “**Retirement Law**”). The City’s obligations under the Retirement Law include, among others, the requirement to amortize the unfunded accrued actuarial liability (the “**UAL**”) with respect to such retirement benefits.

The City is issuing the Bonds to (i) refund a portion of the City’s obligations to CalPERS under the CalPERS Contracts evidencing the City’s UAL, and (ii) to pay the costs of issuance related to the Bonds. See also “REFINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Security and Sources of Payment for the Bonds

The obligations of the City under the Bonds, including the obligation to make all payments of principal of and premium, if any, and interest on the Bonds when due and the obligation of the

City to make the deposits required under the Indenture for the payment of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds will be payable from any source of legally available funds of the City, including amounts on deposit in the General Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Debt Service Reserve Fund

The City has not and will not establish a debt service reserve fund for the Bonds.

The City

See the captions “THE CITY” and “CITY FINANCIAL INFORMATION,” as well as Appendices A and B for information with respect to the City and the General Fund, respectively, including other obligations which are payable from general revenues of the City.

Validation

The authorization by the City of the issuance of the Bonds under the Indenture as obligations of the City imposed by law, and as to the validity and conformity of the Bonds with all applicable provisions of law, were validated by a judgment of the Superior Court of the State of California in and for the City entered on February 9, 2022. The time period for the filing of appeals with respect to the judgment has expired. No appeals were filed and therefore, the judgment is final. See “VALIDATION” herein.

Redemption

The Bonds are subject to redemption as described herein. See “THE BONDS – Redemption Provisions” herein.

Professionals Involved in the Offering

Fieldman, Rolapp & Associates, Inc., Irvine, California, has acted as municipal advisor to the City (the “**Municipal Advisor**”). U.S. Bank Trust Company, National Association, Los Angeles, California, will act as Trustee with respect to the Bonds. Hilltop Securities, Inc. (the “**Underwriter**”), is underwriting the Bonds.

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the City. A copy of the proposed form of Bond Counsel’s final approving opinion with respect to the Bonds is attached hereto as Appendix E. Certain legal matters will be passed upon for the City by Colantuono, Highsmith & Whatley, PC, as City Attorney, and by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Law Offices of Rossi A. Russell, Los Angeles, California, as Underwriter’s

Counsel. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Underwriter's Counsel is contingent upon the sale and delivery of the Bonds.*

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The City is not obligated to issue any updates or revisions to the forward-looking statements if, or when, its expectations, or events, conditions or circumstances on which such statements are based change.

Risk Factors Associated with Purchasing the Bonds

Investment in the Bonds involves risks that may not be appropriate for some investors. See "RISK FACTORS" for a discussion of certain risk factors which should be considered, including the potential impact of the COVID-19 pandemic, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

Summaries Not Definitive

Brief descriptions of the Bonds, the City and the Indenture are included in this Official Statement and appendices related thereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds and the Indenture are qualified in their entirety by reference to the actual documents, or with respect to the Bonds, the forms thereof included in the Indenture, copies of all of which are available for inspection by written request mailed to the City of Barstow, 220 East Mountain View Street, Suite A, Barstow, California, 92311, Attention: City Manager, and will be available upon request and payment of duplication costs from the Trustee.

REFINANCING PLAN

Refinancing of CalPERS Contracts

The City is obligated to make payments to CalPERS arising as a result of retirement benefits accruing to members of CalPERS pursuant the CalPERS Contracts and the Retirement Law. The City's obligations under the Retirement Law include, among others, the requirement to amortize the UAL with respect to such retirement benefits. According to the most recent actuarial valuations performed by CalPERS for the City's pension plans dated as of June 30, 2020, the City's UAL with respect to its pension plans totaled approximately \$33.3 million.

On the date the Bonds are issued, the City will cause the Trustee to remit the net proceeds of the Bonds in the amount of \$19,756,344 to CalPERS to refund the City's obligations to CalPERS under the CalPERS Contracts evidencing the City's UAL. The City projects that immediately after

the refunding of the CalPERS Contract with such proceeds, the funding level of the City’s pension plans will be approximately 100%.

It is possible that CalPERS will determine at a future date that additional UAL exists attributable to the City, including in part with respect to the UAL being refunded, if actual plan experience differs from the current actuarial estimates, including any variance from projections. See “CITY FINANCIAL INFORMATION – Employee Retirement System” for additional information regarding the City’s pension plans.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds with respect to the Bonds are set forth below:

<u>Sources</u>	<u>Amount</u>
Principal Amount	\$20,170,000.00
Less: Underwriter’s Discount	151,275.00
Total Sources	<u>\$20,018,725.00</u>
<u>Uses</u>	
Refund CalPERS Contracts ⁽¹⁾	\$19,756,344.00
Costs of Issuance ⁽²⁾	262,381.00
Total Uses	<u>\$20,018,725.00</u>

(1) See “REFINANCING PLAN – Refinancing of CalPERS Contracts.”

(2) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, the Municipal Advisor, rating agency fees, and printing the preliminary and final Official Statements.

THE BONDS

Description of the Bonds

The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be dated as of the Closing Date and mature on June 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, set forth on the inside front cover of this Official Statement.

Interest on the Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2022 (each, an “**Interest Payment Date**”). The Bonds will bear interest from the Interest Payment Date immediately preceding the date of authentication, unless: (a) Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or (c) interest on a Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

“**Record Date**” is defined in the Indenture to mean, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on a Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than ten days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Bonds purchased. Payments of principal and interest on the Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. So long as the Bonds are held in the book-entry system of DTC, payments of principal of and interest on the Bonds will be governed by the rules and procedures which are applicable to such book-entry system. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM.”

Redemption Provisions

Optional Redemption. The Bonds maturing on or before June 1, 2032, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after June 1, 2033, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the Bonds of such maturity, at the option of the City, on any date on or after June 1, 2032, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on June 1, 2036 (the “**Term Bonds**”) are subject to mandatory redemption, within a maturity on a pro rata basis among the Beneficial Owners of the Term Bonds, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following table.

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
2034	\$1,710,000
2035	1,795,000
2036 (Maturity)	1,885,000

If some but not all of the Term Bonds have been optionally redeemed as described above, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the City to the Trustee).

Manner of Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee shall select the Bonds of such maturity to be redeemed on a pro rata basis among the Beneficial Owners of the Bonds of such maturity. For purpose of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

So long as the Bonds are registered in book-entry-only form and so long as the Depository or a successor securities depository is the sole registered Owner of the Bonds, partial redemptions will be done in accordance with procedures of the Depository. It is the City’s intent that redemption allocations made by the Depository be made in accordance with the proportional provisions described herein. However, neither the City nor the Trustee has a duty to assure, and can provide no assurance, that DTC will allocate redemptions among Beneficial Owners on such a proportional basis, and neither the City nor the Trustee shall have any liability whatsoever to Beneficial Owners in the event redemptions are not done on a proportionate basis for any reason. The portion of any registered Bonds of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption. The Trustee on behalf and at the expense of the City will mail (by first class mail) notice of any redemption to the respective Owners of Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and the Municipal Securities Rulemaking Board, at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. DTC, the procedures

for giving notice of redemption of the Bonds will be governed by the rules and procedures which are applicable to such book-entry system. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM.”

Right to Rescind Notice of Optional Redemption. The City may send a conditional notice of an optional redemption of Bonds under the Indenture. The City may rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will give notice of such rescission of redemption in the same manner as the original notice of redemption was given.

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. Unless otherwise directed in writing by the City, the Trustee shall cancel and destroy all Bonds which have been redeemed.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Bond will be issued for each maturity of the Bonds. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM.” The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the beneficial owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to beneficial owner with respect to the Bonds or an error of delay relating thereto.

Transfer and Exchange of Bonds

Transfer. A Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of that Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under the Indenture. Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The City will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

Exchange of Bonds. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge

on the exchange of Bonds. The City will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

Limitations. The Trustee may refuse to transfer or exchange, under the Indenture, any Bonds selected by the Trustee for redemption under the Indenture, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Sources of Payment

The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due and the obligation of the City to make the deposits required under the Indenture for the security of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The City agrees to pay from any legally available source of revenues of the City, including amounts on deposit in the General Fund of the City, all amounts due and owing with respect to Bonds issued under the Indenture, including principal and interest thereon and the redemption price thereof. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

In consideration of the acceptance of the Bonds by those who hold the same from time to time, the Indenture constitutes a contract between the City and the Owners from time to time of the Bonds, and the covenants and agreements therein set forth to be performed on behalf of the City are for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Debt Service Fund; Transfer of Amounts to Trustee

Under the Indenture, a separate fund is established to be known as the "Debt Service Fund" which shall be held by the Trustee in trust for the benefit of the Bond Owners. The Trustee will hold the Debt Service Fund for the uses and purposes set forth in the Indenture, so long as any of the Bonds remain Outstanding. The City will transfer an amount of legally available funds to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are established with the Trustee under the Indenture with respect to the Bonds, in the following order of priority:

- (a) Interest Account. On or before the 5th Business Day preceding each date on which interest on the Bonds is due and payable, the City will transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on that date. The Trustee will

apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.

- (b) Principal Account. On or before the 5th Business Day preceding each date on which principal of the Bonds is due and payable at maturity or upon mandatory sinking fund redemption, the City will transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Bonds, including the principal amount of the Term Bonds which are subject to mandatory sinking fund redemption on that date under the Indenture. The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity thereof and the principal of the Term Bonds upon the mandatory sinking fund redemption thereof.

No Debt Service Reserve Fund

The City has not and will not establish a debt service reserve fund for the Bonds.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds, assuming no optional redemptions.

Fiscal Year Ending June 30	Bonds Principal	Bonds Interest	Total Debt Service
2023	\$1,020,000.00	\$961,441.78	\$1,981,441.78
2024	1,155,000.00	831,427.95	1,986,427.95
2025	1,195,000.00	792,631.50	1,987,631.50
2026	1,240,000.00	750,149.25	1,990,149.25
2027	1,285,000.00	703,698.85	1,988,698.85
2028	1,335,000.00	653,635.25	1,988,635.25
2029	1,390,000.00	599,848.10	1,989,848.10
2030	1,445,000.00	542,455.00	1,987,455.00
2031	1,505,000.00	481,620.50	1,986,620.50
2032	1,570,000.00	416,755.00	1,986,755.00
2033	1,640,000.00	347,518.00	1,987,518.00
2034	1,710,000.00	272,734.00	1,982,734.00
2035	1,795,000.00	186,208.00	1,981,208.00
2036	1,885,000.00	95,381.00	1,980,381.00
Total	\$20,170,000.00	\$7,635,504.18	\$27,805,504.18

Source: Hilltop Securities, Inc.

THE CITY

General

The City encompasses approximately forty square miles and is located in the northern part of San Bernardino County (the “**County**”). The City is a major transportation hub for the Inland Empire with several major highways, including Interstate 15, Interstate 40, and California State Route 58, converging in the City. As of January 1, 2021, the population of the City was estimated to be 24,205.

The City provides a full range of services, including police and fire protection services, economic development, construction and maintenance of roadways, parks, streets, and other infrastructure, recreational and cultural activities, utility services of sewer and solid waste collection, and general administrative services.

City Government and Administration

General. The City was incorporated in 1947 as a general law city. The City operates under a council-manager form of government. The City Council consists of five representatives, which includes the Mayor. The council is elected on a non-partisan basis. Council members serve four-year terms and elections are staggered every two years. The Mayor is elected to serve a four-year term. The Mayor is elected at large while the council members are elected by districts.

The current City Council members and their respective term expiration dates are as follows:

<u>Name and Office</u>	<u>Term Expires</u>
Dr. Paul Anthony Courtney, <i>Mayor</i>	November, 2024
James Noble, <i>Mayor Pro Tem</i>	November, 2022
Tim Silva, <i>Council Member</i>	November, 2022
Barbara M. Rose, <i>Council Member</i>	November, 2024
Marilyn Dyer-Kruse, <i>Council Member</i>	November, 2024

The City Council sets policy, enacts legislation, and adopts the budget under which the City operates. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City government, and working with the directors and managers of City departments.

Key Personnel. Brief biographies of the City Manager and Interim Finance Director follow below.

Willie A. Hopkins, Jr., City Manager. Prior to coming to Barstow, Mr. Hopkins served as the director of Alameda County’s General Services Agency. With extensive experience in the United States Army, private sector and local government, he is a seasoned senior manager with a successful track record in managing large capital projects, procurement and other support services. He also served as the Director of the Support Services Agency for Cobb County, Georgia, the Assistant City Manager of Pompano Beach, Florida, and, prior to that, as Director of General Services in Fulton County, Atlanta, Georgia. Mr. Hopkins has been providing executive management services to local governments for over 18 years, building on previous management service in the military and corporate worlds. Mr. Hopkins is a graduate of Alcorn State University

where he obtained a degree in business administration and was a member of the Reserve Officer Training Corps. He also served in the U.S. Army from September 1985 until April of 1996.

Marc Puckett, Interim Finance Director. Mr. Puckett has extensive experience as a Finance Director. His public service spans over 34 years as a Finance Director serving cities in both Michigan and California. Prior to coming to Barstow, Mr. Puckett served as the Assistant Town Manager in charge of Fiscal and Administrative Services for the Town of Apple Valley. He has also served the City of Costa Mesa, California, as Director of Finance/City Treasurer and, prior to that, served as the Director of Finance for the City of Flint, Michigan. Mr. Puckett is a graduate of Ferris State University where he obtained a degree in accounting.

Public Health Emergency – COVID-19

The spread of the novel strains of coronavirus collectively called SARS-CoV-2, which cause the disease known as COVID-19 (“**COVID-19**”), and local, State and federal actions in response to COVID-19, have impacted the City’s operations and finances. In response to the increasing number of COVID-19 infections and fatalities, health officials and experts recommended, and some governments mandated, a variety of responses ranging from travel bans and social distancing practices to complete shutdowns of certain services and facilities. The World Health Organization has declared the COVID-19 outbreak to be a pandemic and, on March 4, 2020, as part of the State’s response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments. The City also declared a local emergency on March 16, 2020 in response to the COVID-19 outbreak. The City closed municipal facilities to the public through June 2020. Since that time, City facilities have reopened with health and safety precautions in place in compliance with State and federal guidelines. Many school districts across the State temporarily closed some or all school campuses (including schools within the City) in response to local and State directives or guidance.

On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide shelter-in-place order applicable to all non-essential services. Certain aspects of the shelter-in-place directives were extended indefinitely until indicators for modifying the stay-at-home order were met. The County also declared a state of emergency in response to the COVID-19 outbreak. On May 4, 2020, the Governor issued an executive order informing local health jurisdictions and industry sectors that they could gradually re-open under new modifications and guidance provided by the State. A phased re-opening of various sectors was underway since mid-2020 in accordance with a four-stage re-opening plan that ended with a full reopening of the economy on June 15, 2021. Although pursuant to the re-opening plan certain restrictions on activities were eased, restrictions were also re-imposed in various jurisdictions (including Los Angeles County to the southwest of the City) as local conditions warranted, and such restrictions may be renewed as the pandemic continues.

In addition, the Governor extended the deadline to file and pay spring 2020 property taxes for residential and certain commercial property owners and first quarter 2020 sales and use tax returns by 90 days for all but the very largest taxpayers. As a result of the extended deadline to file sales and use tax returns, it is estimated that up to 361,000 California businesses with less than \$5 million in taxable annual sales were permitted to defer up to \$50,000 in sales tax and enter into 12-month payment plans at zero interest. These actions resulted in delays in the receipt by the City of some sales tax revenues. Sales tax revenues declined by \$1.2 million in Fiscal Year 2019-20 due to the combined impact of the extended filing deadline and the shelter in place order.

On March 27, 2020, the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the “**CARES Act**”) which provides, among other measures, \$150 billion in financial aid to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local governments are eligible for reimbursement of certain costs which were expended to address the impacts of the pandemic. The City has received a total reimbursement of approximately \$899,000 under the CARES Act, of which \$881,000 has been received by the City to date. The City anticipates receiving an additional approximate \$18,000 in CARES Act funding in Fiscal Year 2021-22. The funds received by the City under the CARES Act are not available for payment of the Bonds and cannot be used to backfill any City revenue losses related to COVID-19.

On December 27, 2020, the President signed the \$900 billion Coronavirus Response and Relief Supplemental Appropriations Act. Although the act did not provide additional financial assistance to state and local governments, it did extend the deadline (to October 2021) for them to use unspent funds that were previously approved under the CARES Act.

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (the “**ARP Act**”), a \$1.9 trillion economic stimulus package designed to help the United States’ economy recover from the adverse impacts of the COVID-19 pandemic. The ARP Act includes approximately \$350 billion in aid to state and local governments such as the City, consisting of both direct funding from the United States Department of Treasury and program moneys that will flow from other federal agencies. Half of the aid to state and local governments was distributed in spring 2021, with the other half following in 2022. The City was awarded a total of \$5,720,976 under the ARP Act, \$2,860,488 (or 50%) of which was received in July 2021. The City anticipates receiving the remaining \$2,860,488 in July 2022. This funding is available for a broad range of uses, including responding directly to the health emergency, addressing its negative economic impacts with assistance to households and small businesses, restoring government services that were reduced in response to pandemic-related revenue losses and making certain necessary infrastructure improvements. Under the Department of Treasury’s “Final Rule” for utilization of the Coronavirus State and Local Fiscal Recovery Funds, the City may elect a “standard allowance” of \$10 million to determine the amount of the City’s revenue loss. The City has elected to utilize this approach to calculate the City’s amount of revenue loss. Therefore, the total amount of the City’s award, \$5.7 million, is considered revenue loss and may be used for revenue replacement.

The effects of the COVID-19 outbreak and governmental actions responsive to it have altered the behavior of businesses and people in a manner that has had significant negative impacts on global and local economies. In addition, financial markets in the United States and globally have experienced significant volatility attributed to COVID-19 concerns. Volatility in the financial markets caused CalPERS’ earnings to fall below its investment targets in Fiscal Year 2019-20, which will result in increases in the City’s unfunded pension liability and future pension costs commencing in Fiscal Year 2022-23. See the caption “CITY FINANCIAL INFORMATION – Employee Retirement System.” The outbreak resulted in increased pressure on State finances as budgetary resources were directed towards containing the pandemic and tax revenues sharply declined in early 2020. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak continue to occur throughout the United States, including the County.

Potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the City, cancellations of public events and disruption of the regional and local economy with corresponding decreases in General Fund revenues, including as a result of reduced sales which are subject to sales taxes, reduced hotel occupancy, which is subject to transient occupancy

taxes, fewer business license applications and potential declines in property values. See the captions “CITY FINANCIAL INFORMATION – Sales and Use Taxes,” “– Property Taxes” and “– Transient Occupancy Tax.”

In response to the COVID-19 outbreak, the City proclaimed a local state of emergency on March 16, 2020, modified its operations to implement remote work opportunities for employees and provide City services online, closed many City facilities to the public, cancelled many programs, rentals and community events and deferred several non-essential capital improvement projects. In order to transition City employees to working from home, the City procured additional hardware, established secure access to City computer systems and remote access to City telephone systems and deployed tele-conferencing applications. With improvements in local case rates, the City has phased in the resumption of normal operations and activities while complying with public health orders and California Occupational Safety and Health Administration COVID-19 Prevention Plan mandates.

The City has not experienced and does not at this time foresee a future negative impact on the execution of City services as a result of the COVID 19 outbreak. The City has worked diligently to provide its employees with personal protective equipment and voluntary access to screening and vaccinations. However, there can be no assurance that absences of employees or City leadership due to COVID-19 will not adversely impact City operations.

The City Council adopted a balanced budget for Fiscal Year 2020-21 and 2021-22 on June 15, 2020. The budget included reductions in revenue projections of \$2.8 million and reductions in appropriations of \$2.3 million for Fiscal Years 2020-21 and 2021-22. Budgetary actions included a freeze in wages and certain benefits for two years, a reduction in workforce of 7.5 full-time equivalent employees, the elimination of 4 vacant funded positions, temporary elimination of recreation programs, and closure of recreation facilities.

As the shelter-in-place orders and other travel restrictions due to the epidemic eased, increased transient travel had an unanticipated positive impact on the City’s key revenue sources. The City’s sales tax revenues were \$2.8 million higher than projected for Fiscal Year 2020-21 and Transient Occupancy Taxes were \$635,000 higher than projected for Fiscal Year 2020-21. In aggregate, the City’s actual revenues for Fiscal Year 2020-21 were \$5 million greater than what was projected in the amended budget for such Fiscal Year. Expenditures for Fiscal Year 2020-21 were \$542,000 lower than the amended budget for such Fiscal Year.

The improvement in the City’s financial condition has been further supported by the diversity of the City’s tax base. In particular, between the Outlets at Barstow, the number of hotels in the Lenwood area of the City, surrounding restaurants and four truck stops representing all four major chains, 38% of the City’s revenues for Fiscal Year 2020-21 were derived from transient travelers through the community. Barstow is located at the juncture of the I-40 and I-15 freeways. As such, freeway traffic through the community has been a significant source of revenue for the City.

The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties. There are many variables that will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery therefrom, including the length of time social distancing measures are in place, the effectiveness of State and Federal governments’ relief programs and the timing for the containment and treatment of COVID-19. Certain of the information in this Official Statement is dated prior to the onset of the COVID-19 pandemic, which has had a significant adverse impact on the nation, State and local economy, including, but not limited to, a dramatic increase in

unemployment levels. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the City and the region. The ultimate impact of COVID-19 on the City's operations and finances is not fully known, and it may be some time before the full impact of the COVID-19 pandemic is known. See "RISK FACTORS – Public Health Emergencies."

CITY FINANCIAL INFORMATION

Accounting Policies and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles ("GAAP") and the standards established by the Governmental Accounting Standards Board ("GASB"). The City Council and City staff review fiscal performance against the budget at the mid-point of each Fiscal Year. Combined financial statements of the City and its component units are produced following the close of each fiscal year of the City ended June 30 (each, a "Fiscal Year").

The City Council employs an independent certified public accountant who examines at least annually the financial statements of the City in accordance with GAAP, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the Fiscal Year, a final audit and report is submitted by the independent accountant to the City Council. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The budget is adopted in accordance with GAAP. Revenues are recognized on the accrual basis (i.e., when they are earned). Expenditures are recorded when the related fund liability is incurred. See "APPENDIX B – Comprehensive Annual Financial Report of the City for the Year Ended June 30, 2021 – Note (1)" for a description of the significant accounting policies of the City. See the caption "— City Financial Statements" for a discussion of the City's audited financial statements for Fiscal Year 2020-21.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund because there are legal restrictions on their use. It is expected that debt service on the Bonds will be paid from amounts in the General Fund. Information on the remaining governmental funds of the City as of June 30, 2021, is set forth in Appendix B.

Fiscal Policies

Fund Balance Policy. In June, 2010, the City Council adopted Resolution No. 4548-2010 approving Policy Memorandum No. 2010-15 – Fund Balance Policy (the "Fund Balance Policy"). The Fund Balance Policy aims to help reduce the negative impact on the City in times of economic uncertainty and potential losses of funding from other governmental agencies. Under the Fund Balance Policy, City reserves are restricted for one-time purposes. The Fund Balance Policy establishes minimum requirements for General Fund non-department reserves and provides

guidelines for the use of these funds. Appropriation for contingencies is maintained at 20 percent of total General Fund net appropriations for one-time emergencies and economic uncertainties. Excess fund balance at year-end must first be used to replenish the reserve amount at the 20 percent level.

At June 30, 2021 the City had an assigned fund balance of \$887,681 for emergency contingency and \$3,550,723 for working capital reserve. Such fund balances are maintained by the City as part of the assigned fund balance of the General Fund Balance Sheet. The Fund Balance Policy can be changed only by a resolution of the City Council. The City cannot provide any assurance that the City Council will not in the future amend its Fund Balance Policy so as to reduce or eliminate the reserves thereunder.

Pension Funding Policy. In February 2022, the City Council adopted Resolution No. 5077-2022 approving Policy Memorandum No. 2022-01 – Pension Funding Policy (the “**Pension Funding Policy**”). The Pension Funding Policy is intended to immediately address any new pension liabilities, or amortization bases, that arise in the future. Under the Pension Funding Policy, any new pension liabilities will be paid off over specific designated timeframes based on the amount of the UAL. Also, 50% of the cash flow savings arising from the issuance of a pension obligation bond are to be budgeted on an annual basis for deposit into a separate Pension Trust Fund. The City is also considering creation of a Section 115 Trust to further stabilize pension funding. The City cannot provide any assurance that the City Council will not in the future amend its Pension Funding Policy to reduce or eliminate the policy objectives or targets.

General Economic Condition and Outlook of the City

Financial Condition. As of June 30, 2021, the General Fund had a year-end surplus of approximately \$6.1 million prior to transfers in and out, reflecting revenues of approximately \$28.7 million and expenditures of approximately \$22.6 million. The budget for Fiscal Year 2020-21, which was adopted after the COVID-19 outbreak in June 2020, had anticipated a year-end General Fund deficit of approximately \$1.5 million, with revenues expected to total approximately \$22.8 million and expenditures expected to total \$24.3 million prior to transfers in and out. Variances from the original budget for Fiscal Year 2020-21 consisted primarily of higher tax revenues in the amount of approximately \$6 million. Actual General Fund expenditures were lower than budgeted in Fiscal Year 2020-21 primarily due to a decrease in public safety expenditures of approximately \$3 million, offset by an increase in general governmental expenditures of approximately \$1.2 million. See “– Budget Procedure, Current Budget and Historical Budget Information – Adopted Budget for Fiscal Year 2021-22” and “– Comparison of Budget to Actual Performance.”

For Fiscal Year 2021-22, the mid-year General Fund operating budget projects revenues of approximately \$28.3 million prior to transfers in. In addition, the mid-year Fiscal Year 2021 General Fund operating budget projects expenditures of approximately \$27.1 million prior to transfers out, which results in a projected excess of revenues over expenditures of approximately \$1.2 million prior to transfers in of \$3.4 million. The projected increase in General Fund fund balance is \$4.6 million for Fiscal Year 2021-22. The City believes that the projections in the mid-year General Fund for Fiscal Year 2021-22 are conservative.

Potential Future Revenues. The City is in the process of, or has competed, certain projects that are currently projected by the City to increase revenues in future fiscal years. Below is a summary of such projects. *There can be no assurance that actual revenues to the City from*

the projects described below, if any, will prove to be correct, and such actual revenues may materially different than current projections.

- Marriott Hotels. The City Council has approved the construction of two hotels branded Fairfield Inn by Marriott and Towne Place Suites by Marriott, respectively. Together, the hotels are anticipated to add 181 hotel rooms within the City. The hotels are under construction and are expected to open in July 2022. These hotels are anticipated to be located in the vicinity of the Outlets at Barstow, with more than 35 retail shops, an official California State Welcome Center and dining options. Under an agreement with the developer of the hotels, the City would remit to the developer \$40,000 per month for 60 months. In exchange, the developer has agreed to remit all transient occupancy taxes from the hotels to the City. If transient occupancy tax collections fall below \$40,000 in any month during the 60-month period, the amount remitted by the City to the developer will be reduced to an amount equal to actual transient occupancy tax collections for that month. The City estimates that it will receive approximately \$1 million in additional revenues annually commencing after the completion of the hotels in the form of additional property taxes, transient occupancy taxes and sales taxes.
- Fort Irwin Service Agreements. The City has entered into two service agreements with United States Army for services to be provided by the City relating to the sampling of water and wastewater and the sale by the City of liquified petroleum gas at Fort Irwin. Fort Irwin is located approximately 37 miles northeast of the City, midway between the City of Los Angeles, California, and Las Vegas, Nevada. The City is also in the process of completing negotiations on three additional agreements with the U.S. Army relating to services to be provided by the City. Such agreements are pending final approvals from the U.S. Army, which the City expects to receive by June 30, 2022. The City projects that collectively these agreements will generate approximately \$800,000 annually in additional revenues to the City in the future.
- Green Zone. On October 4, 2021, the City Council of the City adopted comprehensive regulations for commercial cannabis businesses. These regulations establish permit requirements, operational standards, and separation and zoning criteria, for any commercial cannabis business operating in the City. All commercial cannabis businesses (including dispensary, manufacturing, cultivation, delivery, distribution, and testing and research) are required to obtain approval of a conditional use permit from the City's Planning Commission, a cannabis license issued by the City's Community Development Department, and obtain a State issued license from the Bureau of Cannabis Control prior to operating in the City. The application fee is approximately \$18,645 per use and is non-refundable, with an annual renewal fee of approximately \$14,108. Before applying, applicants must secure property within the City in one of the approved "green" zones.

Based upon a cannabis fee study completed for the City by HdL Coren & Cone, the City expects to receive over \$250,000 in new revenues in Fiscal Year 2020-21. Thereafter, the City projects receiving over \$70,000 annually in regulatory fees plus 3% of gross sales (above the City's existing 2%) per approved development agreements commencing in Fiscal Year 2022-23. Annual revenues received pursuant to approved development agreements is expected to be approximately \$250,000 annually commencing in Fiscal Year 2022-23. To date, the City has received 6 applications for cannabis retail operations, of which two have been approved by the City and received all necessary approvals to operate in the City as of the date of this

Official Statement. At two of the proposed retail locations, there are a total of 22 buildings totaling 30,000 square feet of usable space each that are anticipated to be used for cannabis cultivation and manufacturing. In total, the City currently projects that such cannabis operations will generate more than \$3 million in additional revenue to the City after such facilities are fully built-out, in the form of additional property taxes, development agreement fees, application fees and other fees. The City cannot currently predict if or when any such facilities will be fully built-out and operational, nor any assurance that such facilities will receive all necessary approvals from the City and the State to operate in the future.

In addition to the anticipated development described above, other residential and commercial developments are expected to occur in the future. The city is currently working on two residential tracts, one a 147 lot subdivision, and another 57 lot subdivision that is underway. The first 21 homes of the 147 lot subdivision are under construction. Grading of the remaining lots is underway. The City anticipates that this development will be built out in 18 months. Final approvals of the 57 lot subdivision is expected within the next two months. Once final approvals have been received, the developer anticipates that the 57 homes will be built out within 18 months. There are also numerous residential in-fill projects throughout the City. In addition, Starbucks, Burger King, Panda Express, Wienerschnitzel, Freddy's Steak Burgers branded stores are under construction or have recently opened in the City. The City cannot provide any assurance that such pending development will be completed as currently anticipated.

See "RISK FACTORS," including "– Assed Value of Taxable Property" and "– Certain Risks Associated with Sales Tax and Other Local Revenues."

Budget Procedure, Current Budget and Historical Budget Information

General. The annual budget serves as the foundation for the City's financial planning and policy making. The budget is prepared according to fund, function (e.g., public safety), and department (e.g., police). The City adopts two separate annual budgets for each respective Fiscal Year. The items for consideration for the second Fiscal Year are limited to an exception basis.

Prior to the beginning of the first Fiscal Year of the two year budget cycle, the City Manager communicates the priorities, goals, and outlook for the upcoming two Fiscal Years to all the Department Directors and their managers. Based on these objectives, the Departments prepare revenue estimates and expenditure requests. These requests are reviewed by the City Manager and the Director of Finance. Meetings are conducted with the City Manager, the Director of Finance, and each individual Department to analyze and revise, as necessary, all budget requests. The City Manager's recommendations are compiled into a Preliminary Budget document and submitted to the City Council in May. The City Council then holds one or more Study Session workshops to study and approve any revisions to the City Manager's recommendations. A public hearing is held in June for budget adoption. In the second year of the two year budget cycle, review and analysis is limited to revisions to the adopted budget.

Adopted Budget for Fiscal Year 2021-22. The City Council adopted a balanced budget for Fiscal Year 2020-21 and 2021-22 on June 15, 2020. The portion of the such budget relating to Fiscal Year 2021-22 is sometimes referred to herein as the "**2021-22 Adopted Budget.**" Budgeted expenditures for the General Fund total approximately \$17.5 million for Fiscal Year 2021-22, an increase of approximately \$257,000 (or 1%) above Fiscal Year 2020-21 budgeted expenditures.

Budgeted revenues for the General Fund total approximately \$17.8 million for Fiscal Year 2021-22, an increase of approximately \$700,000 (or 4%) above Fiscal Year 2021 budgeted revenues. The City's Fiscal Year 2021-22 General Fund budget reflects increases in sales tax receipts and other revenues and includes approximately \$2.85 million in ARP Act funds.

The original adopted budgeted revenues for the General Fund totaled approximately \$24.6 million for Fiscal Year 2021-22, an increase of approximately \$1.8 million (or 7%) above Fiscal Year 2021 budgeted revenues. The City's Fiscal Year 2021-22 General Fund budget as presented in the table below, reflects increases in sales tax receipts and other revenues and includes approximately \$2.85 million in ARP Act funds received after budget adoption.

The City adopted a biennial budget as part of its budget strategy to address COVID impacts. Revenues were budgeted to decrease by \$2.8 million for Fiscal Year 2020-2021 and by \$2.1 million for Fiscal Year 2021-2022. Appropriations were budgeted to decrease by \$2.3 million for Fiscal Year 2020-2021 and by \$2.2 million for Fiscal Year 2021-2022. The City is currently in the second year of the biennial budget.

Significant assumptions reflected in the Fiscal Year 2021-22 General Fund budget with respect to revenue included the following (resulting in a total reduction in budgeted revenues of \$2.1 million for such Fiscal Year):

- Property Tax revenues were projected to decrease by 4%
- Sales & Use Tax revenues were projected to decrease by 20%
- Transient Occupancy Taxes were projected to decrease by 20%
- Business License Taxes were projected to decrease by 6%
- Construction Permits were projected to decrease by 7%

Significant assumptions reflected in the Fiscal Year 2021-22 General Fund budget with respect to expenditures included the following (resulting in a total reduction of approximately 10% in total budgeted expenditures for such Fiscal Year):

- Wage freeze for all employees for two Fiscal Years
- Benefits freeze (elimination) for all benefits resulting in direct cash payments
- Reduction in workforce of 7.5 full time equivalent positions
- Elimination of 4 vacant funded positions
- Elimination of all part-time staff
- Temporary elimination of recreation programs and closure of recreation facilities
- Hiring freeze for two Fiscal Years
- Voluntary furloughs for all employees
- No capital purchase appropriations for two Fiscal Years

Comparison of Budget to Actual Performance. Set forth in the table below are the General Fund budgets for Fiscal Years 2018-19 through 2020-21 (as originally adopted and not reflecting any mid-Fiscal Year budget adjustments), the General Fund Budget for Fiscal Year 2021-22 (reflecting mid-Fiscal Year budget adjustments as of March 7, 2022) and the audited General Fund results for Fiscal Years 2018-19 through 2020-21.

Table 1
CITY OF BARSTOW
General Fund Budgets and Results
Fiscal Years 2018-19 through 2021-22

	Adopted Budget 2018-19	Audited 2018-19	Adopted Budget 2019-20	Audited 2019-20	Adopted Budget 2020-21	Audited 2020-21	Adopted Mid-Year Budget 2021-22⁽²⁾
Revenues:							
Taxes	\$17,067,000	\$18,432,758	\$22,398,857	\$22,401,483	\$20,786,874	\$26,139,094	\$26,268,396
Licenses and permits	477,500	207,183	380,300	381,774	343,975	455,886	328,775
Intergovernmental	522,400	560,936	504,955	519,075	436,500	487,333	436,500
Charges for services	732,000	1,052,223	544,750	444,041	602,375	328,465	389,275
Use of money and property	375,200	422,299	426,700	298,331	312,200	604,102	305,000
Fines and forfeitures	144,650	114,564	83,000	132,885	130,000	89,923	100,000
Miscellaneous	93,200	107,557	214,600	351,785	170,200	589,610	508,200
Total Revenues	\$19,411,950	\$20,897,520	\$24,553,162	\$24,529,374	\$22,782,124	\$28,694,413	\$28,336,146
Expenditures:							
Current:							
General government	\$2,464,816	\$3,909,039	\$3,657,099	\$3,271,395	\$3,968,878	\$5,164,979	\$4,521,968
Public safety	9,630,175	10,252,480	13,177,541	11,392,014	13,586,750	10,535,542	15,060,104
Community development	2,314,206	2,512,082	2,268,757	2,203,600	1,378,834	1,497,209	1,778,718
Parks and recreation	2,511,338	2,428,174	2,182,705	2,188,112	969,546	1,006,800	1,244,496
Public works	2,909,594	2,762,468	3,278,228	3,118,227	3,514,341	3,353,690	4,201,103
Capital outlay	112,000	146,096	855,262	979,726	108,500	207,816	--
Debt service:							
Principal retirement	--	--	-	486,578	-	719,295	--
Interest and fiscal charges	--	--	-	--	777,868	101,118	297,859
Total Expenditures	\$19,942,129	\$ 22,010,399	\$25,419,592	\$23,639,652	\$24,304,717	\$22,586,449	27,104,248
Excess (Deficiency) of Revenues Over (Under) Expenditures	(530,179)	(1,112,819)	(866,430)	889,722	(1,522,593)	6,107,964	1,231,898
Other Financing Sources (uses)							
Transfers in	\$ -	\$ --	\$ 1,333,572	\$ --	\$ 1,540,000	\$1,039,760	3,387,000
Transfers out	--	--	(100,000)	(2,249,369)	(500,000)	(3,497,562)	--
Proceeds from capital assets	--	720,188	220,000	318,414	-	126,938	--
Total other sources (uses)	\$ -	\$ 720,188	\$ 1,453,572	\$(1,930,955)	\$ 1,040,000	\$(2,330,864)	3,387,000
Net Change in Fund Balance	\$ (530,179)	\$ (392,631)	\$ 587,142	\$(1,041,233)	\$ (482,593)	\$3,777,100	4,618,898
Fund Balance-beginning of year	14,347,231	14,347,231	13,954,591	14,923,287⁽¹⁾	13,882,054	13,882,054	\$17,659,154
Fund Balance-end of year	\$13,817,052	13,954,591	\$14,541,733	\$13,882,054	\$13,399,461	\$17,659,154	\$22,278,052

(1) Reflects restated fund balance as of the beginning of Fiscal Year 2019-20 after restatements resulting an increase thereof of \$968,696.

(2) As of March 7, 2022.

Source: City of Barstow budgets for Fiscal Years 2018-19 through 2021-22; City of Barstow audited financial statements for Fiscal Years 2019-20 and 2020-21.

City Financial Statements

A copy of the most recent audited financial statements of the City (the “**Financial Statements**”) for the Fiscal Year ended June 30, 2021, prepared by Lance, Soll & Lunghard, LLP, Brea, California (the “**Auditor**”), is included as Appendix B to this Official Statement. The Auditor’s letter dated December 17, 2021 is set forth therein. The Financial Statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the City, nor has the Auditor reviewed or audited this Official Statement.

Certain financial information that is set forth in this Official Statement is derived from the Financial Statements and the City’s audited financial statements for prior years (excluding certain non-cash items and after certain other adjustments) and is qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed or audited such financial information or any other portion of this Official Statement.

In the Financial Statements, data relating to governmental funds such as the General Fund focus on current financial resources, which emphasize near-term inflows and outflows of expendable resources as well as balances of expendable resources at the end of each Fiscal Year.

The City’s accounting and budgeting records for general governmental operations are maintained on a modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 90 days after year-end). The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The following table shows the City’s audited General Fund balance sheets for Fiscal Years 2016-17 through 2020-21.

Table 2
CITY OF BARSTOW
General Fund Balance Sheets
Fiscal Years 2016-17 through 2020-21

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21
Assets:					
Pooled cash and investments ⁽¹⁾	\$4,922,552	\$3,333,483	\$581,603	\$1,544,186	\$5,978,552
Receivables:					
Accounts	394,092	282,580	284,640	245,751	251,786
Taxes	809,838	802,459	855,084	--	--
Accrued Interest	11,662	7,157	--	3,182	1,557
Prepaid costs	51,117	61,446	74,974	845,654	43,240
Deposits	726,154	519,754	932,355	1,066,216	591,564
Due from other governments ⁽²⁾	1,532,644	1,642,944	3,079,796	2,556,222	4,925,605
Due from other funds	4,160,933	4,812,346	2,968,634	1,545,454	924,442
Advances to other funds	6,169,863	4,467,144	7,066,183	7,991,579	7,301,063
Inventories	97,206	97,709	38,074	51,762	66,692
Total Assets	\$18,576,061	\$16,027,022	\$15,881,343	\$15,850,006	\$20,084,501
Liabilities, Deferred Inflow of Resources and Fund Balance					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ --	\$ 470,763	\$ 645,905
Accrued liabilities	1,343,278	1,349,337	1,605,454	1,152,820	1,410,055
Unearned revenues	--	2,531	--	--	--
Deposits payable	53,196	5,560	14,318	3,712	42,625
Due to other governments	--	--	--	45,461	50,575
Retentions payable	--	--	--	3,617	--
Total Liabilities	\$1,396,474	\$1,357,428	\$1,619,772	\$1,676,373	\$2,149,160
Deferred Inflows of Resources					
Unavailable Revenue	337,755	322,363	306,971	291,579	276,187
Total Deferred Inflows of Resources	337,755	322,363	306,971	291,579	276,187
Fund Balances					
Nonspendable	\$7,619,282	\$5,183,492	\$8,111,586	\$9,955,211	\$8,002,559
Restricted	--	--	--	--	--
Assigned	--	--	--	4,406,560	4,438,404
Unassigned	9,222,550	9,163,739	5,843,014	(479,717)	5,218,191
Total Fund Balances	\$16,841,832	\$14,347,231	\$13,954,600	\$13,882,054	\$17,659,154
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$18,576,061	\$16,027,022	\$15,881,343	\$15,850,006	\$20,084,501

(1) General Fund revenues exceeded expenditures by \$6.1 million which correlated directly to the increase in pooled cash and investments.

(2) Year-end adjustments for accrued revenues from State subventions in the amount of \$2.9 million accounted for the increase in due from other governments in Fiscal Year 2020-21.

Source: City of Barstow audited financial statements for Fiscal Years 2016-17 through 2020-21.

The following table shows City's audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2016-17 through 2020-21.

Table 3
CITY OF BARSTOW
Statements of Revenues, Expenditures and Changes in General Fund Balance
Fiscal Years 2016-17 through 2020-21

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21
Revenues:					
Taxes	15,444,964	16,302,262	18,432,758	\$22,401,483	\$26,139,094
Licenses and permits	292,084	264,997	207,183	381,774	455,886
Intergovernmental	1,070,672	583,084	560,936	519,075	487,333
Charges for services ⁽¹⁾	700,514	655,742	1,052,223	444,041	328,465
Use of money and property	393,451	305,552	422,299	298,331	604,102
Fines and forfeitures	216,117	78,862	114,564	132,885	89,923
Miscellaneous	52,186	136,635	107,557	351,785	589,610
Total Revenues	\$18,169,988	\$18,327,134	\$20,897,520	\$24,529,374	\$28,694,413
Expenditures:					
Current:					
General government ⁽²⁾	\$3,627,594	\$3,197,895	\$3,909,039	\$3,271,395	\$5,164,979
Public safety	9,518,993	9,712,654	10,252,480	11,392,014	10,535,542
Community development	2,580,387	2,465,055	2,512,082	2,203,600	1,497,209
Parks and recreation ⁽³⁾	2,567,524	2,627,928	2,428,174	2,188,112	1,006,800
Public works	2,947,892	2,791,076	2,762,468	3,118,227	3,353,690
Capital outlay	389,095	679,405	146,096	979,726	207,816
Debt service:					
Principal retirement	--	--	--	486,578	719,295
Interest and fiscal charges	60	(46)	--	--	101,118
Total Expenditures	\$21,631,545	\$21,473,967	\$22,010,339	\$23,639,652	\$22,586,449
Other Financing Sources (uses)					
Transfers in	\$ --	\$ 9,236	\$ --	\$ --	\$1,039,760
Transfers out	(564,619)	--	--	(2,249,369)	(3,497,562)
Proceeds from capital assets	124,130	642,996	720,188	318,414	126,938
Total other sources (uses)	\$(440,489)	\$652,232	\$720,188	\$(1,930,955)	\$(2,330,864)
Revenues Over (Under) Expenditures	(3,461,557)	(3,146,833)	(1,112,819)	889,722	6,107,964
Net Change in Fund Balance	\$(3,902,046)	\$(2,494,601)	\$(392,631)	\$(1,041,233)	\$3,777,100
Fund Balance-beginning of year⁽⁴⁾	20,743,878	16,841,832	14,347,231	14,923,287	13,882,054
Fund Balance-end of year	\$16,841,832	\$14,347,231	\$13,954,600	\$13,882,054	\$17,659,154

(1) Reflects increases in Fiscal Year 2018-19 rental income due to assumption of operation of the Harvey House and increased participation in recreational programs. Decreases in the following Fiscal Years were caused by the shutdown of all recreational facilities and programming as part of the City's response to managing the COVID-19 pandemic.

(2) Increase in Fiscal Year 20-2021 General Government expenditures due to an increase in funding for Fire District operations.

(3) Decreases in FY 2020-21 Parks and recreation expenditures were due to the closure of Parks and Recreation facilities. Parks and Recreation facilities are expected to resume normal operations in Fiscal Year 2022-23.

(4) Reflects restated fund balance as of the beginning of Fiscal Year 2019-20 after restatements resulting an increase thereof of \$968,696.

Source: City of Barstow audited financial statements for Fiscal Years 2016-17 through 2020-21.

General Fund Major Tax Revenues By Source

A summary of major sources of General Fund taxes received by the City in the last five Fiscal Years is set forth in the following table. Certain general fund taxes currently imposed by the City are affected by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIC and Article XIIID.”

Table 4
CITY OF BARSTOW
General Fund Major Tax Revenues by Source

Revenue Source	Audited FY 2016-17	Audited FY 2017-18	Audited FY 2018-19	Audited FY 2019-20	Audited FY 2020-21	% of Total ⁽²⁾	Adopted Mid-Year Budget 2021-22 ⁽³⁾
Sales taxes ⁽¹⁾	\$7,166,274	\$7,382,198	\$9,383,362	\$13,709,117	\$16,580,582	57.8%	\$16,831,625
Property taxes	3,947,325	4,451,142	4,399,249	4,573,390	4,791,350	16.7	4,720,000
Transient occupancy tax	3,056,078	3,147,207	3,320,952	2,855,796	3,436,464	12.0	3,650,000
Franchise fees	1,011,945	1,050,192	1,023,994	1,077,372	1,175,998	4.1	1,066,771
Charges for services	700,514	655,742	1,052,223	444,041	328,465	1.1	389,275
Totals	\$15,882,136	\$16,686,481	\$19,179,780	\$22,656,717	\$26,312,859	91.7%	\$26,657,671

(1) Reflects percentage of total Fiscal Year 2020-21 General Fund revenues of \$28,694,413.

(2) Sales tax figures include sales tax revenues received by the City pursuant to Measure Q commencing in April 2019. Increase in Fiscal Years 2019-20 and 2020-21 were due to the passage, and receipt, of Measure Q. See “– Sales and Use Taxes – Measure Q” below.

(3) As of March 7, 2022.

Source: City of Barstow.

Sales and Use Taxes

General. A sales and use tax is imposed on retail sales or consumption of personal property in the City. As shown in Table 4, sales and use tax revenues represented the top source of tax revenues for the City’s General Fund in each of Fiscal Years 2016-17 through 2020-21, comprising approximately 58% of the City’s total General Fund revenues for Fiscal Year 2020-21. In Fiscal Year 2020-21, the City’s sales tax revenues totaled approximately \$16.6 million, an increase of approximately 21% compared to sales tax revenues of approximately \$13.7 million in Fiscal Year 2019-20.

For Fiscal Year 2021-22, the City’s sales tax revenues are projected at approximately \$16.8 million based on the budget for Fiscal Year 2021-22 (after mid-year adjustments as of March 7, 2022). The phased re-opening under the Blueprint for a Safer Economy ended with a full reopening of the economy on June 15, 2021. Such budgeted revenues take into account the reopening of the economy. See “PUBLIC HEALTH EMERGENCY – COVID-19.”

The City's sales tax revenue represents the City's share of the sales and use tax imposed on taxable transactions occurring within the City's boundaries. The sales tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax Law, set forth in California Revenue and Taxation Code Section 7200 et seq. The local sales tax rate in the City is 8.75%, of which the City is allocated 1%. The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

**Table 5
CITY OF BARSTOW
Sales Tax Rates**

	Rate
State	6.00%
City of Barstow – Measure Q	1.00
County of San Bernardino	<u>1.75</u>
Total	8.75%

(1) See “– Measure Q” below.

Source: California Department of Tax and Fee Administration.

The State's actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis. Sales tax revenue collected by the State is directly deposited monthly to the City's General Fund. For a summary of historical taxable transactions in the City, see “– History of Taxable Transactions.”

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the CDTFA's March 2018 publication entitled “Sales and Use Taxes: Exemptions and Exclusions,” which can be found on the CDTFA's website at <http://www.cdtfa.ca.gov>. *The reference to this Internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

In June 2018, the United States Supreme Court published its decision in *South Dakota v. Wayfair* (the “**Wayfair Decision**”), in which the Supreme Court held that sales to a customer in a particular state alone are sufficient to create a nexus for purposes of determining whether a seller is required to collect sales taxes of the applicable state. Prior to the Wayfair Decision, courts had interpreted the dormant Commerce Clause of the United States Constitution to require that a company have physical nexus in a state in order for the seller to be liable for the collection of that state's sales tax. Physical nexus is defined as having either property or payroll in the state, including a resident employee working from home or inventory stored in that state. The State of California has issued guidance in response to the Wayfair Decision. Under such guidance, beginning April 1, 2019, retailers located outside of the State are required to register with the

California Department of Tax and Fee Administration (the “**CDTFA**”), collect the California use tax, and pay the tax to the CDTFA based on the amount of their sales into California, even if they do not have a physical presence in the state. The new collection requirements apply to retailers if during the preceding or current calendar year certain sales thresholds are met. The new collection requirements apply to taxable sales of tangible personal property to California consumers on and after April 1, 2019, and are not retroactive. Additionally, the State’s passage of Assembly Bill 147, signed by the Governor on April 25, 2019, provides the implementation rules for the Wayfair Decision in California. The City is unable to predict the impact that the Wayfair Decision will have on its sales tax revenues.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the CDTFA. This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA, and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, or county are required to be transmitted by the CDTFA to such city, city and county, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the CDTFA’s quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

According to the CDTFA, it distributes quarterly tax revenues to cities, counties, and special districts using the following method. Using the prior year’s quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments, and refunds, and then adjusts for growth, to establish the estimated base amount. The CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter’s actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire, or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances, and the current advance are provided with each quarterly clean-up payment.

Effective April 2, 2020, pursuant to Executive Order N-40-20, the State is allowing small business taxpayers (i.e., those with less than \$5 million in taxable annual sales), to participate in a 12-month, interest-free, payment plan for up to \$50,000 of sales and use tax liability. See “RISK FACTORS – Public Health Emergencies– Collection of Taxes” for a discussion of Executive Order N-40-20. However, to date, the City has not experienced any significant delays in the receipt of sales tax revenues resulting from this order.

History of Taxable Transactions. A summary of taxable sales within the City for calendar years 2016 through 2020 is shown in the following table.

**Table 6
CITY OF BARSTOW
Taxable Sales by Category
(in thousands)**

Business	2016	2017	2018	2019	2020
Motor Vehicle and Parts Dealers	\$ --*	\$35,061	\$32,233	\$29,086	\$32,681
Home Furnishings and Appliance Stores	--*	5,800	5,861	4,927	5,212
Building Material, Garden Equip & Supplies	--*	--*	--*	--*	--*
Food and Beverage Stores	--*	43,717	47,304	43,353	39,731
Gasoline Stations	--*	254,177	251,555	227,102	188,688
Clothing and Clothing Accessories Stores	--*	131,902	123,347	107,466	55,776
General Merchandise Stores	--*	--*	--*	--*	--*
Food Services and Drinking Places	85,926	88,589	89,213	92,965	78,384
Other Retail Group	542,915**	84,898	89,599**	88,996**	114,391**
Total Retail and Food Services	628,841	644,144	639,111	593,895	514,867
All Other Outlets	15,534	15,197	18,460	25,855	21,040
Total All Outlets	\$644,374	\$659,341	\$657,571	\$619,750	\$535,907

* Sales omitted because publication would result in disclosure of confidential information.

** Adjusted for disclosures.

Source: California Department of Tax and Fee Administration.

Measure Q. In November 2018, the voters of the City approved Measure Q (“**Measure Q**”), which established a one-cent sales tax as a general revenue source for public safety and citywide services (“**Measure Q Sales Tax**”), effective April 1, 2019. Under Measure Q, Measure Q Sales Tax revenues were approved to be used by the City for the following purposes: to maintain local fire protection and paramedic services provide police services, including neighborhood police patrols, crime prevention and investigations; maintain streets and parks, and repair potholes; improve response times to 9-1-1 emergencies; help fund senior and youth programs; and reduce gang activity and drug-related crimes. Under Measure Q, the City is authorized to levy the Measure Q Sales Tax unless local police or fire services are transferred to another agency. Currently, the City has no plans to transfer such services to another agency.

The following table shows Measure Q Sales Tax revenues for Fiscal Year 2018-19 through 2020-21.

**Table 7
CITY OF BARSTOW
Measure Q Sales Tax Revenues**

Fiscal Year	Measure Q Sales Tax Revenues
2018-19 ⁽¹⁾	\$2,058,112
2019-20	7,427,250
2020-21	8,851,984
Total	\$18,337,346

(1) The Measure Q Sales Tax became effective April 1, 2019; represents revenues for April 1, 2019 through June 30, 2019.
Source: City of Barstow.

Measure Q Sales Tax revenues represent a source of funds that are legally available to the City to pay debt service on the Bonds. The City has budgeted approximately \$8.6 million in Measure Q Sales Tax revenues for Fiscal Year 2021-22 (after mid-year adjustments as of March 7, 2022).

Property Taxes

General. As shown in Table 4, property tax revenues represented the second largest source of tax revenues for the City's General Fund in each of Fiscal Years 2016-17 through 2020-21, comprising approximately 17% of the City's total General Fund revenues for Fiscal Year 2020-21. The figures shown in Table 4 for property tax revenues do not include property tax that the City received in lieu of vehicle license taxes. Based on the 2021-22 Adopted Budget (after mid-year adjustments as of March 7, 2022), the City's property tax revenues are estimated at approximately \$4.7 million for Fiscal Year 2021-22, representing approximately 17% of the City's total budgeted General Fund revenues for such Fiscal Year. Since Fiscal Year 2012-13, assessed values within the City have increased 35%.

Property taxes have been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were first curtailed over 35 years ago when they were reduced by two-thirds and thereafter limited to 2% annual increases or the consumer price index, whichever was less. In addition, if unemployment and reduced economic activity generally is a sustained consequence of the COVID-19 pandemic through multiple fiscal years, a combination of property tax payment delinquencies and property tax assessment appeals could depress property tax revenue growth over time.

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State of California and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation

to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

In response to the COVID-19 pandemic, Governor Newsom issued Executive Order N-61-20 on May 6, 2020. Executive Order N-61-20 waives penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions. The waiver of late payment penalties and resulting property tax delinquencies could have an adverse impact on the timely payment of property taxes with respect to property in the City. The City cannot predict whether the COVID-19 pandemic will have an effect on the remittance by the County of the City’s property tax revenues. However, to date, the City has not experienced any significant declines in property tax revenues resulting from the County’s potential waiver of late payment penalties. See “RISK FACTORS – Public Health Emergencies” for a discussion of Executive Order N-61-20.

ERAF Shift Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund (“**ERAF**”), a shift that has resulted in diversion of City property taxes since Fiscal Year 1992-93. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A; Proposition 22.” There can be no assurance that the State will not undertake future ERAF shifts.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.” Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuation History. The following table shows the City’s assessed valuation for Fiscal Years 2012-13 through 2021-22.

Table 7
CITY OF BARSTOW
Assessed Value of Property
Fiscal Years 2012-13 through 2021-22

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2012-13	\$1,092,408,332	\$2,165,193	\$104,914,213	\$1,199,487,738	--%
2013-14	1,039,983,380	677,094	102,817,129	1,143,477,603	(4.7)
2014-15	1,051,514,240	562,232	103,609,217	1,155,685,689	1.1
2015-16	1,075,574,231	1,091,097	100,176,764	1,176,842,092	1.8
2016-17	1,099,863,617	1,090,047	92,848,517	1,193,802,181	1.4
2017-18	1,199,023,057	1,174,083	87,038,753	1,287,235,893	7.8
2018-19	1,277,320,622	1,100,258	97,633,037	1,376,053,917	6.9
2019-20	1,364,148,974	1,041,131	96,231,522	1,461,421,627	6.2
2020-21	1,406,623,300	986,567	99,619,193	1,507,229,060	3.1
2021-22	1,519,793,070	891,005	97,859,589	1,618,543,664	7.4

Source: California Municipal Statistics, Inc.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a “decline-in-value.” As of the January 1st (lien date) each year, the Assessor must enroll either a property’s Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a “Proposition 8 Value.” “Proposition 8 values” are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

County Teeter Plan. The County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), which applies to property taxes levied for the City. Under the Teeter Plan, the County guarantees that the City will receive 100% of the property taxes levied for it. Any delinquencies are borne by the County, which in return collects and retains all penalties and interest which accrue on the delinquent taxes. Consequently, the City’s tax receipts do not reflect any delinquencies. If, however, the County Board of Supervisors were to determine to discontinue the Teeter Plan, substantial delinquencies in the payment of property taxes in the City could have an adverse effect on the City’s ability to make timely payments on the Bonds.

Major Property Taxpayers. The top 20 property taxpayers, based on assessed values of taxable property in the City, as shown on the 2021-22 tax roll, are set forth in the following table. See “RISK FACTORS – Concentration of Property Ownership.”

**Table 8
CITY OF BARSTOW
Top 20 Taxpayers Based on Assessed Value
Fiscal Year 2021-22**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	FRO2MO Barstow LLC	Outlet Stores	\$116,637,362	5.25%
2.	Golden State Water Company	Water Company	68,374,850	3.08
3.	Hospital of Barstow Inc.	Hospital	44,116,553	1.99
4.	Walmart Inc.	Commercial Store	28,376,666	1.28
5.	TVL Properties LLC	Supermarket	13,592,402	0.61
6.	Hospitality Express II LLC	Hotel	12,134,910	0.55
7.	Desert Heights LP	Apartments	12,000,000	0.54
8.	Lee Family Trust	Hotel	11,946,835	0.54
9.	Fred & Robin Rosenberg LP	Commercial Properties	11,924,523	0.54
10.	Ayres Hotel-Barstow LP	Hotel	11,336,239	0.51
11.	Montara 158 LP	Apartments	10,305,671	0.46
12.	Home Depot USA Inc.	Commercial Store	10,186,773	0.46
13.	Pilot Travel Centers LLC	Travel Center	9,913,337	0.45
14.	TT Group Inc.	Shopping Center	9,819,044	0.44
15.	Elite Experience Inc.	Hotel	9,804,055	0.44
16.	Roberts Group II LLC	Hotel	9,434,780	0.42
17.	HPT TA Properties Trust	Travel Center	8,040,000	0.36
18.	Loves Country Stores of California	Travel Center	7,755,829	0.35
19.	Bedford Hospitality Group LLC	Hotel	7,072,520	0.32
20.	Villa Vista	Apartments	6,737,769	0.30
			\$419,510,118	18.88%

(1) 2021-22 Local Secured Assessed Valuation: \$1,519,793,070
Source: California Municipal Statistics, Inc.

Redevelopment Dissolution Act. The State’s Community Redevelopment Law (codified in Part 1 of Division 24 of the California Health and Safety Code) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the “incremental value”) occurring after the year the project area is formed. In effect, local taxing agencies, such as the City, realize tax revenues only in the assessed value of such property at the time the redevelopment project is created for the duration of such redevelopment project. Although Assembly Bill No. 26 (“**AB X1 26**”), enacted on June 29, 2011 as Chapter 5 of Statutes of 2011, statutorily dissolved redevelopment agencies as of February 1, 2012, the enforceable obligations of dissolved redevelopment agencies, continue to be paid from property taxes derived from such incremental value until the enforceable obligations are paid in full in accordance with Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No.

1484 (“**AB 1484**”), enacted as Chapter 26, Statutes of 2012, and as such statutory provisions have and may further be amended from time to time (as amended, the “**Dissolution Act**”).

Under the Dissolution Act, taxing entities, such as the City, are to receive distributions (in proportion to such taxing entity’s share of property tax revenues in the tax rate area for the applicable fiscal year) of residual amounts of property taxes attributable to incremental value on each June 1 and January 2, commencing June 1, 2012, after payment of (i) tax sharing obligations established previously pursuant to the Community Redevelopment Law, (ii) enforceable obligations of the successor agency to the former redevelopment agency, and (iii) an administrative cost allowance to such successor agency. As enforceable obligations of the former redevelopment agency and its successor agency are paid and retired, residual amounts of property tax revenues attributable to redevelopment project area incremental value are expected to increase over time.

Transient Occupancy Tax

The City assesses a transient occupancy tax as a percentage of the rental price for transient lodging charged when the period of occupancy is 30 days or less. The current rate of the transient occupancy tax is 12.5%. The City’s Finance Director serves as the tax administrator, and proprietors of properties subject to the City’s transient occupancy tax remit the tax directly to the tax administrator, together with completed reporting forms, on or before the last day of the month following the close of each calendar quarter. A delinquent penalty of 10% attaches to delinquent transient occupancy taxes on the first day of each month after the tax is due. Interest accrues on delinquent transient occupancy taxes at the rate of 1.5% per month or fraction thereof on the amount of the unpaid tax, exclusive of penalties, until paid.

In Fiscal Year 2020-21, the City received transient occupancy tax revenues totaling approximately \$3.4 million, representing approximately 12% percent of the City’s General Fund revenues for Fiscal Year 2020-21. Compared to Fiscal Year 2019-20, the City’s transient occupancy tax revenues for Fiscal Year 2020-21 increased approximately 581,000, or 20%. As of the date hereof, there were 42 hotels in the City. In addition, a 181 room Marriott hotel is currently under construction. The Marriott hotel is expected to open in August, 2022.

Based on the 2021-22 Adopted Budget (after mid-year adjustments as of March 7, 2022), the City’s transient occupancy tax revenues are projected at approximately \$3.6 million, representing approximately 13% of the City’s total budgeted General Fund revenues for Fiscal Year 2021-22 and a decrease of approximately 10% when compared to Fiscal Year 2020-21. However, this revenue estimate was prepared prior to the recent easing of travel restrictions and re-opening of entertainment venues. As a result, the City anticipates a steady rebound in revenues and will update projections during the mid-year budget review.

Franchise Taxes

The City has franchise agreements with a number of companies delivering services to the community. Franchise Fees include revenues from electricity, gas and water utility services, and commercial solid waste.

As shown in Table 4, franchise tax revenues represented the fourth largest single source of tax revenues for the City’s General Fund in each of Fiscal Years 2016-17 through 2020-21, comprising approximately 4.1% of the City’s total General Fund revenues for Fiscal Year 2020-21. Based on the 2021-22 Adopted Budget (after mid-year adjustments as of March 7, 2022), the

City's franchise tax revenues are projected at approximately \$1.1 million, representing approximately 4% of the City's total budgeted General Fund revenues for Fiscal Year 2021-22 (after mid-year adjustments as of March 7, 2022).

Charges for Services

The City provides various services which generate revenue for the General Fund. Services provided by the City include building construction and planning fees, engineering encroachment inspections, police fees such as fingerprinting, police reports, and towing, as well as ambulance services and the administration of local assessment districts. In Fiscal Year 2020-21, charges for services accounted for approximately 1% of General Fund revenues. Based on the 2021-22 Adopted Budget (after mid-year adjustments as of March 7, 2022), the City's charges for services are projected at \$390,000, representing approximately 1% of the City's total budgeted General Fund revenues for Fiscal Year 2021-22 (after mid-year adjustments as of March 7, 2022).

Long-Term General Fund Obligations

The City makes scheduled periodic payments pursuant to certain other outstanding long term agreements. Below are descriptions of the City's outstanding long-term agreements, in connection with which General Fund appropriations are made annually. This excludes obligations payable by the City or its related entities from special revenues. For additional information, see the notes to the City's 2020-21 audited financial statements included in Appendix B.

Vehicle Replacement Lease. The City entered into a multi-year capital lease program for vehicle replacement. The City makes an annual payment based on the leased vehicles in the fleet. In fiscal year 2020-21, the City leased one new vehicle for governmental activities at a cost of \$343,408 and made annual lease payment of \$284,602. The City made an annual lease payment of \$23,945.

Refurbish Fire Engine. In fiscal year 2020-2021, the City entered into a lease agreement to finance the cost to refurbish a fire engine, and purchase a new fire apparatus, and hydraulic lift to service the fire apparatus. The City is required to make semiannual lease payments of \$83,601, including principal and interest at a rate of 2.45% until the year 2030. As of December 31, 2021, the outstanding principal component of the lease payments payable by the City under such lease totaled \$1,383,426.

SBCERA Lease Agreement. In November 2021, the City entered into a lease agreement (the "**SBCERA Lease Agreement**") between the City and the Barstow Fire Protection District (the "**District**") for the purpose of assisting the District to refinance its payment obligations to the San Bernardino County Employees' Retirement Association (the "**SBCERA**") relating retirement benefits provided by SBCERA to District employees. Under the SBCERA Lease Agreement, the City is required to make semiannual lease payments, which payments were assigned by the District to Capital One Public Funding, LLC in consideration of the receipt of funds for such purpose. As of December 31, 2021, the outstanding principal component of the lease payments payable by the City under the SBCERA Lease Agreement totaled \$8,245,878.

Employee Leave Benefits. Employee leave benefits are payable to employees upon termination, in accordance with the City's policies as discussed in the notes to the financial statements set forth in Appendix B. The employee leave benefits liability as of June 30, 2021, in the amount of \$1,856,949, is expected to be paid primarily by General Fund transfers to the

accrued leave internal service fund in future years. There is no fixed schedule for the employee leave benefits liability.

For additional information regarding the City’s long-term General Fund obligations as of June 30, 2021, see the note 6 to the City’s Fiscal Year 2020-21 audited financial statements included in Appendix B.

Overlapping Debt Statement

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. and dated February 1, 2022. This Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy.

**Table 9
CITY OF BARSTOW
Direct and Overlapping Debt**

2021-22 Assessed Valuation: \$1,618,543,664

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/22</u>
Barstow Unified School District	66.871%	\$22,637,410
Mojave Water Agency	3.836	<u>64,637</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$22,702,047
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	0.608%	\$1,143,253
San Bernardino County Pension Obligation Bonds	0.608	728,597
San Bernardino County Flood Control District General Fund Obligations	0.608	272,262
Barstow Unified School District Certificate of Participation	66.871	9,809,976
City of Barstow SBCERA Lease Agreement	100.000	<u>8,245,878</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$20,199,966
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000%	\$815,000
COMBINED TOTAL DEBT		\$43,717,013 ⁽²⁾

Ratios to 2021-22 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt.....	1.40%
Combined Direct Debt (\$8,245,878)	0.51%
Combined Total Debt	2.70%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$700,958,962):

Total Overlapping Tax Increment Debt	0.12%
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(1) Excludes the Bonds. See “– Long-Term General Fund Obligations” above.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Employee Retirement System

This section contains certain information relating to CalPERS. The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. Neither the City nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

As previously described, the City will use the net proceeds of the Bonds to prepay a portion of the City's UAL with respect to its pension plans. See "REFINANCING PLAN." The following information does not reflect the refunding of such obligations. In addition, it is possible that CalPERS will determine at a future date that an additional unfunded liability exists that is attributable to the City if actual plans experience differs from the current actuarial estimates. See "– Funded Status" below for additional information regarding the refunding of the UAL with proceeds of the Bonds.

Description of Plans. All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the "**CalPERS Plan**") administered by CalPERS. The CalPERS Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (collectively, the "**Plans**") consisting of the following: (i) the Miscellaneous Plan ("**Classic Miscellaneous**"); (ii) the PEPRA Miscellaneous Plan ("**PEPRA Miscellaneous**"); (iii) the Safety Plan ("**Classic Safety**"); and (iv) PEPRA Safety Police Plan ("**PEPRA Safety**"). Benefit provisions under the Plans are established by State statute and City resolution.

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 credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law. The provisions and benefits of the Plans that were in effect at June 30, 2021, are summarized as follows:

Miscellaneous Plans

	Classic Miscellaneous	PEPRA Miscellaneous
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly For Life	Monthly For Life
Retirement Age	55	62
Monthly Benefits, as % of Annual Salary	2.7%	2.00%
Required Employee Contribution Rates	8.000%	6.250%
Required Employer Contributions Rates	13.182%	6.985%
Required Unfunded Liability Payment	\$827,964	\$13,931

Source: City of Barstow audited financial statements for the Fiscal Year Ended June 30, 2021.

Safety Plans

	Classic Safety	PEPRA Safety
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly For Life	Monthly For Life
Retirement Age	50	57
Monthly Benefits, as % of Eligible Compensation	3%	2.70%
Required Employee Contribution Rates	9.000%	11.500%
Required Employer Contributions Rates	21.927%	13.034%
Required payment for unfunded liability	\$813,069	\$1,674

Source: City of Barstow audited financial statements for the Fiscal Year Ended June 30, 2021.

Employees Covered. At the June 30, 2020 measurement date, the following employees were covered by the benefit terms for each Plan:

	Classic Miscellaneous	PEPRA Miscellaneous	Classic Safety	PEPRA Safety
Inactive employees or beneficiaries currently receiving benefits	210	0	70	0
Inactive employees entitled to but not yet receiving benefits	67	16	20	3
Active employees	53	46	21	24
Total	230	62	111	27

Source: City of Barstow.

California Public Employees’ Pension Reform Act of 2013. Employees hired prior to January 1, 2013 and have remained under continuous employment with a CalPERS agency are considered “Classic” employees. California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), which was signed by the State Governor on September 12, 2012, established a new pension benefit tier for employees who were hired on and after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months.

PEPRA adjusted the benefit formulas, required employee contribution, calculation of benefits and maximum pay, as well as other benefits. PEPRA employees receive the following benefit formulas: (i) 2.0% at age 62 formula for Miscellaneous employees; and (ii) 2.7% at age 57 for Safety employees. Employees are required to pay at least 50% of the total (annual) normal cost rate, and are required to make the full amount of required employee contributions themselves under PEPRA. Retirement benefits for such employees are calculated on the highest average annual compensation over a consecutive 36-month period. Accordingly, retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation and retirement benefits for PEPRA safety employees are calculated as 2.7% of the average final 36 months of compensation. Retirement benefits for Classic miscellaneous employees are calculated as 2% of the average final 12 months of compensation and retirement benefits for Classic safety employees are calculated as 3% of the average final 12 months compensation. Retroactive benefits increases are also prohibited, as are contribution holidays, and purchases of additional non-qualified service credit.

PEPRA also capped pensionable income as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index.

**CalPERS Pension Compensation Limits for
Calendar Year 2022 (Classic and PEPRA members)**

	<i>Classic</i>	<i>PEPRA</i>
Maximum Pensionable Income	\$305,000	\$161,969 ⁽¹⁾

(1) The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is \$134,974. Source: CalPERS Payroll Circular Letter dated January 3, 2022.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of PEPRA are expected to reduce the City’s unfunded pension liability and potentially reduce City contribution levels in the long term.

Required Contributions. Section 20814(c) of the 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 the July 1 following notice of a change in the rate. The total plan contributions are determined 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The City’s contributions to the Plans for the measurement period ended June 30, 2020, recognized as a reduction to the net pension liability, were \$3,124,739.

Beginning in Fiscal Year 2017-18, CalPERS collects employer contributions for each plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the UAL. The dollar amounts are billed on an annual basis. The actuarially determined normal cost rates and UAL contribution amounts for each Plan for the Fiscal Years ended June 30, 2020, through June 30, 2022, are as follows:

	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
	Employer Normal Cost Rate	Employer Payment of UAL	Employer Normal Cost Rate	Employer Payment of UAL	Employer Normal Cost Rate	Employer Payment of UAL
Classic Miscellaneous	13.182%	\$827,964	14.194%	\$993,616	14.02%	\$1,236,601
PEPRA Miscellaneous	6.985	13,931	7.732	15,137	7.59	17,010
Safety Classic	21.927	813,069	23.674	933,897	23.71	1,102,174
PEPRA Safety	13.034	1,674	13.044	3,434	13.13	5,847

Source: CalPERS Actuarial Reports dated July 2018, July 2019, and July 2020.

The City's estimated total contribution amounts (including the required normal cost and UAL contributions) and as a percentage of estimated covered payroll for the Plans in Fiscal Years 2019-20, 2020-21, and 2021-22 are as follows:

	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll
Classic Miscellaneous	\$1,624,887	26.877%	\$1,791,711	31.865%	\$1,923,627	39.26%
PEPRA Miscellaneous	117,387	7.926	146,655	8.622	162,232	8.48
Safety Classic	1,529,546	46.810	1,604,205	56.657	1,720,289	65.99
PEPRA Safety	98,003	13.261	130,456	13.397	179,166	13.57

Source: CalPERS Actuarial Reports dated, July 2018, July 2019, and July 2020.

Projected Employer Contributions. The following tables show the City's actuarially-determined required employer contribution for Fiscal Year 2022-23 and projected employer contributions (before cost sharing) for Fiscal Years 2023-24 through 2027-28 for each Plan by normal cost (expressed as a percentage of total active payroll) and amortization of the unfunded accrued liability (expressed as a dollar amount). The projections assume a 7.00% annual rate of return for Fiscal Year 2020-21 but do not include any reductions in the normal cost that will occur over time as new employees are hired into PEPRA or other lower cost benefit tiers. See "– Potential Impacts on Future Required Contributions" below for discussion regarding recent change in discount rate to 6.8%.

Classic Miscellaneous

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)				
		2023-24	2024-25	2025-26	2026-27	2027-28
Fiscal Year	2022-23					
Normal Cost %	14.03%	14.0%	14.0%	14.0%	14.0%	14.0%
UAL Payment	\$1,470,741	\$1,600,000	\$1,740,000	\$1,827,000	\$1,907,000	\$1,952,000

PEPRA Miscellaneous

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)				
		2023-24	2024-25	2025-26	2026-27	2027-28
Fiscal Year	2022-23					
Normal Cost %	7.47%	7.5%	7.5%	7.5%	7.5%	7.5%
UAL Payment	\$19,715	\$22,000	\$8,600	\$9,600	\$10,000	\$11,000

Classic Safety

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)				
Fiscal Year	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Normal Cost %	23.75%	23.8%	23.8%	23.8%	23.8%	23.8%
UAL Payment	\$1,262,233	\$1,361,000	\$1,460,000	\$1,523,000	\$1,583,000	\$1,622,000

PEPRA Safety

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)				
Fiscal Year	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Normal Cost %	12.78%	12.8%	12.8%	12.8%	12.8%	12.8%
UAL Payment	\$8,650	\$11,000	\$13,000	\$14,000	\$15,000	\$16,000

Source: CalPERS Actuarial Reports dated July 2021.

Funded Status. The following table sets forth the schedule of funding for the Plans for the valuation dates of June 30, 2018, 2019, and 2020.

Valuation Date Ended June 30	Accrued Liability	Market Value of Assets	Unfunded Accrued Liability	Funded Ratio	Annual Covered Payroll
Miscellaneous Plan					
2018	\$75,056,011	\$60,885,969	\$14,170,042	81.1%	\$5,183,274
2019	78,029,393	62,904,821	15,124,572	80.6	4,517,308
2020	79,690,563	62,594,448	17,096,115	78.5	4,083,958
PEPRA Miscellaneous					
2018	\$708,232	\$638,410	\$69,822	90.1%	\$1,568,001
2019	989,856	886,391	103,465	89.5	1,763,788
2020	1,365,627	1,223,630	141,997	89.6	2,320,876
Safety (Classic) Plan					
2018	\$49,005,166	\$35,082,543	\$13,922,623	71.6%	\$2,610,102
2019	51,066,063	36,372,014	14,694,049	71.2	2,403,213
2020	53,136,278	37,180,461	15,955,817	70.0	2,568,061
PEPRA Safety Police Plan					
2018	\$678,942	\$626,344	\$52,598	92.3%	\$897,679
2019	969,104	882,825	86,279	91.1	1,216,850
2020	1,369,645	1,233,083	136,562	90.0	1,616,571

(1) Based on the market value of assets.

Source: CalPERS Actuarial Reports Dated July 2021.

There is a two-year lag between the valuation date and the start of the contribution Fiscal Year. The UAL was determined in the June 30, 2019 actuarial valuation, but the corresponding UAL payments commence two years after the valuation date in Fiscal Year 2021-22. This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the Fiscal Year.

The City will apply the net proceeds of the Bonds in the amount of \$19,756,344 to refund the respective UAL of the Plans as shown in the following table.

	Refunded UAL
Classic Miscellaneous	\$8,642,592
Safety Classic	11,113,752
Total	\$19,756,344

Source: City of Barstow.

It is possible that CalPERS will determine at a future date that an additional UAL exists with respect to plans if actual plan experience differs from the current actuarial estimates.

Net Pension Liability. As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the CalPERS Plan of \$29,751,671. The City's net pension liability for the CalPERS Plan is measured as the proportionate share of the total net pension liability of the CalPERS Plans. The net pension liability of the CalPERS Plan is measured as of June 30, 2020, and the total pension liability for the CalPERS Plan used to calculate net pension liability was determined by actuarial valuations as of June 30, 2019 rolled forward to June 30, 2019 using standard update procedures. The City's proportionate share of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

Sensitivity to Changes in Discount Rate. The discount rate used to measure the total pension liability at June 30, 2020 with respect to the CalPERS Plan was 7.15%. The following tables present the City's proportionate share of the net pension liability for the CalPERS Plan, calculated using the discount rate for the CalPERS Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 100 basis points higher or 100 basis points lower than the current rate:

	<u>1% Decrease (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Net Pension Liability	\$47,786,201	\$29,751,671	\$14,891,260

Source: City of Barstow Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021.

Potential Impacts on Future Required Contributions. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Change in Assumptions/Discount Rate. On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the rate of 7.50% to 7.00% over a three-year period. The change was reflected in the June 30, 2016 actuarial report, which lowered the discount rate from 7.50% to 7.375%; in the June 30, 2017 actuarial report, which lowered the discount rate from 7.375% to 7.25%; and in the June 30, 2018 actuarial report, which lowered the discount rate from 7.25% to 7.00. On November 15, 2021, the CalPERS Board of Administration voted to lower its discount rate from 7.00% to 6.80% for the June 30, 2021 actuarial report.

Investment Performance. CalPERS earnings reports for Fiscal Years 2010 through 2020 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. The CalPERS Fiscal Year 2019-20 investment gain of 4.7% is not included as an amortization base in the most recent CalPERS valuation report and is not reflected in the numbers included herein. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District. CalPERS has reported a 21.3% investment return for Fiscal Year 2020-21.

See “APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2021 – Note 10” for additional information regarding the Plans, including a description of the actuarial methods and assumptions used to measure the City’s net pension liability as of the June 30, 2020 measurement date.

Other Post-Employment Benefits (OPEB)

Plan Description. The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The CalPERS health plan is an agent multiple employer defined benefit plan. As of June 30, 2021, there were 114 inactive employees or beneficiaries currently receiving benefits, 32 inactive employees entitled to but not yet receiving benefits, and 135 active employees.

Contributions. The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree’s coverage. The required contribution is based on projected prefunding financing requirements. For the measure period 2019-20, the City contributed \$851,272 which were in the form of benefit payments during the period. The City did not make additional contributions to the California Employer’s Retiree Benefit Trust Fund (the “CERBT”).

CERBT is a tax qualified irrevocable trust, organized under Section 115 of the Internal Revenue Code, established to prefund OPEB. The CERBT issues a publicly available financial report that included financial statements and required supplementary information for the City, not individualizing, but in aggregate with the other CERBT participants. That report may be obtained by contacting CalPERS.

Net OPEB Liability. As of the June 30, 2020 measurement date, the City’s total OPEB liability and the net OPEB liability was approximately \$21.6 million and \$20.2 million, respectively. The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as of the June 30, 2020 measurement date:

	Discount Rate – 1% 1.66%	Current Discount Rate 2.66%	Discount Rate + 1% 3.66%
Net OPEB Liability	\$23,286,197	\$20,236,016	\$17,735,950

Source: City of Barstow Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts

determined regarding the funded status of the plan and the annual requires contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

OPEB Funded Status. The status of the health plan as of the June 30, 2019 and June 30, 2020 measurement dates is as follows:

	June 30, 2019	June 30, 2020
Total OPEB Liability – Beginning	\$18,448,986	\$20,861,858
Total OPEB Liability – Ending (a)	\$20,861,858	\$21,574,407
Plan Fiduciary Net Position – Beginning	1,218,373	1,293,319
Plan Fiduciary Net Position – Ending (b)	1,293,319	1,338,391
Net OPEB Liability (a) – (b)	19,568,539	20,236,016
Plan Fiduciary Net Position as a % of the total OPEB liability	6%	6%
Covered employee payroll	\$12,153,938	\$13,389,701
Net OPEB Liability as a percentage of covered-employee payroll	161.01%	151.13%

Source: City of Barstow Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021.

See “APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2021 – Note 11” for additional information regarding the City’s OPEB liabilities, including a description of the actuarial methods and assumptions used to measure the City’s net OPEB liability as of the June 30, 2020 measurement date.

Employee Relations

The City had 171 authorized positions at the beginning of Fiscal Year 2020-21. The City’s employees are represented by the following labor groups. In the previous five years, there have not been any work stoppages by City employees. City management has initiated collective bargaining discussions with each of its labor groups. It is anticipated that the City will conclude discussions with each labor group and enter into new multi-year contracts prior to June 30, 2022.

Table 10
CITY OF BARSTOW
City Employee Labor Groups

<u>Labor Group</u>	<u>Number of Budgeted Employees</u>	<u>Contract Expiration Date</u>
Teamsters Local 1932 - Unit #1	34	June 30, 2022
Teamsters Local 1932 - Unit #2	37	June 30, 2022
The Barstow Police Officers' Association	31	June 30, 2022
The Barstow Fire Protection District and Professional Firefighters Association (BPFA)	25	June 30, 2022
The Barstow Management Employees' Association	21	June 30, 2022
The Barstow Police Department Management Association	7	June 30, 2022

Source: City of Barstow.

Risk Management

The City is a member of the Public Entity Risk Management Authority (“**PERMA**”), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs for insurance coverage for its members. PERMA is comprised of 31 participating member agencies: 21 cities, four transit agencies, and six special districts. PERMA is governed by a Board of Directors which consists of one director from each member agency. The City participates in the Liability, Workers’ Compensation, Employment Practices Liability, Property Insurance, Auto Physical Damage, Cyber Liability, and Crime Coverage insurance programs of PERMA.

The Liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City self-insures up to \$125,000 per occurrence and participates in risk sharing pools for losses up to \$1 million followed by PERMA's membership in the Public Risk Innovation, Solutions, and Management (“**PRISM**”) for \$49 million excess liability coverage. PERMA administers the City's liability claims.

The Workers' Compensation program provides statutory limits per accident for workers' compensation and \$5 million each accident for employers' liability. The City self-insures up to \$250,000 per accident or employee and participates in a risk sharing pool for losses up to \$500,000 followed by PERMA's membership in the Local Agency Workers' Compensation Excess Joint Powers Authority for excess coverage. A third-party administrator administers the City's workers' compensation claims.

The Employment Practices Liability program provides up to \$1 million coverage for employment related lawsuits, such as wrongful termination and discrimination. The City self-insures up to \$25,000 per occurrence and participates in the Employment Risk Management Authority for losses up to \$1 million. Coverage above \$1 million and up to \$50 million is available through PERMA's membership in PRISM for excess liability coverage.

The Property Insurance program is group purchased under a master property insurance policy with accumulated values from all participants effecting lower rates and broader coverage for members. The program covers real property, business personal property, inland marine coverage for special mobile equipment and business interruption. Commercial property coverage is written on a replacement cost basis and all risk, eliminating the traditional commercial "named peril" policy.

Investment Policies and Procedures

The City's current investment policy (the “**Investment Policy**”), rendered annually to the City Council by the City Treasurer pursuant to Section 53646 of the Government Code of the State was approved by the City Council on June 21, 2021. The City amends or update its Investment Policy annually, as permitted by State law.

The purpose of the Investment Policy is to provide the City Council, and those involved in servicing the investment requirements of the City, and any other interested party, an understanding of the regulations and internal guidelines that will be observed in maintaining and investing those pooled funds deemed temporarily excess. The Investment Policy is intended to provide guidelines for the prudent investment of the City's temporary idle cash, and outline the

procedures for maximizing the efficiency of the City's cash management system. The ultimate goal is to enhance the economic status of the City while safeguarding its assets.

Under the Investment Policy, the criteria for selecting investments and the order of priority are:

1. **Safety:** The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts. The City only operates in those investments that are considered very safe.

2. **Liquidity:** This refers to the ability to "cash in" at any moment in time with a minimal chance of losing some portion of principal or interest.

3. **Yield:** Yield is the potential dollar earnings an investment can provide, and sometimes is referred to as the rate of return.

4. **Safekeeping:** Securities purchased shall be held in third party safekeeping in the Trust Department of a financial institution, in the City's name and control. The account established shall be protected from seizure by creditors should the financial institution holding the City's securities file for bankruptcy protection. The basic premise underlying the City's investment philosophy is and continues to be, to insure that surplus funds are always safe and available when needed.

As of December 31, 2021, the City's investments consisted solely of investments in the Local Agency Investment Fund with a par value, market value and cost value of approximately \$7,174,311. In addition, approximately \$6.7 million in cash was on deposit with Union Bank of California. See Note 2 in Appendix B for further information with respect to City investments.

State Budget

General. Although the City does not receive a significant portion of its annual revenues directly from the State, the State's financial condition and budget policies affect communities and local public agencies throughout the State. At various times, the State has experienced significant financial and budgetary stress. The following information describes the State budget process and the current State budget.

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the "**DOF**"), <http://www.dof.ca.gov>, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "**LAO**") at <http://www.lao.ca.gov>. In addition, various State Official Statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, <http://www.treasurer.ca.gov>. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

State 2021-22 Budget. On July 16, 2021, the Governor signed a series of bills representing the State budget for State fiscal year 2021-22 (the "**2021-22 Budget**"). The Governor's signing followed negotiations between the Governor and the State Legislature regarding the final provisions of the 2021-22 Budget, including the expenditure of a large projected

State general fund surplus. The State Legislature passed temporary budgetary legislation in June 2021 to meet the required State Constitutional budget deadline. The following is drawn from the DOF summary of the 2021-22 Budget.

The 2021-22 Budget indicates that revenues are up significantly from the forecast included in the Governor’s proposed State budget for State fiscal year 2021-22, resulting in a large budgetary surplus. This is a result of strong cash trends, two major federal relief bills since the beginning of 2021 (as discussed under the caption “THE CITY—COVID-19 Outbreak”), continued stock market appreciation and a significantly upgraded economic forecast from the prior State fiscal year. The 2021-22 Budget also reports that the State has received approximately \$285 billion in federal COVID-19 stimulus funding for State programs. Although the 2021-22 Budget acknowledges that building reserves and paying down debts are critical, the 2021-22 Budget allocates approximately 85% of discretionary funds to one-time spending. The multi-year forecast reflects a budget roughly in balance, although the 2021-22 Budget assumes that risks remain to the economic forecast, including a stock market decline that could reduce State revenues.

For State fiscal year 2020-21, the 2021-22 Budget projects total general fund revenues and transfers of \$188.8 billion and authorizes expenditures of \$166.1 billion. The State is projected to end State fiscal year 2020-21 with total available reserves of \$39.8 billion, including \$25.1 billion in the traditional general fund reserve, \$12.3 billion in the State’s basic reserve fund, known as the Budget Stabilization Account (the “**BSA**”), \$1.9 billion in the Public School System Stabilization Account and \$450 million in the Safety Net Reserve Fund. For State fiscal year 2021-22, the 2021-22 Budget projects total general fund revenues and transfers of \$175.3 billion and authorizes expenditures of \$196.4 billion. The State is projected to end State fiscal year 2021-22 with total available reserves of \$25.2 billion, including \$4 billion in the traditional general fund reserve, \$15.8 billion in the BSA, \$4.5 billion in the Public School System Stabilization Account and \$900 million in the Safety Net Reserve Fund.

For additional information regarding the 2021-22 Budget, see the DOF and LAO websites. The information presented on such websites is not incorporated herein by reference.

None of the websites or webpages that are referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. Neither the City nor the Underwriter make any representation whatsoever as to the accuracy or completeness of any of the information on such websites.

There can be no assurance that additional legislation will not be enacted in the future to implement provisions relating to the State budget, address the COVID-19 outbreak or otherwise that may affect the City or its General Fund revenues.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1,

1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal

government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

Articles XIII C and XIII D of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

Taxes. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City ("general taxes") require a majority vote; taxes for specific purposes ("special taxes"), even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Property-Related Fees and Charges. Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority

protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIII C provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIII D provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIII D.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIII C and XIII D will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Impact on City's General Fund. The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIII C and XIII D reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

Statutory Revenue Limitations - Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively. In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to cities and supersedes many of the provisions of Proposition 62.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 22. Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 19

Proposition 19, entitled "Property Tax Transfers, Exemptions, and Revenue for Wildfire Agencies and Counties Amendment," was approved by the voters of the State in November 2020. Proposition 19 amends Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection.

The City cannot predict the impact that Proposition 19 might have on assessed values or property tax revenues in the City, or any other impacts on the local economy or the City's financial condition.

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

RISK FACTORS

The following describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "**Bankruptcy Code**"); however, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan (the "**Bankruptcy Plan**") for the adjustment of the City's debt without the consent of the Trustee or all of the Owners of the

Bonds, which Bankruptcy Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Bankruptcy Plan is fair and equitable and in the best interests of creditors.

Past bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit brought scrutiny to municipal securities. Specifically, in the San Bernardino bankruptcy, the Court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Bonds, were unsecured obligations and not entitled to the same priority of payments made to the related pension system. A variety of events including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Owners to receive payments on the Bonds in the event the City files for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that Owners may not recover their principal, as applicable, and interest.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For fiscal year 2020-21, sales tax revenues were the largest source of revenue to the City. See “CITY FINANCIAL INFORMATION – Sales and Use Taxes.” Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example, in times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline. Most recently, the City’s sales tax revenues were impacted by the COVID-19 pandemic. See “RISK FACTORS – Public Health Emergencies – Collection of Taxes” below for a discussion of Executive Order N-40-20.

In addition, changes or amendments in the laws applicable to the City’s receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIC and Article XIID.”

For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the California Department of Tax and Fee Administration for administering the City’s sales tax could also be changed. See “CITY FINANCIAL INFORMATION.”

Increasing Retirement Related Costs

The City is required to make contributions to CalPERS and to the OPEB Plan for City employees and retirees. Such obligations are a significant financial obligation of the City and could increase in the future. Many factors influence the amount of the City’s pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of the

Retirement Law, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment performance of CalPERS. Any of these factors could give rise to additional liability of the City to CalPERS as a result of which the City would be obligated to make additional payments to CalPERS over the amortization schedule for full funding of the City's obligation to CalPERS.

City Obligations

The City has other obligations payable from its General Fund and other lawfully available funds of the City, including but not limited to lease obligations and certain other liabilities. The Indenture does not prohibit the City from incurring debt or additional lease or other obligations payable from the City's General Fund and other lawfully available funds in the future, which may reduce City moneys available to pay the Bonds.

In addition, although the Bonds are payable from all lawfully available funds of the City, the City has no obligation to levy taxes in order to raise sufficient revenues to pay the Bonds. See the caption "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations" for a description of the City's current long-term obligations that are payable from the City's General Fund.

To the extent that additional obligations are incurred by the City, the funds available to pay the Bonds may be decreased. In the event that the City's revenue sources are less than its total obligations, the City could choose to fund other activities before paying the Bonds. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. However, to the best of the City's knowledge, the City's appropriations have never exceeded the limitation on appropriations under Article XIII B of the State Constitution. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the State Constitution."

Dependence on State for Certain Revenues

A number of the City's revenues are collected and dispersed by the State (such as sales taxes) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, including as a result of the COVID-19 outbreak, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties. See the caption "CITY FINANCIAL INFORMATION – State Budget" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A; Proposition 22."

No Reserve Fund

The City has and will not fund a debt service reserve fund in connection with the issuance of the Bonds.

Public Health Emergencies

General. In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the WHO announced

the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Governor of the State and the President of the United States.

The COVID-19 outbreak is ongoing, and its duration and severity and its economic effects are uncertain in many respects. Uncertain too are the additional actions, if any, that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the City's operations and finances and the economy, real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Certain reports providing preliminary information regarding the impact of the COVID-19 pandemic are described in this Official Statement. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances.

Collection of Taxes. On March 30, 2020, the Governor issued Executive Order N-40-20, which delayed the deadline for the filing and payment of sales and use taxes by 90 days for all but the largest taxpayers. Under Executive Order N-40-20 and a subsequent notice from the California Department of Tax and Fee Administration, businesses with less than \$5 million in taxable annual sales are authorized to defer up to \$50,000 in sales tax and enter into a 12-month, zero interest payment plan. The Governor has also issued an Executive Order for waivers of late penalties on property taxes. Such efforts to relieve the financial impact of the COVID-19 pandemic on taxpayers have not resulted in significant delays in revenue collection by the City.

On May 6, 2020 in response to the COVID-19 pandemic, the Governor issued Executive Order N-61-20 to allow qualified taxpayers to request relief of penalties on property taxes for owner occupied residential real property and real property owned and operated by a taxpayer that qualifies as a small business under the Small Business Administration's Regulations, Code of Federal Regulations Title 13, section 121.201. To be eligible for penalty relief taxpayers must fall into one of two categories: (i) owner occupied residential real property; or (ii) real property owned and operated by a taxpayer qualified as a small business. For homeowners requesting penalty relief on property taxes for a residential real property that the homeowner occupies, the homeowner may qualify for penalty relief if all of the following are true: (i) taxes on real property were current as of March 4, 2020; (ii) the homeowner was unable to pay on time and that inability was due to a COVID-19 pandemic related impact; (iii) the homeowner was able to submit payment of the original tax amount due with the request for relief; and (iv) the homeowner's request is received by the Treasurer-Tax Collector within 30 days after the circumstances that prevented payment have concluded. If the homeowner satisfies all of the criteria, they may submit a Request for Penalty Cancellation – COVID-19 Impact Form to request penalty relief and must provide documentation to support the request.

To be eligible for penalty relief for real property owned and operated by a taxpayer as a qualified small business, the taxpayer may qualify for penalty relief if all of the following are true: (i) taxes on the real property were current as of March 4, 2020; (ii) the business was unable to pay on time and that inability was due to a COVID-19 related impact; (iii) the taxpayer is able to submit payment of the original tax amount due with the request for relief; and (iv) the taxpayer's request is received by the Treasurer-Tax Collector within 30 days after the circumstances that prevented payment have concluded. If the taxpayer satisfies all of the criteria, they may submit a Request for Penalty Cancellation – COVID-19 Impact Form to request penalty relief and will need to provide documentation to support their request.

The negative impacts from the COVID-19 pandemic on the City's revenues in Fiscal Year 2019-2020 and 2020-2021 are anticipated to continue into Fiscal Year 2021-2022 and potentially several Fiscal Years beyond for some revenue sources depending on the pace of recovery of the local economy to the levels which existed prior to the outbreak of the COVID-19 pandemic. However, in total, City revenues are projected to exceed pre-pandemic levels in Fiscal Year 2022-23. See "CITY FINANCIAL INFORMATION" herein.

Natural Calamities

General. From time to time, the City is subject to natural calamities, including, but not limited to, earthquake, flood, drought or wildfire, that may adversely affect economic activity in the City, and which could have a negative impact on City finances.

Seismic. The City, like most regions in the State, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. Numerous active and inactive fault lines pass through, or near, the area in which the City is located. The San Andreas Fault Zone is located approximately 50 miles southwest of the City. The City is located in one of the most fault-fractured regions of the State. There are 12 known surface faults within 50 miles of the center of the City. Seismic hazards encompass ground rupture, shaking, lurching, blind thrust faults that lack surface breaks, liquefaction, and ground failure. The occurrence of one or more natural disasters could occur and could result in damage to improvements and property within the City of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement.

Flood. The City contains flood plain areas, identified by the Federal Emergency Management Agency ("**FEMA**"), indicating that several areas of the City are subject to 100-year floods including: the Mojave River Channel, the Lenwood area, and the southeastern section of South Barstow.

Wildfire. In recent years, wildfires have caused extensive damage throughout the State, including within the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. There is a risk of property within the City being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the City or its vicinity. In addition to their direct impact on health and safety and property damage in California, the smoke from wildfires has impacted the quality of life in Southern California and the City and may have short-term and future impacts on commercial activity in the City. The fires have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions year over year as a result in changing weather patterns due to climate change.

Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Property damage due to wildfire could result in a significant decrease in the market value of property in City and in the ability or willingness of property owners to pay property taxes.

Drought. On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The

declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the State Water Resources Control Board to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall). There can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in 2021 or future years.

Potential Impact of Climate Change

Climate change caused in part by human activities may have adverse effects on the City. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts as well as increased risk of flooding. Projections of the impacts of global climate change on the State are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures.

Hazardous Substances

The discovery of hazardous substances on parcels of property within the City may limit the beneficial use of taxable property within the City and may result in the reduction in the assessed value of such property. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition. Reduction in the value of property in the City could reduce property tax revenues received by the City and deposited in the General Fund, which could significantly and adversely affect the ability of the City to make payments on the Bonds.

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make debt service payments on the Bonds may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of its counties by decreasing its own appropriation limit. The City does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII B of the State Constitution."

Limitations on Taxes and Fees

Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has

assessed the potential impact on its financial condition of the provisions of Article XIIC and Article XIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIC and Article XIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIC and Article XIID of the State Constitution would adversely affect its ability to pay debt service on the Bonds and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIC and Article XIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Assessed Value of Taxable Property

Property taxes account for a significant portion of General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. As previously described, the City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. In addition to seismic, topographic and climatic conditions, other natural or manmade disasters, such as flood, fire, ongoing drought, toxic dumping or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for taxes. Section 2(b) of Article XIII A of the California Constitution and Section 51 of the Revenue and Taxation Code, which follow from "Proposition 8," require the County assessor to annually enroll either a property's adjusted base year value (its "**Proposition 13 Value**") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, that lower value is referred to as its "Proposition 8 Value." Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds its Proposition 13 Value attributable to a piece of property (adjusted for inflation), does the County assessor reinstates the Proposition 13 Value.

Decreases in the aggregate value of taxable property within the City resulting from natural disaster or other calamity, reclassification by ownership or use, or as a result of the operation of Proposition 8 all may have an adverse impact on the General Fund revenues available to make debt service payments on the Bonds. In addition, failure by large property owners to pay property

taxes when due may also cause a decrease in General Fund revenues available to make debt service payments on the Bonds.

See “RISK FACTORS – Natural Calamities” and “CITY FINANCIAL INFORMATION – Property Taxes.”

Concentration of Property Ownership

The risk of reduction in assessed value of taxable property as a result of factors described herein may generally increase where the assessed value within a city is concentrated among a relatively few property owners.

Within the City, the aggregate Fiscal Year 2021-22 taxable value for the 20 largest taxpayers totals approximately \$419.5 million which is approximately 19% of the total assessed value within the City of approximately \$1.5 billion for such Fiscal Year. See “CITY FINANCIAL INFORMATION – Property Taxes.”

Significant reduction in the assessed values of the largest taxpayers in the City could, by itself or in combination with other factors, have a material adverse effect on the City’s ability to pay debt service on the Bonds as such payments become due and payable.

Cybersecurity

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City’s efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of property taxes, and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Changes in Law

The State Legislature may in the future enact legislation that will amend or create laws resulting in a reduction of moneys securing or available to pay the Bonds. Similarly, the State electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution which could have the effect of reducing moneys securing or available to pay the Bonds.

Litigation

The City may become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide liability coverage under certain circumstances and with respect to certain types of incidents (see “CITY FINANCIAL INFORMATION – Risk Management”), the City cannot predict what types of liabilities may arise in the future. See the caption “ABSENCE OF LITIGATION.”

Limitation on Trustee's Obligations

The Trustee has no obligation to advance its own funds to pursue any remedies. As a consequence, the Trustee's willingness and ability to pursue any of the remedies provided in the Indenture may be dependent upon the availability of funds from an interested party. There can be no assurance that the Trustee will be willing and able to perform its duties under the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

VALIDATION

In November 2021, the City, acting pursuant to the provisions of Section 860 *et seq.* of the California Code of Civil Procedure and Section 53511 *et seq.* of the California Government Code, filed a complaint in the Superior Court of the State of California for the County of San Bernardino seeking judicial validation of the Bonds. The Bonds have been determined to be valid and enforceable obligations of the City which are exempt from and not subject to the debt limitations set forth in Article XVI, Section 18 of the California Constitution, all pursuant to a judgment rendered on February 9, 2022, by the San Bernardino County Superior Court in Case No. CIVSB2127060 (the "**Validation Judgment**").

The time period for the filing of appeals with respect to the judgment has expired. No appeals were filed and therefore, the judgment is final. In issuing its opinion as to the validity of the Bonds, Bond Counsel will rely upon the entry of the Validation Judgment.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The proposed form of opinion of Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in Appendix E.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery by the City of the Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. A copy of the proposed form of Bond Counsel opinion is set forth in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by Colantuono, Highsmith & Whatley, PC, Pasadena, California, as City Attorney, and by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Law Offices of Rossi A. Russell, Los Angeles, California. All of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel with respect to the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than nine months after the end of each Fiscal Year of the City (currently June 30), commencing not later than March 31, 2023 with the report for the 2021-22 Fiscal Year (the "**Annual Report**"), and to provide notices of the occurrence of certain listed events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through the Electronic Municipal Access System ("**EMMA**"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized below under the caption "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

The City and its related entities previously entered into certain disclosure undertakings under the Rule in connection with the issuance of long-term obligations. In the past five years, the City and its related entities have not failed to comply with their continuing disclosure undertakings.

The City has adopted continuing disclosure policies and procedures to ensure that it will comply with all material provisions of its continuing disclosure undertakings in the future.

A failure by the City to comply with the provisions of the Continuing Disclosure Certificate is not an event of default under the Indenture (although the holders and beneficial owners of the Bonds do have remedies at law and in equity). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

MUNICIPAL ADVISOR

The City retained Fieldman, Rolapp & Associates, Inc., Irvine, California, as Municipal Advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not

undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Municipal Advisor's compensation is contingent upon the delivery of the Bonds.

FINANCIAL STATEMENTS OF THE CITY

The general purpose financial statements of the City, which are included in Appendix B to this Official Statement, have been audited by the Auditor, as stated in their report appearing in Appendix B. The Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor, with respect to any event subsequent to its report dated December 17, 2021.

ABSENCE OF LITIGATION

To the best knowledge of the City, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Bonds or the Indenture, or in any way contesting or affecting the validity of the foregoing, or any proceedings of the City taken with respect to any of the foregoing.

There are a number of lawsuits and claims pending against the City. In the opinion of the City, such other lawsuits and claims presently pending will not have a material adverse effect on the ability of the City to pay the principal of and interest on the Bonds.

RATING

S&P Global Ratings ("**S&P**") has assigned an underlying rating of "A+" to the Bonds.

A rating is not a recommendation to buy, sell or hold securities. Future events, including the impacts of the COVID-19 pandemic on the City, could have an adverse impact on the rating of the Bonds, and there is no assurance that any credit rating that is given to the Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the Bonds will not change during the period that the Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the rating on the Bonds may have an adverse effect on the market price of the Bonds. Such rating reflects only the current view of S&P (which could change at any time), and an explanation of the significance of such rating may be obtained from S&P. Generally, S&P bases its ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by S&P.

The City has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the Bonds with the Municipal Securities Rulemaking Board's Electronic

Municipal Market Access System. See the caption “CONTINUING DISCLOSURE” and Appendix F. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the Bonds are directed to S&P and its website and official media outlets for the most current rating with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

The Bonds are being purchased by the Underwriter. The Underwriter will purchase the Bonds from the City at an aggregate purchase price of \$20,018,725 (representing the principal amount of the Bonds, less \$151,275.00 of Underwriter’s discount). The Underwriter will purchase all of the Bonds if any are purchased.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

MISCELLANEOUS

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF BARSTOW

By: /s/ Willie A. Hopkins Jr.
Willie A. Hopkins, Jr
City Manager

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CITY OF BARSTOW

By: _____


Willie A. Hopkins, Jr.
City Manager

APPENDIX A

DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF BARSTOW

The following information is presented as general background data. The Bonds are payable solely from moneys of the City of Barstow as described in the Official Statement. The taxing power of the City, the County of San Bernardino, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds.

The City also notes that the below information is the latest available but does not in any instance reflect the impact of the COVID-19 pandemic. See the Official Statement under the caption "THE CITY – Public Health Emergency – COVID-19." Accordingly, the historical information below does not necessarily reflect present economic conditions and future information could be significantly different from the historical information below.

General

The City encompasses approximately forty square miles and is located in the northern part of County. The City is a major transportation hub for the Inland Empire with several major highways, including Interstate 15, Interstate 40, and California State Route 58, converging in the City. The City provides a full range of services, including police and fire protection services, economic development, construction and maintenance of roadways, parks, streets, and other infrastructure, recreational and cultural activities, utility services of sewer and solid waste collection, and general administrative services.

Population

As of January 1, 2021, the population of the City was estimated to be 24,205. The following table presents population data for the last five years for the City, County and State.

CITY OF BARSTOW, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA Population

Year	City	County	State
2017	24,030	2,139,520	39,398,702
2018	24,158	2,150,017	39,586,646
2019	24,290	2,165,876	39,695,376
2020	24,315	2,175,424	39,782,870
2021	24,205	2,175,909	39,466,855

Source: California State Department of Finance, Demographic Research Unit.

Government Services and Community Facilities

The City provides park and recreation services, public safety protection, highway and street maintenance, public improvements, planning and zoning, and general administrative services. The Barstow Fire Protection District became a component unit of the City on November 17, 2020 and provides fire protection services to the City.

Cultural facilities include a series of murals along the City’s main street, a library, a drive-in theater, a six-screen movie theater at the Hollywood Theatre Barstow Cinema, and a number of museums including the Mojave River Valley Museum, Route 66 Mother Road Museum, the Western America Rail Museum, and the Desert Discovery Center.

Employment and Industry

The Riverside-San Bernardino-Ontario Metropolitan Statistical Area (“MSA”) encompasses the City. The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 5.1% in December 2021, down from a revised 5.4% in November 2021, and below the year-ago estimate of 8.7%. This compares with an unadjusted unemployment rate of 5.0% for the State and 3.7% for the nation during the same period. The following table lists employment by industry group for the Riverside-San Bernardino-Ontario MSA for the years 2016 to 2020.

RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA (San Bernardino County) Annual Averages Civilian Labor Force, Employment and Unemployment, Employment by Industry (March 2020 Benchmark)

	2016	2017	2018	2019	2020
Civilian Labor Force ⁽¹⁾	1,981,900	2,014,300	2,045,200	2,070,700	2,073,900
Employment	1,863,600	1,910,800	1,957,200	1,986,100	1,872,600
Unemployment	118,300	103,500	88,000	84,600	201,300
Unemployment Rate	6.0%	5.1%	4.3%	4.1%	9.7%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	14,600	14,500	14,500	15,400	13,900
Mining, Logging and Construction	92,900	98,400	106,400	108,400	106,200
Manufacturing	97,500	98,000	99,800	100,600	94,300
Wholesale Trade	61,600	62,600	65,500	67,100	64,600
Retail Trade	178,300	180,900	181,200	180,700	168,800
Transportation, Warehousing and Utilities	106,400	119,900	132,100	146,600	170,500
Information	11,800	11,600	11,400	11,500	9,400
Finance and Insurance	27,100	26,300	25,300	24,800	24,500
Real Estate and Rental and Leasing	17,900	18,400	19,300	20,200	19,100
Professional and Business Services	145,100	147,300	152,000	158,700	154,000
Educational and Health Services	215,700	226,700	239,500	250,300	248,700
Leisure and Hospitality	160,200	166,300	170,600	175,900	139,200
Other Services	44,600	45,400	45,800	46,200	39,600
Federal Government	20,400	20,600	20,700	21,100	22,200
State Government	29,700	30,400	30,600	31,100	31,100
Local Government	192,200	200,100	205,900	209,000	195,900
Total, All Industries ⁽³⁾	1,416,000	1,467,300	1,520,500	1,567,500	1,501,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: Labor Division of the California State Employment Development Department.

The table below shows the average annual the unemployment rate for the City, the County and the State for calendar years 2017 through 2021.

**CITY OF BARSTOW, SAN BERNARDINO COUNTY AND STATE OF CALIFORNIA
Unemployment Rate Estimates
Calendar Years 2017 Through 2021**

City of Barstow	2017	2018	2019	2020	2021
Unemployment	600	500	500	600	600
Unemployment Rate	6.7%	5.6%	5.2%	6.6%	6.6%
San Bernardino County	2017	2018	2019	2020	2021
Unemployment	46,800	39,400	37,600	91,300	54,400
Unemployment Rate	5.0%	4.1%	3.9%	9.4%	5.5%
State of California	2017	2018	2019	2020	2021
Unemployment	927,000	815,500	803,200	1,040,500	960,400
Unemployment Rate	4.8%	4.3%	4.2%	5.4%	5.0%

Source: California State Employment Development Department Labor Market Information Division.

Principal Employers

The following table shows the principal employers in the City, listed from greatest to fewest number of employees.

**CITY OF BARSTOW
Principal Employers
As June 30, 2021**

Employer	Number of Employees	Percent of Total Employment
Ft. Irwin National Training Center ⁽¹⁾	8,900	60.3%
Marine Corps Logistic Base ⁽²⁾	1,700	11.5
BNSF Railroad	1,000	6.8
Barstow Unified School District	958	6.5
Outlets at Barstow	480	3.3
Raytheon Technical Services Co, LLC ⁽¹⁾	400	2.7
Barstow Community College	377	2.6
Barstow Community Hospital	348	2.4
Wal-Mart	305	2.1
Silver Valley School District ⁽¹⁾	300	2.0
Total Employment Listed	14,768	100%

(1) Employers outside of City Limits.

(2) Total civilian employee headcount includes Marine Corps Logistics Base, Barstow.

Source: *City of Barstow*.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2018 through 2022:

**CITY OF BARSTOW, COUNTY OF SAN BERNARDINO
STATE OF CALIFORNIA AND THE UNITED STATES
Effective Buying Income
2018 through 2022**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2018	City of Barstow	\$380,977	\$38,373
	County of San Bernardino	40,600,305	50,226
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Barstow	\$393,003	\$38,342
	County of San Bernardino	42,984,313	52,631
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Barstow	\$394,364	\$38,549
	County of San Bernardino	46,025,841	56,502
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Barstow	\$416,809	\$40,489
	County of San Bernardino	48,859,973	59,285
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Barstow	\$470,397	\$44,351
	County of San Bernardino	54,797,008	66,785
	California	1,452,426,153	770,58
	United States	11,208,582,541	64,448

Source: The Nielsen Company (US), Inc for 2018; Claritas, LLC for 2019 through 2022.

Commercial Activity

Summaries of the historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during the first quarter of calendar year 2021 in the City were reported to be \$143,977,153, an 11.21% increase from the total taxable sales of \$129,455,437 reported during the first quarter of calendar year 2020.

CITY OF BARSTOW
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	420	\$628,841	592	\$644,374
2017	417	644,144	586	659,341
2018	426	639,111	610	657,571
2019	426	593,611	627	619,457
2020	469	514,487	695	535,907

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first quarter calendar year 2021 in the County were reported to be \$11,985,501,520, a 23.04% increase from the total taxable sales of \$9,741,132,031 reported during the first quarter of calendar year 2020.

COUNTY OF SAN BERNARDINO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	38,366	\$24,242,145	57,542	\$36,981,694
2017	39,067	25,341,773	58,956	38,137,915
2018	39,837	26,905,784	61,838	40,554,024
2019	40,964	27,564,216	64,771	41,770,309
2020	44,330	28,745,277	71,145	43,265,512

Source: State Department of Tax and Fee Administration.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF BARSTOW Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$510.0	\$140.0	\$150.0	\$955.5	\$0.0
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>653.6</u>	<u>381.1</u>	<u>1,213.5</u>	<u>572.1</u>	<u>659.4</u>
Total Residential	1,163.6	521.1	1,363.5	1,527.6	659.4
New Commercial	7,254.0	1,882.8	2,765.0	17,832.9	125.0
New Industrial	1,300.0	0.0	0.0	9,856.5	0.0
New Other	315.5	503.1	321.3	276.8	713.8
Com. Alterations/Additions	<u>7,807.5</u>	<u>4,549.0</u>	<u>2,933.4</u>	<u>5,908.5</u>	<u>4,532.0</u>
Total Nonresidential	16,677.0	6,934.9	6,019.7	33,874.7	5,370.8
<u>New Dwelling Units</u>					
Single Family	3	1	1	5	0
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	3	1	1	5	0

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SAN BERNARDINO Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$706,601.8	\$1,009,450.8	\$1,114,777.8	\$1,078,797.7	\$934,304.4
New Multi-family	119,497.6	287,760.5	268,564.9	232,079.3	143,366.2
Res. Alterations/Additions	<u>62,042.4</u>	<u>77,811.9</u>	<u>71,937.8</u>	<u>139,761.1</u>	<u>61,788.5</u>
Total Residential	888,141.8	1,375,023.2	1,455,280.5	1,450,638.1	1,139,459.1
New Commercial	189,230.5	324,540.4	230,518.8	449,998.5	274,080.5
New Industrial	426,747.9	543,462.7	387,108.6	476,322.3	330,960.1
New Other	96,402.8	86,981.8	74,356.9	85,651.8	123,121.9
Com. Alterations/Additions	<u>308,269.9</u>	<u>330,612.1</u>	<u>388,145.5</u>	<u>365,127.0</u>	<u>336,533.1</u>
Total Nonresidential	1,020,651.1	1,285,597.0	1,080,129.8	1,377,099.6	1,064,695.6
<u>New Dwelling Units</u>					
Single Family	2,896	4,253	3,311	4,096	3,631
Multiple Family	<u>976</u>	<u>2,578</u>	<u>1,775</u>	<u>1,884</u>	<u>910</u>
TOTAL	3,872	6,831	5,086	5,980	4,541

Source: Construction Industry Research Board, Building Permit Summary.

Education

Public education in the City is provided by the Barstow Unified School District and has eight elementary schools, one intermediate school, one middle school, one junior high school, two high schools, and one adult evening school. There are two private elementary schools within the City as well.

The Barstow Community College offers community college courses for those seeking to go onto a four-year degree program as well as those seeking further education in trade-specific fields.

Transportation

The City is approximately 75 minutes from the second largest international airport in the greater Los Angeles area. The area also includes two major transcontinental railroads, two major interstates, and is within close proximity to the West Coast's two largest harbors.

Below is a summary of local transportation infrastructure in the County.

- Highways: The transportation route in the Inland Empire North includes major portions of Southern California's transit hub to major markets. Those freeways and interstates intersecting the City include Interstate 15, Interstate 40, Highway 58, and Highway 395.
- Rail: Two major transcontinental railroads move through the City, the BNSF and the Union Pacific. In a normal 24-hour period, the railroads move roughly 175,890 tons of freight into and out of, or through the County. The railroads have 1,080 route miles of track and approximately 4,000 rail employees within the County.
- Air: The Southern California Logistics Airport, formerly George Air Force Base, is located 30 miles from the City and 100 miles from Los Angeles in the center of an established shipping and distribution hub. Ontario International Airport is currently served by 14 airlines providing 183 flights per day to destinations that include every major city in America. Airlines such as TWA, American, Delta, Southwest and United provide daily non-stop service to every airline.

APPENDIX B

**THE CITY OF BARSTOW AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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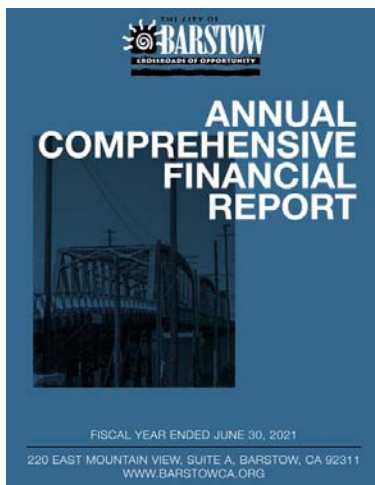


ANNUAL COMPREHENSIVE FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2021

220 EAST MOUNTAIN VIEW, SUITE A, BARSTOW, CA 92311
WWW.BARSTOWCA.ORG



About the Cover: The First Avenue Bridge over the Burlington Northern and Santa Fe (BNSF) railyard was originally constructed in 1930. The City of Barstow in cooperation with the California Department of Transportation and the San Bernardino County Transportation Authority is proposing to replace the existing two-lane bridge over the BNSF railyard with a new two-lane bridge with eight foot shoulders and an eight foot wide sidewalk. The estimated start of construction is anticipated to commence in the fall of 2022.

CITY OF BARSTOW
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2021

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CITY OF BARSTOW
 ANNUAL COMPREHENSIVE FINANCIAL REPORT
 FOR YEAR ENDED JUNE 30, 2021

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2021

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December 17, 2021

For the Citizens of the City of Barstow,

Honorable Mayor and City Council
City of Barstow

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the City of Barstow. State law requires that all general-purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the City of Barstow for the fiscal year ended June 30, 2021.

This report consists of management's representations concerning the finances of the City of Barstow. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management of the City of Barstow has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than, absolute assurance that the financial statements will be free from material misstatement.

The City of Barstow's financial statements have been audited by Lance, Soll, & Lunghard, LLP, a firm of licensed certified public accountants. The independent auditors have issued an unmodified opinion and have concluded that the City's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with generally accepted accounting principles. The independent auditors' report is presented as the first component of the financial section of this report. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Barstow's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

The Reporting Entity

This report combines the financial statements of the City of Barstow, and its component units, the Barstow Public Financing Authority, the Barstow Public Facilities Corporation, the Odessa Water District, the Barstow Harvey House Foundation, Barstow Community Services Foundation and the Barstow Fire Protection District to constitute a single reporting entity. The City Council serves as the governing board of these component units and, as such, this combined presentation better represents the financial activities of the City of Barstow.

The City directly provides a full range of services, including police and fire protection services. Contracted services include engineering, street sweeping, solid waste management, and attorney services. Staff



provided services include police services and fire protection services, customer service and community relations, community development (which includes planning, economic development, housing and grant administration activities as well as overall department administration), public works oversight including construction and maintenance of roadways, parks and streets, recreational and cultural activities, sewer utility services and general administrative services. All of these activities are included in this report. Fire protection is provided by the Barstow Fire Protection District, a subsidiary agency of the City.

The City is served by private water companies. However, sewerage services are provided by the City of Barstow. Additionally, the Barstow Unified School District is a separate entity and, accordingly, not included in this report.

History of the City

The City of Barstow is a General Law Council/Manager municipality incorporated in 1947. It is located in the northern part of the County of San Bernardino, approximately 114 miles northeast of Los Angeles, and approximately 70 miles north of the City of San Bernardino. The City boundary encompasses approximately 40 square miles and serves a population of over 24,000. The City prides itself as the “Crossroads of Opportunity” at the juncture of the I-40 and I-15 freeways. Situated midway between Los Angeles and Las Vegas, Barstow caters to the needs of approximately 55 million travelers passing through the City annually.

The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The Council is elected on a non-partisan basis. Council members serve four-year terms and elections are staggered every two years. The mayor is elected to serve a four-year term. The mayor is elected at large while the council members are elected by districts.

The City Manager is responsible for carrying out the policies and ordinances of the governing body, and for overseeing the day-to-day operations of the City government working with the directors and managers of various City departments.

The City Manager administers the Annual Operating and Capital Improvement Budget and maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the appropriated budget approved by the City’s governing body. Activities of the general fund, special revenue funds, enterprise funds, debt service fund and capital projects funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is *established at the individual fund level*. Appropriations lapse at year end. However, encumbrances and project appropriations generally are re-appropriated as part of the following fiscal year’s operating budget.

ECONOMIC CONDITION AND OUTLOOK

From a historical perspective, growth in the City of Barstow has proceeded at a fairly slow, but steady pace. Major industries located within the city’s boundaries, or in close proximity, included major military installations with both military and civilian personnel, national defense contractors, transportation and rail firms, as well as numerous educational and financial institutions. The most current population figures show San Bernardino County has increased its population by 0.61% from January 1, 2020 to January 1, 2021.



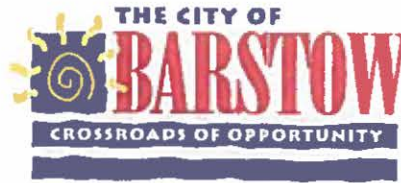
The population for the City of Barstow had a slight decrease of 0.5% according to the California Department of Finance. The unemployment rate as of June 2021 for the City is 8.0% which is a decrease from 12.1% at the beginning of the COVID-19 pandemic in June 2020. Staff continues to pursue economic development in areas of the local economy that will provide job opportunities for residents.

Sales tax revenue, excluding Measure Q, increased from \$6.1 million in fiscal year 2020 to \$7.5 million in fiscal year 2021, largely due to rebounding revenues from the downturn caused by the COVID-19 pandemic. The City's transient occupancy tax continues to be a major source of revenue for the City and came in at \$3.44 million for fiscal year 2021, up from \$2.85 million in fiscal year 2020. City management remains optimistic that negative impacts of the COVID-19 pandemic on the City's revenue bases are mostly behind us.

MAJOR ACTIVITY IN THE CITY:

Major development activities are underway in the City consistent with the City's General Plan and Council's vision and direction to improve and upgrade infrastructure, public services, and promote economic growth and development. Some of these development activities include:

- The City has approved construction of a Marriott hotel project in the Lenwood area of Barstow along the freeway. The project includes constructing two hotels totaling 181 rooms using an innovative shared footprint design. The two hotels are a Fairfield Inn (short term stay) and a Towne Place Suites (long term stay). The hotels are currently under construction and expected to open in July, 2022. The hotels are located close to the Outlet mall and conservatively will add over \$1 million annually in new revenues.
- The City has entered into two Inter Governmental Service Agreements (IGSAs) with Fort Irwin (Army) and are in the process of completing negotiations on three more that are expected to add over \$800,000 annually in new revenues. The three additional IGSC contracts are now awaiting final approvals from the Army which is expected to occur within the next few months.
- The City has approved creation of a "green zone" and are beginning to take applications as of December 1, 2021 and anticipating issuance of permits in January, 2022. Based upon a Cannabis fee study completed for the City by HdL, subject area experts, the City is expecting to receive over \$250,000 in new revenues during the current fiscal year. Thereafter, the City will receive over \$70,000 annually in regulatory fees plus 3% of gross sales (above the City's existing 2%) per approved development agreements. Annual revenues received pursuant to approved development agreements are expected to be significant.
- The City continued its efforts to improve infrastructure in fiscal year 2021. The major infrastructure projects are pavement preservation, the design phase for Phase One of the West Section 7 project, the First Avenue Bridge over the BNSF Classification Yard project, and the First Avenue Bridge over the Mojave River project.
- The City successfully passed a local general sales tax ballot measure on November 6, 2018. Income from the new general sales tax measure began to be collected on April 1, 2019. The City received over \$8.85 million from the sales tax measure in fiscal year 2021, an increase of \$1.4 million from the prior fiscal year.



LONG-TERM FINANCIAL PLANNING

The City continues to maintain a Council mandated reserve of 20% Working Capital and 5% for emergencies. The Fiscal Year 2020-22 Budget falls within the policy guidelines set by the City Council for budgetary and planning purposes. The City's financial condition is continuously being monitored and has improved due to the passage of the Measure Q Local Sales Tax, a 1% general tax available to fund senior and youth recreation programs; assist with maintaining roads and parks; and improve police and fire services. Periodically, interim financial reports are presented to City Council regarding the budgetary performance of all major funds. By closely monitoring revenues, expenditures, and financial trends, the City has been able to manage the current economic downturn, thus reducing the impact on City services due to the pandemic. Current economic factors and potential future impacts of the COVID-19 pandemic continue to be carefully monitored and tracked by staff.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The City's Annual Comprehensive Financial Report for the year ended, June 30, 2021, was prepared utilizing best practices and in conformity with the awards program criteria for the Certificate of Achievement for Excellence in Financial Reporting as promulgated by the Government Finance Officer's Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report for the year ended, June 30, 2021, conforms to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for the certificate.

Acknowledgements

In closing, this report was made possible by the leadership and support of the governing body of the City of Barstow.

The preparation of this report on a timely basis is a team effort, requiring the dedication and cooperation of the entire Finance Department staff and continued support of the City Manager's Office and City Council. The guidance and suggestions from the accounting firm of Lance, Soll and Lunghard, LLP, were also invaluable in completion of this report.

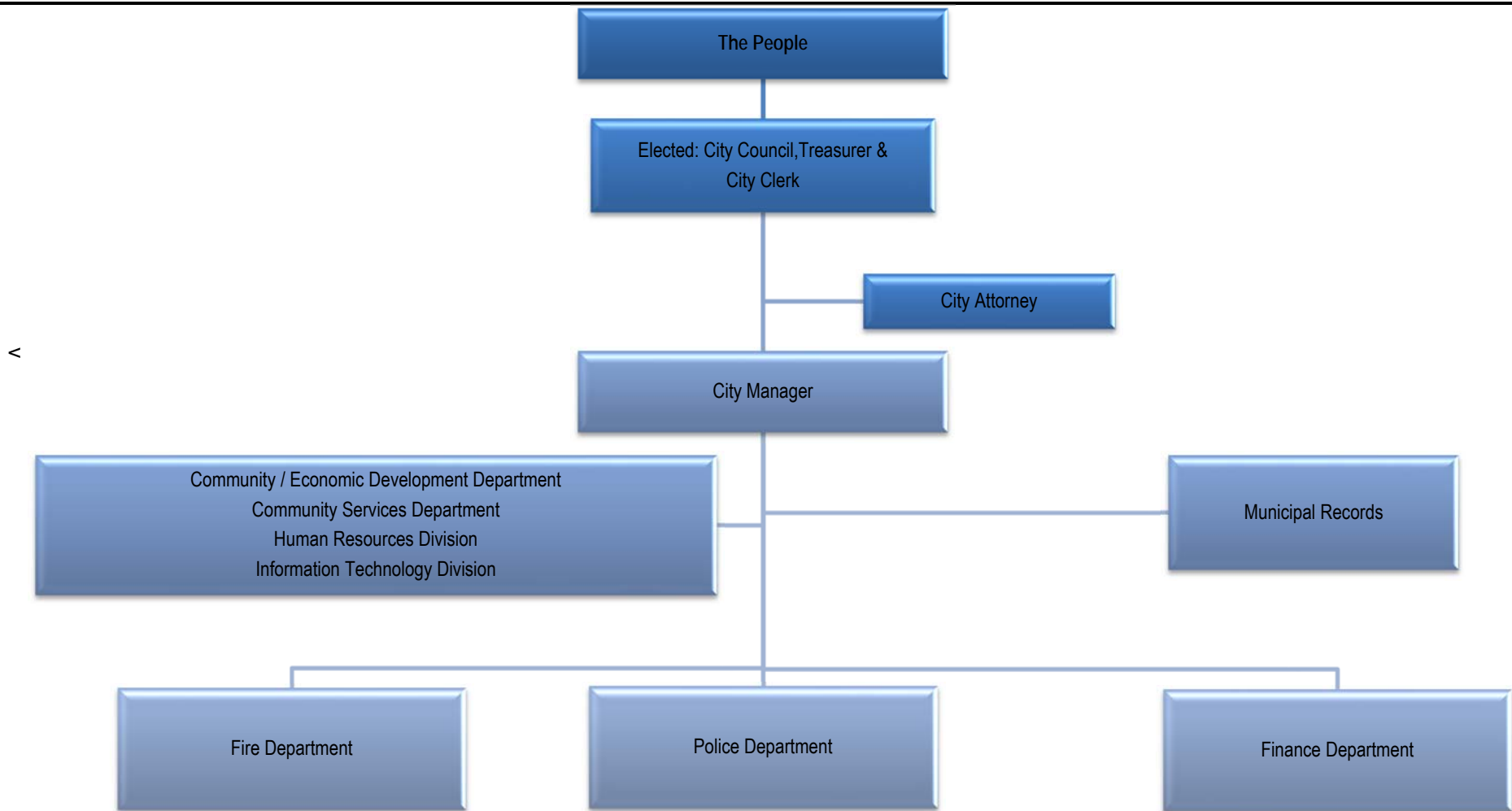
Sincerely,

A handwritten signature in blue ink, appearing to read "Marc R. Puckett", is written over a light blue horizontal line.

Marc R. Puckett
Interim Finance Director



CITY OF BARSTOW ORGANIZATIONAL CHART



City of Barstow
List of Elected and Appointed Officials
June 30, 2021

Elected Officials

Mayor	Dr. Paul Anthony Courtney
Council Member, Mayor Pro Tem	James M. Noble
Council Member	Barbara Mae Rose
Council Member	Marilyn Dyer Kruse
Council Member	Timothy R. Silva
City Treasurer	Michael J. Lewis
City Clerk	Andrea Flores

Appointed Officials

Interim City Manager	Dr. James Hart
Interim Finance Director	Marc Puckett
City Attorney	Matthew Summers
Chief of Police	Albert Ramirez
Assistant Fire Chief	Sidney Hultquist

AUDITORS' OPINION LETTER

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Barstow, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Barstow, California, (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Barstow, California, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the date of the financial statements.



To the Honorable Mayor and Members of the City Council
City of Barstow, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the general fund, measure I special revenue fund, Barstow fire protection district special revenue fund, and grants special revenue fund, the schedule of plan contributions (CalPERS and SBCERA), the schedule of proportionate share of the net pension liability (CalPERS and SBCERA), the schedule of changes in net OPEB liability and related ratio (City of Barstow and Barstow fire protection district plans), and the schedule of contributions – OPEB (City of Barstow and Barstow fire protection district plans), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



To the Honorable Mayor and Members of the City Council
City of Barstow, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City'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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
December 17, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2021

As management of the City of Barstow (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. It is designed to:

- Highlight significant financial issues
- Provide an overview of the City's financial activity
- Discuss changes in the City's financial position
- Explain any material deviations from the approved budget
- Identify individual fund issues

We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

FINANCIAL HIGHLIGHTS

- The governmental program and general revenues were \$39.7 million.
- The cost of governmental activities was \$41.9 million.
- The business-type activities program and general revenues were \$9.9 million.
- The cost of business-type activities was \$8.5 million.
- The General Fund ended the fiscal year with a fund balance of \$17.7 million, with the reported net increase in fund balance of \$3.78 million.
- For the General Fund, actual revenues exceeded the budgeted revenue estimates by \$5.0 million and actual expenditures were less than final amended budget by \$0.5 million (both favorable variances). Effects of the COVID-19 pandemic were less than anticipated.
- The Measure I Special Revenue Fund, a major governmental fund, ended the fiscal year with a deficit \$1.2 million in fund balance, a deficit reduction of \$400,000 from the prior fiscal year.
- The Barstow Fire Protection District ended the fiscal year with a deficit fund balance of \$5.0 million, a deficit reduction of \$1.3 million from the prior fiscal year.
- Total Other Governmental Funds had a combined fund balance of \$1.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Barstow's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2021

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, recreation and community development. The business-type activities of the City include wastewater reclamation and solid waste disposal.

The government-wide financial statements include not only the City itself, (known as the *primary government*), but also its legally separate component units. The Odessa Water District, the Barstow Fire Protection District, the Barstow Harvey House Foundation and the Barstow Community Services Foundation all function, for all practical purposes, as part of the City of Barstow, and therefore, have been included (blended) as an integral part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Barstow maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Measure I special revenue fund, Barstow Fire Protection District special revenue, and Grants special revenue funds, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* as supplementary information. The non-major revenue funds are the special revenue funds. They are Gas Tax, Asset Seizure, Barstow Harvey House Foundation, Redevelopment Housing Successor Fund, Barstow Community Services Foundation, the Local Transportation Fund, the Flood Control Fund ,

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2021

COVID 19 Grants fund, and the Capital Projects Fund. The Measure I TRIP debt service fund is also combined with the non-major governmental funds.

The City adopted a two-year appropriations budget for its governmental and proprietary funds in fiscal year 2020. A budgetary comparison has been provided for the general fund on page 96.

The basic governmental fund financial statements can be found on pages 23-43 of this report.

Proprietary funds

The City maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater reclamation and solid waste disposal.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds. The basic proprietary fund financial statements can be found on pages 38-40 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources for those funds are not available to support the City's own programs. The accounting used for fiduciary funds is like that used for proprietary funds. The City maintains two fiduciary funds to account for the receipts and disbursements of special assessments. The City also has one private purpose trust fund to account for redevelopment successor agency activity. Fiduciary fund statements are located on pages 42-43 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Included in this section is Note 15, which summarizes the activity related to Measure Q, the 1% general transaction tax approved by voters on November 6, 2018. The notes to the financial statements are located on pages 47-92 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary information and compliance for the General Fund, Measure I special revenue fund, the Barstow Fire Protection District special revenue fund, and Grants special revenue fund. This section also includes information regarding the Defined Benefit Pension Plan, which includes the *California Public Employees' Retirement System* (CALPERS) and the *San Bernardino County Employees' Retirement Association* (SBCERA) Plan. The schedule of funding progress, which presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits, is also presented as required supplementary information. Required supplementary information can be found on pages 95-107 of this report.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2021

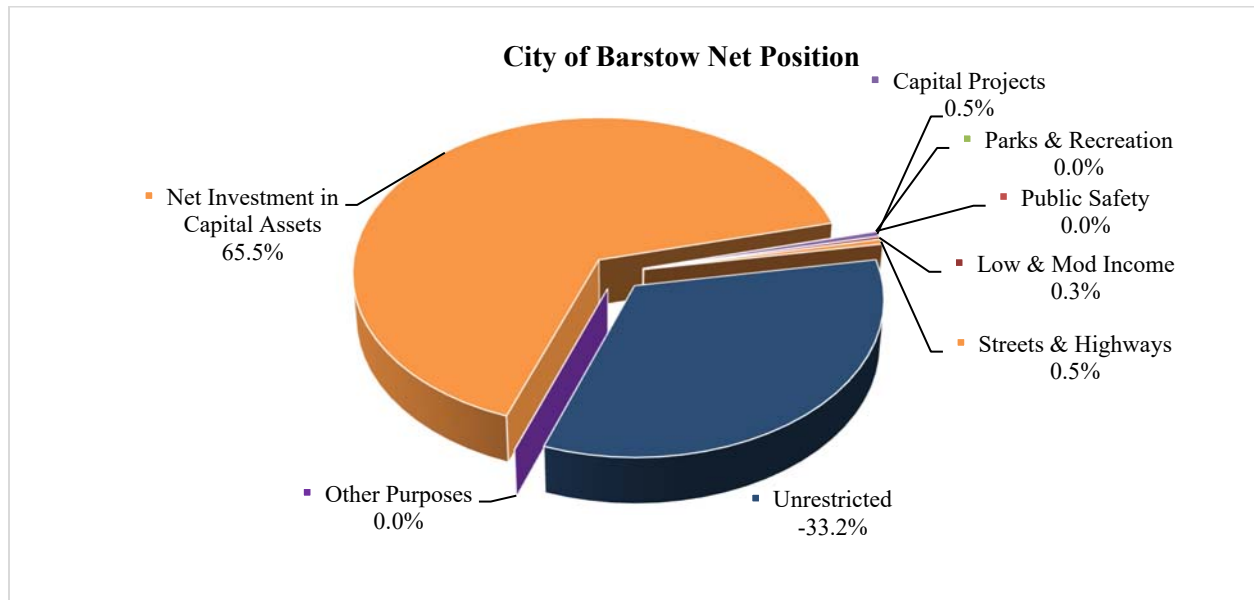
Supplementary information for the non-major governmental funds, such as Gas Tax special revenue fund, Grants, Asset Seizure, Barstow Harvey House Foundation, Redevelopment Housing Successor, Barstow Community Services Foundation, Local Transportation Fund, Flood Control, and COVID-19 Grants special revenue funds, as well as the Measure I TRIP debt service fund and Capital Projects fund, are located on pages 111-128 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$53.9 million at the close of the fiscal year, a decrease of 1.5% from the previous year.

Capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets comprises \$105.1 million of the City's Net Position. Total Assets and Deferred Outflows equaled \$147.7 million. Total Liabilities and Deferred Inflows equaled \$93.8 million. Total net position from Governmental Activities equaled \$37.6 million or 70% and Business-Type Activities equaled 16.2 million or 30% of the \$53.9 million total.



CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2021

CITY OF BARSTOW NET POSITION

Net Position (Summarized)
As of June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 17,631,885	\$ 13,684,950	\$ 3,000,435	\$ (44,195)	\$ 20,632,320	\$ 13,640,755
Capital & intangible assets	84,787,829	85,712,706	21,969,483	22,793,423	106,757,312	108,506,129
Total Assets	\$ 102,419,714	\$ 99,397,656	\$ 24,969,918	\$ 22,749,228	\$ 127,389,632	\$ 122,146,884
Def. employer pens. contributions	\$ 5,136,925	\$ 4,675,093	\$ 297,811	\$ 210,188	\$ 5,434,736	\$ 4,885,281
Def. outflows of resources - pens.	11,431,982	9,258,535	468,793	417,622	11,900,775	9,676,157
Deferred contributions - OPEB	885,238	778,880	-	-	885,238	778,880
Def. outflows of resources - OPEB	2,053,819	2,057,961	-	-	2,053,819	2,057,961
Total deferred outflows	\$ 19,507,964	\$ 16,770,469	\$ 766,604 #	\$ 627,810 #	\$ 20,274,568 #	\$ 17,398,279
Current liabilities	\$ 3,449,058	\$ 2,333,733	\$ 877,905	\$ 441,561	\$ 4,326,963	\$ 2,775,294
Long-term liabilities	74,946,226	66,843,400	8,288,963	7,796,639	83,235,189	74,640,039
Total Liabilities	\$ 78,395,284	\$ 69,177,133	\$ 9,166,868	\$ 8,238,200	\$ 87,562,152	\$ 77,415,333
Deferred pension related items	\$ 5,532,544	\$ 6,608,210	\$ 349,715	\$ 293,666	\$ 5,882,259	\$ 6,901,876
Deferred OPEB related items	358,602	575,263	-	-	358,602	575,263
Total deferred inflows	\$ 5,891,146	\$ 7,183,473	\$ 349,715	\$ 293,666	\$ 6,240,861	\$ 7,477,139
Net Position:						
Net investment in capital assets	\$ 83,193,605	\$ 83,177,722	\$ 21,922,426	\$ 22,443,932	\$ 105,116,031	\$ 105,621,654
Restricted	2,060,032	4,856,154	-	-	2,060,032	4,856,154
Unrestricted	(47,612,389)	(48,226,357)	(5,702,487)	(7,598,760)	(53,314,876)	(55,825,117)
Total net position	\$ 37,641,248	\$ 39,807,519	\$ 16,219,939	\$ 14,845,172	\$ 53,861,187	\$ 54,652,691

As shown in the total column for 2021 in the chart above (City of Barstow Net Position), a portion of the City's net position, \$2.1 million, represents resources that are subject to restrictions on how they may be used. Of this restricted amount, it is primarily comprised of \$0.8 million restricted for capital projects, \$0.4 million for low and moderate income projects, and \$0.8 million for Streets and Highways.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2021

City of Barstow Changes in Net position

Changes in Net Position
As of June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 1,236,136	\$ 1,327,757	\$ 9,772,548	\$ 7,530,388	\$11,008,684	\$ 8,858,145
Operating contributions and grants	757,387	859,437	-	-	757,387	859,437
Capital contributions and grants	4,994,774	3,526,055	-	-	4,994,774	3,526,055
General Revenues:						
Property taxes	9,796,572	9,252,006	-	-	9,796,572	9,252,006
Transient occupancy taxes	3,436,464	2,855,796	-	-	3,436,464	2,855,796
Sales taxes	16,387,048	13,527,079	-	-	16,387,048	13,527,079
Franchise taxes	1,175,996	1,077,373	-	-	1,175,996	1,077,373
Business license taxes	222,605	220,930	-	-	222,605	220,930
Other taxes	55,188	64,808	-	-	55,188	64,808
Use of money and property	1,048,338	318,439	-	-	1,048,338	318,439
Other revenues	591,410	352,124	129,965	27,744	721,375	379,868
Total Revenues	39,701,918	33,381,804	9,902,513	7,558,132	49,604,431	40,939,936
Expenses:						
General government	7,178,050	4,539,158	-	-	7,178,050	4,539,158
Public safety	22,274,486	23,887,685	-	-	22,274,486	23,887,685
Community development	1,835,249	2,959,442	-	-	1,835,249	2,959,442
Recreation	1,413,896	2,548,681	-	-	1,413,896	2,548,681
Public works	9,115,346	7,842,090	-	-	9,115,346	7,842,090
Interest on long-term debt	51,162	625	-	-	51,162	625
Wastewater Reclamation	-	-	4,626,634	5,093,118	4,626,634	5,093,118
Solid Waste Disposal	-	-	3,901,112	1,575,575	3,901,112	1,575,575
Total Expenses	41,868,189	41,777,681	8,527,746	6,668,693	50,395,935	48,446,374
Change in Net Position	(2,166,271)	(8,395,877)	1,374,767	889,439	(791,504)	(7,506,438)
Net position, beginning of year	39,807,519	48,203,396	14,845,172	13,955,733	54,652,691	62,159,129
Net position, end of year	<u>\$37,641,248</u>	<u>\$ 39,807,519</u>	<u>\$ 16,219,939</u>	<u>\$14,845,172</u>	<u>\$53,861,187</u>	<u>\$ 54,652,691</u>

The City of Barstow's overall net position decreased by \$0.8 million from the prior year. The reasons for this overall decrease are discussed in the following sections for governmental activities (a decrease of \$2.2 million) and business-type activities (an increase of \$1.4 million).

Governmental Activities

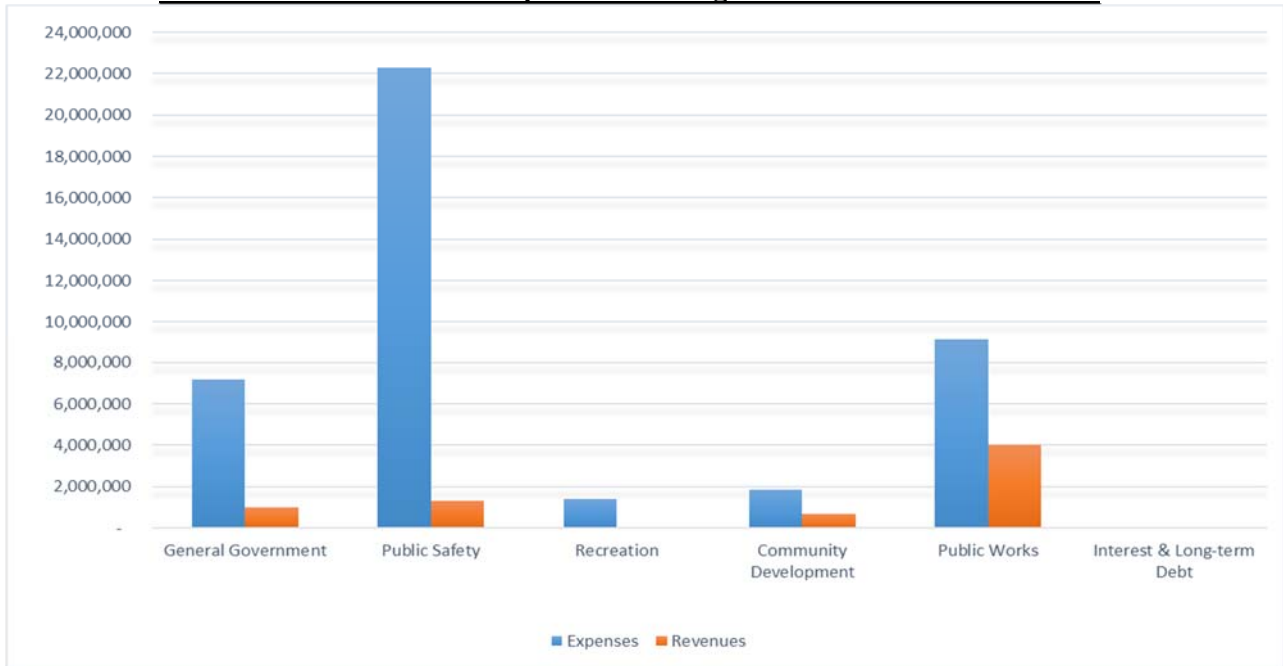
Governmental activities net position decreased by \$2.2 million for fiscal year 2021 as shown in the chart above and the chart on page 11. This net decrease primarily resulted from increases in the City's total assets of \$3 million and increases in deferred outflows of \$2.7 million for pension and OPEB contributions less an increase in the Net Pension Liability of \$6.6 million and Net OPEB Liability of \$1.3 million. As discussed in the notes, the City participates in a multi-employer cost sharing defined benefit pension plan.

More information about governmental activities are reflected in the charts and graphs on the following pages.

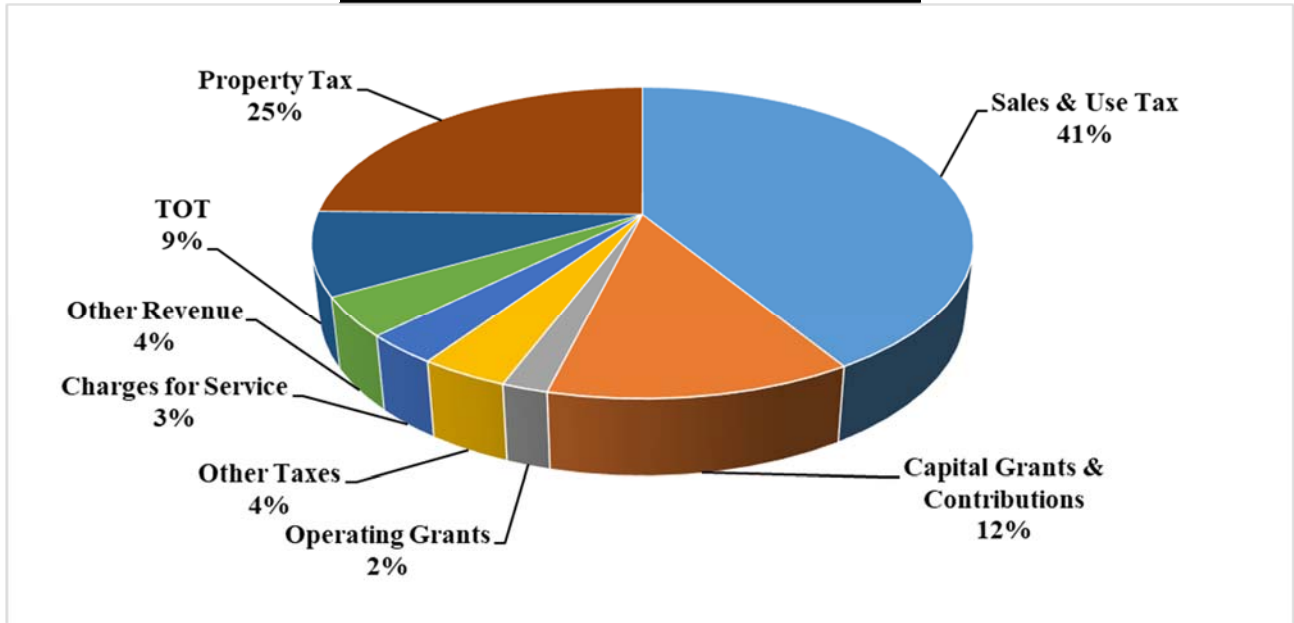
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Governmental Activities

Governmental Activities - Expenses and Program Revenues for FY 2020/21



Governmental Activities - Revenues by Source



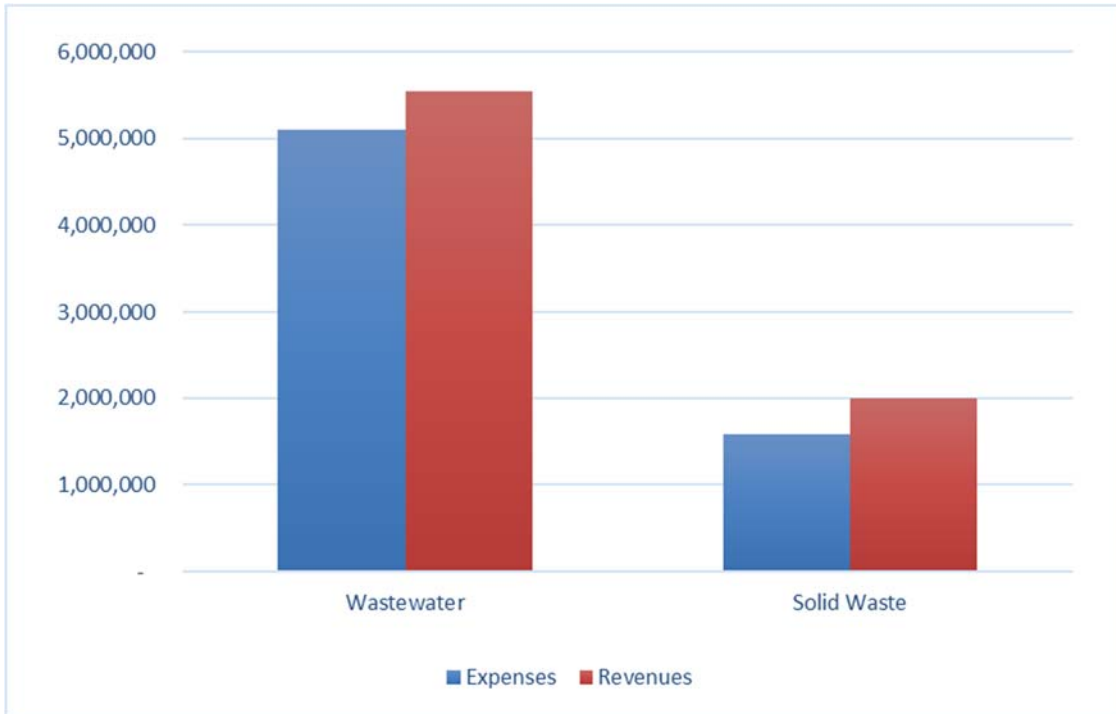
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Business-type Activities

Business-type activities increased net position by \$1.4 million as shown in the chart on page 13. The increase is directly a result of the reduction of the solid waste hauler rate subsidy. To stabilize Solid Waste's financial condition, the City Council approved the elimination of the subsidy over a 3 year period; which will end in 2022 and in November 2020, the City brought the utility billing process in-house.

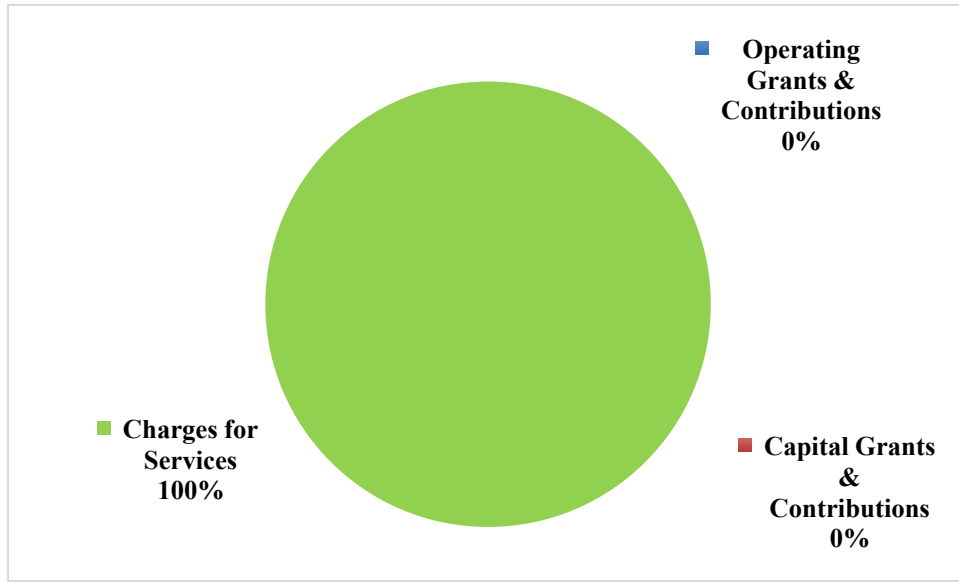
The chart below illustrates business-type expenses and revenues. The second chart on the following page shows Business-type revenues by source.

Business-Type Activities - Expenses and Program Revenues



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Business-Type Activities - Revenues by Source



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12.9 million, an increase of \$2.4 million or 22.1% when compared to the fund balances of the prior year. In fiscal year 2021, total governmental funds revenues exceeded expenditures by \$2.2 million. Further analysis discusses the underlying changes in the major government funds with major changes:

General Fund- During fiscal year 2021, there was an increase in fund balance of \$3.8 million from the previous year. General Fund revenues were higher than anticipated due primarily to a strong rebound in total taxes collected as lockdowns related to the COVID-19 pandemic eased. Tax revenues increased by \$3.7 million in total from the prior fiscal year. Other general fund revenues increased by \$0.5 million in total. Expenditures were \$1.0 million less than the prior fiscal year due primarily to budget austerity measures put in place during fiscal year 2020, including adoption of a two-year budget. These measures were put in place to proactively address potential impacts from the pandemic and remain in effect.

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Measure I- The net change in fund balance was an increase of \$399 thousand. This increase in fund balance reduced the accumulated fund deficit to \$1.2 million. Based on the adopted deficit elimination plan, it is anticipated that the deficit will be eliminated during the next two fiscal years.

Barstow Fire Protection District- The net change in fund balance was an increase of \$1.3 million. This increase in fund balance reduced the accumulated fund deficit to \$5.0 million. The deficit relates to an interfund operating loan from the General Fund to the BFPD. A plan of repayment has been adopted including annual payments of \$500 thousand which may be amended from time to time as warranted. Total revenues for the District, excluding transfers, increased by \$700 thousand while total expenditures increased by \$800 thousand.

The *non-spendable* portion of total governmental funds' fund balances is \$8.0 million. The City's non-spendable fund balances are prepaid amounts that pertain to another accounting period, inventories, assets that are not in cash form and deposits that are liabilities. As of June 30, 2021, the major amounts designated as non-spendable were loans from the following funds:

- \$1.7 million due from the Measure I Special Revenue Fund
- \$0.3 million Wastewater Reclamation Fund loans
- \$5.3 million Barstow Fire Protection District loan

Other non-spendable items included deposits and prepaids.

Restricted funds constitute \$2.1 million of the total governmental funds fund balance.

- In fiscal year 2013, the City entered into an agreement with the California Statewide Communities Development Authority Total Road Improvement Program (TRIP) to finance extensive local street improvements and reconstruction. TRIP funds are pledged against future Measure I funding to serve as the source for the related debt. The projects were identified through the City's Pavement Management System as meeting the Measure I Strategic Plan. Included as a restricted amount is \$1.1 million for debt service as part of the Total Road Improvement Program (TRIP) financing. The TRIP debt was paid off in fiscal year 2021 using the restricted debt reserve and \$383 thousand in cash, freeing up over \$1.0 million in funding in future years.
- The Housing Successor Agency Trust Fund constitutes \$440 thousand of the restricted fund balance.
- The remaining of \$0.8 million is related to various Capital Projects.

Assigned fund balance accounts for \$4.4 million of fund balance and is comprised of working capital (\$3.6 million) and emergency reserves (\$0.9 million).

Unassigned fund balance in the General Fund constitutes approximately \$5.2 million as of the end of the fiscal year which is available for spending at the government's discretion. For all governmental funds, the *unassigned fund balance* as of the fiscal year end is a \$1.6 million deficit. This is primarily due to the advance between the BFPD and the General Fund.

More details about the fund balance for governmental funds can be found on page 87.

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Proprietary Funds

At year-end, the total net position of all proprietary funds was \$16.2 million, which was an increase of \$1.4 million or 9.3% over the previous fiscal year. Details for the change are discussed below.

- The *Wastewater Fund* had an increase in net position of \$949 thousand. The increase is primarily due to the increased monitoring of industrial discharge flow and rate increases for inflation.
- *Solid Waste* had a change in net position of \$426 thousand due to a decrease in the hauler subsidy. This change in net position reduced the fund deficit to \$236 thousand.

Additional information can be found on pages 38-40 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal 2021 year-end actual revenues of \$29.9 million exceeded budgeted estimated revenues of \$24.9 million by \$5.0 million. The City implemented austerity measures in response to the COVID-19 pandemic and subsequent lockdown for an unknown duration. As the lockdowns imposed due to the pandemic have been lifted and travel restrictions have eased, the City has benefited from increases in revenues sensitive to transient travel. Primarily, the City's sales taxes and transient occupancy taxes have increased significantly as pandemic restrictions were lifted. Sales tax collections have increased by \$1.4 million from the prior fiscal year to \$7.55 million. Measure Q sales tax collections have also increased by \$1.4 million to \$8.85 million. Transient occupancy tax collections increased by \$635 thousand from the prior fiscal year. Property Taxes also increased by \$218 thousand. Collections from various franchise taxes also increased by \$100 thousand during the fiscal year.

Actual total General Fund revenues had a positive or favorable variance in the amount of \$4.99 million or 12.9%. The total General Fund expenditures also ended the fiscal year with a positive or favorable variance coming in under budget by \$542 thousand or 2.0%. Attrition savings due to vacancies and retirements accounted for the majority of the savings in the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$106.8 million (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment and park facilities. The total change in the City's investment in capital assets for the current fiscal year, when compared to the previous year's capital assets, was a decrease of 1.6% or \$1.75 million. Changes from the prior year are discussed below and the City of Barstow's Capital Assets chart on the next page. The analysis is detailed below:

Increases in Capital Assets for Governmental Activities & Decreases in Business-type Activities:

Governmental Activities had a net decrease in capital assets of \$925 thousand from the previous fiscal year due mainly to the following: a net increase in Work in Progress of \$3.2 million; a net decrease of \$3.1 million in Infrastructure, a decrease of \$862 thousand for Buildings & Improvements, a decrease of \$98 thousand in land and a net decrease in Machinery & Equipment of \$112 thousand.

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Business-type Activities had an overall decrease of \$823 thousand from fiscal year 2020. This decrease was primarily due to a \$698 thousand decrease in Infrastructure and a \$135 thousand decrease in Machinery & Equipment from the prior fiscal year.

City of Barstow's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land & Intangible Assets	\$ 9,787,484	\$ 9,885,485	\$ 1,657,637	\$ 1,657,637	\$ 11,445,121	\$ 11,543,122
Work in progress	13,361,468	10,154,019	237,741	206,403	13,599,209	10,360,422
Buildings & Improvements	9,665,376	10,527,143	88,796	95,215	9,754,172	10,622,358
Machinery and equipment	1,398,390	1,510,231	1,476,503	1,611,301	2,874,893	3,121,532
Property Under Capital Lease	1,019,184	982,744	88,323	104,763	1,107,507	1,087,507
Infrastructure	49,555,927	52,653,084	18,420,483	19,118,104	67,976,410	71,771,188
Total	\$ 84,787,829	\$ 85,712,706	\$ 21,969,483	\$ 22,793,423	\$ 106,757,312	\$ 108,506,129

Additional information on the City's capital assets can be found in Note 5 of the "Notes to Basic Financial Statements" on pages 61-62 of this report.

Long-term Debt

At the end of the current fiscal year, the City of Barstow had total debt outstanding of \$12.5 million. Of this debt amount, governmental activities accounts for \$6.8 million, and \$5.7 million is related to business-type activities. The City has no general obligation bonded debt or tax allocation bonded debt outstanding.

City of Barstow's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	Total 2021	Total 2020
Measure I-TRIP COP	\$ -	\$ 1,507,750	\$ -	\$ -	\$ -	\$ 1,507,750
Capital Lease Agreement	1,594,224	1,027,234	47,057	349,491	1,641,281	1,376,725
Pollution Remediation Liability	-	-	5,468,992	5,486,099	5,468,992	5,486,099
Claims & Judgments Payable	3,363,065	2,610,138	-	-	3,363,065	2,610,138
Compensated Absences	1,856,949	1,567,956	136,907	174,733	1,993,856	1,742,689
Total	\$ 6,814,238	\$ 6,713,078	\$ 5,652,956	\$ 6,010,323	\$ 12,467,194	\$ 12,723,401

In total, debt decreased, by \$256 thousand. However, although the City actively works to reduce claims and judgements with professional risk managers, Claims & Judgments increased by \$753 thousand during the fiscal year. Capital lease agreement obligations increased by \$265 thousand and debt for compensated absences increased by \$251 thousand. Pollution remediation expenses in the Soapmine Road area reduced the related liability by \$17 thousand. Also, the City of Barstow had an agreement with the California Statewide Communities Development Authority Total Road Improvement Program (TRIP) to finance extensive local street improvements and reconstruction that were identified throughout the City. This

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additional capital was used as part of the road and street reconstruction projects. These projects are now complete. The City pledged Measure I funding to serve as the source for the related debt services payments. The final payment for the TRIP financing agreement was made in FY 2020-21.

Additional information on the City's long-term debt can be found in Note 6 on pages 63- 64 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economy continues to be at the forefront of management's consideration in leading and providing services for the residents of the City of Barstow. The management team continuously takes the necessary steps required to address the needs of its residents for the short-term and the long-term, focusing on needed infrastructure improvements, community services including recreation and activities for all ages, business and economic development, and planning for long-term growth in conjunction with the City Council.

When the coronavirus epidemic began, no one knew what the impacts would be or how long it would last. The City was proactive in its attempts to manage the impacts on the City organization and provision of services. The City adopted a two-year budget for FY21 and 22. This budget included reductions in revenue projections of \$2.8m and reductions in appropriations of \$2.3m. Budgetary actions included a freeze in wages and certain benefits for two years, a reduction in force of 7.5 FTEs, elimination of 4 vacant funded positions, temporary elimination of recreation programs, and closure of recreation facilities. Further, all financial activity is continually monitored to ensure resources and expenses are in-line with budgeted projections. The budget amendments and continual budget monitoring are necessary and vital to the City's efforts to manage pandemic impacts.

As the imposed lockdown and other travel restrictions due to the epidemic eased, increased transient travel had an unanticipated positive impact on the City's key revenue sources. Sales tax revenues received were \$2.8 million higher than projected and Transient Occupancy Taxes were \$635,000 higher than projected. All told, the City received over \$5.0 million in revenues more than what was projected in the amended budget. Expenditures for the year were \$542,000 below the amended budget.

These revenue increases have been assisted by the diversity of the City's tax base. In particular, between the Outlets at Barstow, the number of hotels in the Lenwood area, surrounding restaurants and four truck stops representing all four major chains, 38% of the City's revenues are generated from transient travelers through the community. Barstow is located at the juncture of the I-40 and I-15 freeways. As such, freeway traffic through the community has been a tremendous source of revenue.

The City has also received federal stimulus funding through the CDBG program, JAG grant, CARES grant, and ARPA federal stimulus programs which has greatly assisted with the economic recovery from impacts due to the pandemic. These funds are recorded in Special Revenue funds outside of the City's General Fund.

Through the Community Development Block Grant (CDBG) program, the City received \$15,800 for a testing event project.

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June 30, 2021

Through the Justice Assistance Grant (JAG) program, the City received a reimbursement grant award in the amount of \$71,392. To date, the City has received \$34,261 of the total grant award. The remaining amount of the grant will be received during the next fiscal year.

Through the Coronavirus Aid, Relief, and Economic Security (CARES) program, the City was awarded \$898,920. To date, the City has received \$881,800 of the total grant award in FY21. The remaining \$17,000 will be received in the next fiscal year.

Through the American Rescue Plan Act (ARPA), the City was awarded \$5,720,976. The first tranche of \$2,860,488, representing 50% of the funding, was received in July, 2021. The second half of the funding will be received by the City in July 2022.

The City has also approved construction of a Marriott hotel project in the Lenwood area of Barstow along Interstate I5 freeway. The project includes constructing two hotels totaling 181 rooms using an innovative shared footprint design. The two hotels are a Fairfield Inn (short term stay) and a Towne Place Suites (long term stay). The hotels are currently under construction and expected to open in Fall 2022. The hotels are located close to the Outlet mall and conservatively will add over \$1 million annually in new revenues.

The City recently approved creation of a "green zone" and are beginning to take applications as of December 1, 2021 with the anticipated issuance of permits in January 2022. Based upon a Cannabis fee study completed for the City, expected new revenues during the next fiscal year will exceed \$250,000. Thereafter, the City will receive over \$70,000 annually in regulatory fees plus 3% of gross sales (above the City's existing 2%) per approved development agreements. The new revenues from the Cannabis manufacturing and retails sales are expected to be significantly more than \$500 thousand annually.

The City's executive management team continues its commitment to improving the infrastructure for its residents. This is evidenced by the continued projects such as: First Avenue Bridge over Burlington Northern Santa Fe (BNSF), the North First Avenue Bridge over the Mojave River, and West Section 7.

The unemployment rate for the City of Barstow as of June, 2021 was 8.0%. This represents a decrease of 4.1% from the June 2020 rate of 12.1%. An improved local economy is reflected in the increases in transient occupancy tax and sales tax collections. The City's Economic Development team is actively working to assist local businesses to withstand the economic impacts of the COVID-19 pandemic. The City also demonstrates its "pro-business" outlook by its willingness to work with prospective employers and new businesses interested in locating in Barstow.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 220 E. Mountain View Street, Suite A, Barstow, California 92311.

GENERAL PURPOSE FINANCIAL STATEMENTS

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CITY OF BARSTOW

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 9,723,367	\$ 2,162,566	\$ 11,885,933
Receivables:			
Accounts	1,929,769	1,119,405	3,049,174
Taxes	63,662	-	63,662
Accrued interest	3,715	622	4,337
Internal balances	283,671	(283,671)	-
Prepaid costs	43,840	1,513	45,353
Deposits	591,564	-	591,564
Due from other governments	4,925,605	-	4,925,605
Inventories	66,692	-	66,692
Capital assets not being depreciated	23,148,952	1,895,378	25,044,330
Capital assets, net of depreciation	61,638,877	20,074,105	81,712,982
Total Assets	102,419,714	24,969,918	127,389,632
Deferred Outflows of Resources:			
Deferred employer pension contributions	5,136,925	297,811	5,434,736
Deferred outflows of resources-pension	11,431,982	468,793	11,900,775
Deferred contributions-OPEB	885,238	-	885,238
Deferred outflows of resources-OPEB	2,053,819	-	2,053,819
Total Deferred Outflows of Resources	19,507,964	766,604	20,274,568
Liabilities:			
Accounts payable	1,220,773	728,984	1,949,757
Accrued liabilities	1,708,794	109,405	1,818,199
Unearned revenue	329,281	-	329,281
Deposits payable	42,625	39,516	82,141
Due to other governments	50,575	-	50,575
Retentions payable	97,010	-	97,010
Noncurrent liabilities:			
Due within one year			
Long-term debt	378,488	30,086	408,574
Compensated absences	742,780	54,763	797,543
Claims and judgements	696,842	-	696,842
Pollution remediation liability	-	51,500	51,500
Due in more than one year			
Long-term debt	1,215,736	16,971	1,232,707
Compensated absences	1,114,169	82,144	1,196,313
Claims and judgements	2,666,223	-	2,666,223
Pollution remediation liability	-	5,417,492	5,417,492
Net Pension Liability	44,006,891	2,636,007	46,642,898
Net OPEB Liability	24,125,097	-	24,125,097
Total Liabilities	78,395,284	9,166,868	87,562,152
Deferred Inflows of Resources:			
Deferred inflows of resources-pension	5,532,544	349,715	5,882,259
Deferred inflows of resources-OPEB	358,602	-	358,602
Total Deferred Inflows of Resources	5,891,146	349,715	6,240,861
Net Position:			
Net investment in capital assets	83,193,605	21,922,426	105,116,031
Restricted for:			
Public safety	22,286	-	22,286
Parks and recreation	730	-	730
Capital projects	807,489	-	807,489
Low and Moderate Income	442,902	-	442,902
Streets and Highways	776,153	-	776,153
Other purposes	10,472	-	10,472
Unrestricted	(47,612,389)	(5,702,487)	(53,314,876)
Total Net Position	\$ 37,641,248	\$ 16,219,939	\$ 53,861,187

CITY OF BARSTOW

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 7,178,050	\$ 91,550	\$ 18,961	\$ 875,019
Public safety	22,274,486	498,522	734,619	71,467
Community development	1,835,249	600,696	375	54,302
Recreation	1,413,896	42,506	-	2,354
Public works	9,115,346	2,862	3,432	3,991,632
Interest on long-term debt	51,162	-	-	-
Total Governmental Activities	41,868,189	1,236,136	757,387	4,994,774
Business-Type Activities:				
Wastewater Reclamation	4,626,634	5,564,001	-	-
Solid Waste Disposal	3,901,112	4,208,547	-	-
Total Business-Type Activities	8,527,746	9,772,548	-	-
Total Primary Government	\$ 50,395,935	\$ 11,008,684	\$ 757,387	\$ 4,994,774

General Revenues:

- Taxes:
 - Property taxes, levied for general purpose
 - Transient occupancy taxes
 - Sales taxes
 - Franchise taxes
 - Business licenses taxes
 - Other taxes
- Use of money and property
- Other

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position Primary Government		
Governmental Activities	Business-Type Activities	Total

\$ (6,192,520)	\$ -	\$ (6,192,520)
(20,969,878)	-	(20,969,878)
(1,179,876)	-	(1,179,876)
(1,369,036)	-	(1,369,036)
(5,117,420)	-	(5,117,420)
(51,162)	-	(51,162)
(34,879,892)	-	(34,879,892)
-	937,367	937,367
-	307,435	307,435
-	1,244,802	1,244,802
(34,879,892)	1,244,802	(33,635,090)
9,796,572	-	9,796,572
3,436,464	-	3,436,464
16,387,048	-	16,387,048
1,175,996	-	1,175,996
222,605	-	222,605
55,188	-	55,188
1,048,338	-	1,048,338
591,410	129,965	721,375
32,713,621	129,965	32,843,586
(2,166,271)	1,374,767	(791,504)
39,807,519	14,845,172	54,652,691
\$ 37,641,248	\$ 16,219,939	\$ 53,861,187

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FUND FINANCIAL STATEMENTS

Governmental Funds Financial Statements

Enterprise Funds Financial Statements

Fiduciary Funds Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Measure I Special Revenue Fund is used to account for money generated by a one-half percent sales tax approved by the voters in 1989, through 2010. In 2004, San Bernardino County voters approved the extension of Measure I sales tax through 2040.

The Barstow Fire Protection District Special Revenue Fund accounts for operations of the Barstow Fire Protection District.

Grants Special Revenue Fund is used to account for receipts and expenditures of money received from various governmental grants.

The City Capital Projects Fund accounts for transactions related to proceeds from bonds and other resources and their use to acquire and construct certain capital facilities.

Non-Major Governmental Funds is the aggregate of all the non-major governmental funds.

CITY OF BARSTOW

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds			
	General	Measure I	Barstow Fire Protection District	Grants
Assets:				
Pooled cash and investments	\$ 5,978,552	\$ 191,363	\$ 738,511	\$ 554,931
Receivables:				
Accounts	251,786	506,917	26,549	984,864
Taxes	-	-	-	-
Accrued interest	1,557	65	427	230
Prepaid costs	43,240	-	600	-
Deposits	591,564	-	-	-
Due from other governments	4,925,605	-	-	-
Due from other funds	924,442	-	-	-
Advances to other funds	7,301,063	-	-	-
Inventories	66,692	-	-	-
Total Assets	\$ 20,084,501	\$ 698,345	\$ 766,087	\$ 1,540,025
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 645,905	\$ 54,937	\$ 199,286	\$ 93,462
Accrued liabilities	1,410,055	-	298,739	-
Unearned revenues	-	-	-	299,625
Deposits payable	42,625	-	-	-
Due to other governments	50,575	-	-	-
Due to other funds	-	-	-	838,951
Advances from other funds	-	1,700,000	5,317,392	-
Retentions payable	-	-	-	-
Total Liabilities	2,149,160	1,754,937	5,815,417	1,232,038
Deferred Inflows of resources:				
Unavailable revenues	276,187	162,318	-	799,356
Total Deferred Inflows of Resources	276,187	162,318	-	799,356
Fund Balances:				
Nonspendable:				
Nonspendable	8,002,559	-	-	-
Restricted	-	-	-	-
Assigned	4,438,404	-	-	-
Unassigned	5,218,191	(1,218,910)	(5,049,330)	(491,369)
Total Fund Balances	17,659,154	(1,218,910)	(5,049,330)	(491,369)
Total Liabilities, Deferred inflows of Resources, and Fund Balances	\$ 20,084,501	\$ 698,345	\$ 766,087	\$ 1,540,025

CITY OF BARSTOW

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>Capital Projects Funds</u>		<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
	<u>City Capital Projects</u>		<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
Assets:					
Pooled cash and investments	\$ 907,568		\$ 1,352,442		\$ 9,723,367
Receivables:					
Accounts	-		159,653		1,929,769
Taxes	-		63,662		63,662
Accrued interest	430		1,006		3,715
Prepaid costs	-		-		43,840
Deposits	-		-		591,564
Due from other governments	-		-		4,925,605
Due from other funds	-		-		924,442
Advances to other funds	-		-		7,301,063
Inventories	-		-		66,692
Total Assets	<u>\$ 907,998</u>		<u>\$ 1,576,763</u>		<u>\$ 25,573,719</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	\$ 3,499		\$ 223,684		\$ 1,220,773
Accrued liabilities	-		-		1,708,794
Unearned revenues	-		29,656		329,281
Deposits payable	-		-		42,625
Due to other governments	-		-		50,575
Due to other funds	-		85,491		924,442
Advances from other funds	-		-		7,017,392
Retentions payable	97,010		-		97,010
Total Liabilities	<u>100,509</u>		<u>338,831</u>		<u>11,390,892</u>
Deferred Inflows of resources:					
Unavailable revenues	-		10,321		1,248,182
Total Deferred Inflows of Resources	<u>-</u>		<u>10,321</u>		<u>1,248,182</u>
Fund Balances:					
Nonspendable:					
Nonspendable	-		-		8,002,559
Restricted	807,489		1,252,543		2,060,032
Assigned	-		-		4,438,404
Unassigned	-		(24,932)		(1,566,350)
Total Fund Balances	<u>807,489</u>		<u>1,227,611</u>		<u>12,934,645</u>
Total Liabilities, Deferred inflows of Resources, and Fund Balances	<u>\$ 907,998</u>		<u>\$ 1,576,763</u>		<u>\$ 25,573,719</u>

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CITY OF BARSTOW

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Fund balances of governmental funds		\$ 12,934,645
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		84,787,829
Long-term debt, claims liabilities and compensated absences that have not been included in the governmental fund activity:		
Capital leases	\$ (1,594,224)	
Claims and judgements payable	(3,363,065)	
Compensated Absences	<u>(1,856,949)</u>	(6,814,238)
Pension liabilities are not included in the governmental fund statements, however they are reported in the governmental activities in the Statement of Net Position:		
Miscellaneous net pension liability	(12,254,319)	
Safety net pension liability	(14,861,345)	
Safety net pension liability - Fire	<u>(16,891,227)</u>	(44,006,891)
OPEB liabilities are not included in the governmental fund statements, however they are reported in the governmental activities in the Statement of Net Position.		(24,125,097)
Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred.		5,136,925
Employer contributions for OPEB were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred.		885,238
In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet:		
Deferred outflows of resources - pension	11,431,982	
Deferred outflows of resources - OPEB	2,053,819	
Deferred inflows of resources - pension	(5,532,544)	
Deferred inflows of resources - OPEB	<u>(358,602)</u>	7,594,655
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		<u>1,248,182</u>
Net Position of Governmental Activities		<u>\$ 37,641,248</u>

CITY OF BARSTOW

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			
	General	Measure I	Barstow Fire Protection District	Grants
Revenues:				
Taxes	\$ 26,139,094	\$ -	\$ 4,932,372	\$ -
Licenses and permits	455,886	-	80,912	-
Intergovernmental	487,333	1,701,195	217,370	742,866
Charges for services	328,465	-	-	-
Use of money and property	604,102	229	470,849	813
Fines and forfeitures	89,923	-	-	-
Miscellaneous	589,610	-	1,800	-
Total Revenues	28,694,413	1,701,424	5,703,303	743,679
Expenditures:				
Current:				
General government	5,164,979	-	-	-
Public safety	10,535,542	11,637	7,878,272	344,003
Community development	1,497,209	-	-	76,244
Parks and recreation	1,006,800	-	-	-
Public works	3,353,690	-	-	-
Capital outlay	207,816	-	-	489
Debt service:				
Principal retirement	719,295	-	-	-
Interest and fiscal charges	101,118	-	-	-
Total Expenditures	22,586,449	11,637	7,878,272	420,736
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,107,964	1,689,787	(2,174,969)	322,943
Other Financing Sources (Uses):				
Transfers in	1,039,760	-	3,497,562	-
Transfers out	(3,497,562)	(1,290,762)	-	(782,657)
Proceeds from sale of capital asset	126,938	-	-	-
Total Other Financing Sources (Uses)	(2,330,864)	(1,290,762)	3,497,562	(782,657)
Net Change in Fund Balances	3,777,100	399,025	1,322,593	(459,714)
Fund Balances, Beginning of Year	13,882,054	(1,617,935)	(6,371,923)	(31,655)
Fund Balances, End of Year	\$ 17,659,154	\$ (1,218,910)	\$ (5,049,330)	\$ (491,369)

CITY OF BARSTOW

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE:
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>City Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ -	\$ -	\$ 31,071,466
Licenses and permits	-	-	536,798
Intergovernmental	443,759	1,943,043	5,535,566
Charges for services	-	-	328,465
Use of money and property	381	8,274	1,084,648
Fines and forfeitures	-	-	89,923
Miscellaneous	-	1,273	592,683
Total Revenues	<u>444,140</u>	<u>1,952,590</u>	<u>39,239,549</u>
Expenditures:			
Current:			
General government	224,957	360,743	5,750,679
Public safety	-	14,595	18,784,049
Community development	16,261	16,146	1,605,860
Parks and recreation	-	300	1,007,100
Public works	1,150,787	538,313	5,042,790
Capital outlay	2,324,678	-	2,532,983
Debt service:			
Principal retirement	-	1,395,000	2,114,295
Interest and fiscal charges	-	62,794	163,912
Total Expenditures	<u>3,716,683</u>	<u>2,387,891</u>	<u>37,001,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,272,543)</u>	<u>(435,301)</u>	<u>2,237,881</u>
Other Financing Sources (Uses):			
Transfers in	3,284,661	367,808	8,189,791
Transfers out	-	(2,618,810)	(8,189,791)
Proceeds from sale of capital asset	-	-	126,938
Total Other Financing Sources (Uses)	<u>3,284,661</u>	<u>(2,251,002)</u>	<u>126,938</u>
Net Change in Fund Balances	<u>12,118</u>	<u>(2,686,303)</u>	<u>2,364,819</u>
Fund Balances, Beginning of Year	<u>795,371</u>	<u>3,913,914</u>	<u>10,569,826</u>
Fund Balances, End of Year	<u>\$ 807,489</u>	<u>\$ 1,227,611</u>	<u>\$ 12,934,645</u>

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CITY OF BARSTOW

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net change in fund balances - total governmental funds \$ 2,364,819

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 2,445,155	
Depreciation	(4,031,131)	
Capital assets acquired through capital lease	1,286,285	
Proceeds from sale of capital assets	(126,938)	
Gain/(loss) on sale of capital assets	<u>(498,248)</u>	(924,877)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayments	1,395,000	
Amortization of bond premiums/discounts	112,750	
Lease payments	<u>719,295</u>	2,227,045

Proceeds from leases are reported as a revenue in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.

(1,286,285)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

4,422

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(288,993)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. The details of this \$4,724,771 difference are as follows:

Claims and judgements	(752,927)	
Pension-related items	(2,924,309)	
Other post-employment benefit-related items	<u>(1,047,535)</u>	(4,724,771)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

462,369

Change in Net Position of Governmental Activities

\$ (2,166,271)

CITY OF BARSTOW

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2021

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Wastewater Reclamation</u>	<u>Solid Waste Disposal</u>	<u>Totals</u>
Assets:			
Current:			
Cash and investments	\$ 2,063,276	\$ 99,290	\$ 2,162,566
Receivables:			
Accounts	755,534	363,871	1,119,405
Accrued interest	622	-	622
Prepaid costs	849	664	1,513
Total Current Assets	2,820,281	463,825	3,284,106
Noncurrent:			
Capital assets:			
Not being depreciated	1,895,378	-	1,895,378
Net of accumulated depreciation	19,753,180	320,925	20,074,105
Total Noncurrent Assets	21,648,558	320,925	21,969,483
Total Assets	24,468,839	784,750	25,253,589
Deferred Outflows of Resources:			
Deferred employer pension contributions	239,707	58,104	297,811
Deferred outflows of resources - pension related items	377,329	91,464	468,793
Total Deferred Outflows of Resources	617,036	149,568	766,604
Liabilities:			
Current:			
Accounts payable	215,500	513,484	728,984
Accrued liabilities	87,564	21,841	109,405
Deposits payable	-	39,516	39,516
Accrued compensated absences - due within one year	49,416	5,347	54,763
Pollution remediation liability - due within one year	51,500	-	51,500
Capital leases - due within one year	30,086	-	30,086
Total Current Liabilities	434,066	580,188	1,014,254
Noncurrent:			
Advances from other funds	283,671	-	283,671
Accrued compensated absences - due in more than one year	74,125	8,019	82,144
Pollution remediation liability - due in more than one year	5,417,492	-	5,417,492
Capital leases - due in more than one year	16,971	-	16,971
Net pension liability	2,121,709	514,298	2,636,007
Total Noncurrent Liabilities	7,913,968	522,317	8,436,285
Total Liabilities	8,348,034	1,102,505	9,450,539
Deferred Inflows of Resources:			
Deferred inflows of resources - pension related items	281,484	68,231	349,715
Total Deferred Inflows of Resources	281,484	68,231	349,715
Net Position:			
Net investment in capital assets	21,601,501	320,925	21,922,426
Unrestricted (deficit)	(5,145,144)	(557,343)	(5,702,487)
Total Net Position	\$ 16,456,357	\$ (236,418)	\$ 16,219,939

CITY OF BARSTOW

STATEMENT OF REVENUES, EXPENSES
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2021

Business-Type Activities - Enterprise Funds

	<u>Wastewater Reclamation</u>	<u>Solid Waste Disposal</u>	<u>Totals</u>
Operating Revenues:			
Sales and service charges	\$ 5,564,001	\$ 4,208,547	\$ 9,772,548
Miscellaneous	11,199	118,766	129,965
Total Operating Revenues	5,575,200	4,327,313	9,902,513
Operating Expenses:			
Administration and general	2,022,097	304,737	2,326,834
Cost of services	1,487,175	3,559,560	5,046,735
Claims expense	147,910	13,459	161,369
Depreciation expense	951,307	22,190	973,497
Total Operating Expenses	4,608,489	3,899,946	8,508,435
Operating Income (Loss)	966,711	427,367	1,394,078
Nonoperating Revenues (Expenses):			
Interest expense	(17,562)	(1,166)	(18,728)
Gain (loss) on disposal of capital assets	(583)	-	(583)
Total Nonoperating Revenues (Expenses)	(18,145)	(1,166)	(19,311)
Changes in Net Position	948,566	426,201	1,374,767
Net Position:			
Beginning of Year	15,507,791	(662,619)	14,845,172
End of Fiscal Year	\$ 16,456,357	\$ (236,418)	\$ 16,219,939

CITY OF BARSTOW

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Wastewater Reclamation</u>	<u>Solid Waste Disposal</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 5,671,298	\$ 3,826,837	\$ 9,498,135
Cash paid to suppliers for goods and services	(1,586,671)	(3,139,408)	(4,726,079)
Cash paid to employees for services	(1,425,489)	(175,397)	(1,600,886)
Cash received from others	11,199	118,766	129,965
Net Cash Provided (Used) by Operating Activities	<u>2,670,337</u>	<u>630,798</u>	<u>3,301,135</u>
Cash Flows from Non-Capital Financing Activities:			
Repayments made to other funds	(190,516)	(530,342)	(720,858)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(190,516)</u>	<u>(530,342)</u>	<u>(720,858)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(150,140)	-	(150,140)
Principal paid on capital debt	(319,541)	-	(319,541)
Interest paid on capital debt	(17,562)	-	(17,562)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(487,243)</u>	<u>-</u>	<u>(487,243)</u>
Cash Flows from Investing Activities:			
Loss on investment	-	(1,166)	(1,166)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(1,166)</u>	<u>(1,166)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,992,578</u>	<u>99,290</u>	<u>2,091,868</u>
Cash and Cash Equivalents at Beginning of Year	70,698	-	70,698
Cash and Cash Equivalents at End of Year	<u>\$ 2,063,276</u>	<u>\$ 99,290</u>	<u>\$ 2,162,566</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 966,711	\$ 427,367	\$ 1,394,078
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities:			
Depreciation	951,307	22,190	973,497
(Increase) decrease in accounts receivable	107,297	(337,688)	(230,391)
(Increase) decrease in prepaid expense	(849)	(664)	(1,513)
(Increase) decrease in deferred employer contributions	(66,657)	(20,966)	(87,623)
(Increase) decrease in deferred outflows of resources - pension	(33,496)	(17,675)	(51,171)
Increase (decrease) in accounts payable and accrued liabilities	84,017	398,349	482,366
Increase (decrease) in deposits payable	-	(44,022)	(44,022)
Increase (decrease) in net pension liability	649,369	198,322	847,691
Increase (decrease) in deferred inflows of resources - pension	39,705	16,344	56,049
Increase (decrease) in compensated absences	(27,067)	(10,759)	(37,826)
Total Adjustments	<u>1,703,626</u>	<u>203,431</u>	<u>1,907,057</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,670,337</u>	<u>\$ 630,798</u>	<u>\$ 3,301,135</u>
Non-Cash Investing, Capital, and Financing Activities:			
Gain/(Loss) on disposal of capital assets	(583)	-	(583)

FIDUCIARY FUND FINANCIAL STATEMENTS

CITY OF BARSTOW, CALIFORNIA

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2021

	<u>Custodial Funds</u>	<u>Private-Purpose Trust Fund</u>
Assets:		
Cash and investments (Note 3)	\$ 226,503	\$ 834,185
Receivables:		
Accounts	17	-
Taxes	-	26,000
Accrued interest receivable	129	153
Due from other governments	-	45,461
Land held for resale	-	2,224,905
Total Assets	<u>226,649</u>	<u>3,130,704</u>
Liabilities:		
Accounts payable	58,128	-
Accrued interest	-	24,728
Bonds payable (Note 8)		
Due in one year	-	780,000
Due in more than one year	-	815,000
Total Liabilities	<u>58,128</u>	<u>1,619,728</u>
Net Position:		
Held in trust for other purposes	<u>168,521</u>	<u>1,510,976</u>
Total Net Position	<u>\$ 168,521</u>	<u>\$ 1,510,976</u>

CITY OF BARSTOW, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Funds</u>	<u>Private- Purpose Trust Fund</u>
Additions:		
Collections for assessment districts	\$ 22,129	\$ -
Intergovernmental	-	891,548
Interest and change in fair value of investments	456	(627)
Total Additions	22,585	890,921
Deductions:		
Administrative expenses	59,031	55,029
Contractual services	6,050	-
Interest expense	-	86,691
Total Deductions	65,081	141,720
Net Increase in Fiduciary Net Position	(42,496)	749,201
Net Position - Beginning	-	761,775
Restatement of Net Position (Note 16)	211,017	-
Net Position - Beginning, as Restated	211,017	761,775
Net Position - Ending	\$ 168,521	\$ 1,510,976

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FOOTNOTE DISCLOSURES

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CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies

The basic financial statements of the City of Barstow California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

a. Financial Reporting Entity

The City of Barstow (City) was incorporated on September 30, 1947, under the general laws of the State of California. The City operates under a council-manager form of government and provides the following services: park and recreation, public safety (police and fire), highways and streets, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements include the financial activities of the City, and its component units, the Barstow Public Financing Authority, the Barstow Public Facilities Corporation, the Odessa Water District, the Barstow Harvey House Foundation, Barstow Community Services Foundation, and the Barstow Fire Protection District. Financial information for the City and these components are accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council serves as the governing board of these component units and, as such, these entities are presented on a blended basis:

The Barstow Public Facilities Corporation (the Facilities Corporation) was established on September 21, 1989, to render financial assistance to the City by financing, refinancing, acquiring, constructing, improving, leasing, selling or otherwise conveying property of any kind to the City. The City Council acts as the Corporation's governing board and exerts significant influence over its operations. The City is responsible for the Facilities Corporation's obligations. Separate financial statements are not produced for the Facilities Corporation.

The Odessa Water District (Odessa) was established on July 5, 1993, pursuant to legislation approved by the State in 1991 to provide water resources to the City. The City Council acts as the District's governing board and exerts significant influence over its operations. The City is responsible for Odessa's obligations. Separate financial statements are produced for the District and may be obtained from the City's Finance Administration Office.

The Barstow Harvey House Foundation (the Foundation) is a nonprofit public benefit corporation established on January 16, 1992, to promote development of the Harvey House historic site, to improve, renovate, and maintain the historic significance of the site. The City Council acts as the Foundation's governing board and exerts significant influence over its operations. The City is responsible for the Foundation's obligations. Separate financial statements are not produced for the Foundation.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

The Barstow Community Services Foundation (the Community Services Foundation) was formed on October 7, 2013 as a non-profit public benefit corporation. The Community Services Foundation will receive, invest and utilize funds and property acquired through the solicitation of contributions, donations, grants, gifts, bequests for the purposes of fostering and promoting community interests, events, and programs promoting and celebrating Barstow, its history and contributions, and any other purpose beneficial to the public. The City Council acts as the Community Services Foundation's governing board and exerts significant influence over its operations. The City is responsible for the Community Services Foundation's obligations. Separate financial statements for the Community Services Foundation are not produced.

The Barstow Fire Protection District (the District) became a component unit of the City on November 17, 2010. Previously the District was an independent district. The District will continue to be operated according to the applicable state fire protection district laws and the property taxes collected within the district will be used exclusively for the administration and operational costs of the district. The City Council acts as the District's governing board and exerts significant influence over its operations. Separate financial statements are produced for the District and may be obtained from the City's Finance Office.

b. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an economic resource's measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses recognized in the period in which the liability is incurred. Grant revenues are recognized when all eligibility requirements imposed by the provider have been met. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities.

Governmental Fund Financial Statements

Governmental funds financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements.

The City of Barstow reports the following major governmental funds:

- The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Measure I fund is used to account for money generated by a one-half percent sales tax approved by the voters in 1989 and extended in 2004 by the San Bernardino County voters to continue until 2040. The fund is also used to account for the debt proceeds and related expenditures of the California Communities Local Measure I Sales Tax Revenue Certificates of Participation, Series 2012.
- The Barstow Fire Protection District Special Revenue fund accounts for operations of the Barstow Fire Protection District which was annexed to the City effective November 17, 2010. The District's main source of revenue is through the collection of property taxes. This constitutes approximately 91% of its revenue source for fiscal year 2020. Minor sources of revenue are fees for permits, plan and specification review, and grants.
- The Grants fund accounts for transactions related to proceeds from grants restricted for various purposes specified in the respective grant agreements.
- The City Capital Projects Fund accounts for transactions related to proceeds from bonds and other resources and their use to acquire and construct certain capital facilities.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 90 days after year-end). The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Enterprise Fund Financial Statements

Enterprise fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major enterprise fund and nonmajor funds aggregated.

The City of Barstow reports one major enterprise fund:

- The Wastewater Reclamation Fund accounts for the operation of the wastewater system. The City and its employees operate the wastewater system and plant.

In addition, the City reports one non- major enterprise fund:

- The Solid Waste Disposal Fund is used to account for the operation of the Solid Waste (trash) utility, a self-supporting activity which renders services on a user charge basis to residents and businesses located in the Barstow area.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a statement of fiduciary assets and liabilities, and a statement of changes in fiduciary net position. The City's fiduciary funds represent agency funds and a private-purpose trust fund. Agency funds are custodial in nature (statement of fiduciary assets and liabilities) and do not involve measurement of results of operations. Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Private-purpose trust funds are accounted for on the accrual basis of accounting.

The City reports the following fiduciary funds:

- Custodial Funds – account for receipt of special taxes and assessments used to pay principal and interest on related bonds with no direct City liability. Agency funds are also used to account for developer deposits and other small funds for the benefit of other agencies.
- Successor Agency Private Purpose Trust Fund – accounts for assets and liabilities of the Successor Agency Trust Fund.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

c. Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. In compliance with Governmental Accounting Standards Board Statement No. 31, the City's investments are stated at fair value. Fair market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The City generally holds all investments until maturity or until market values equal or exceed cost. Therefore, the fair value of securities in the investment pool does not necessarily reflect realized gains or losses but rather the fair value of those investments as of June 30, 2021.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All pooled cash and investments of the enterprise funds are considered cash equivalents.

e. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances to other funds, as reported in the fund financial statements, are offset by a non-spendable fund balance.

Governmental fund and enterprise fund receivables are shown net of an allowance for uncollectible amounts. Residential utility customers are billed bi-monthly on an alternating basis. Commercial and multi-family customers are billed monthly.

Property taxes are assessed, collected and allocated by San Bernardino County throughout the fiscal year according to the following property tax calendar:

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1st Installment
	February 1, 2nd Installment
Delinquent Dates	December 11, 1st Installment April 11, 2nd Installment

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

City property tax revenues are recognized when levied to the extent that they result in current receivables. The City elected to participate in the County of San Bernardino Teeter Plan guaranteed payment as of June 30, 1993.

The County of San Bernardino collects an administration fee from the City for its services. The City receives a percentage of the basic 1% ad valorem tax rate allowed on property within the City of Barstow. Property tax rates for the City's general obligation debt are set by the City Council based on assessed valuations and debt service requirements. The assessed valuation is at "full cash value."

g. Inventories and Prepayments

Inventory is valued at cost using the first in, first out method. The City uses the consumption method of accounting for inventories. Certain types of goods and services such as payments to vendors and pension costs are paid in advance and reflect costs applicable to future accounting periods and are recorded as prepaid items.

h. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

i. Capital Assets

The City's buildings, machinery, equipment, infrastructure and intangible assets with useful lives of more than two years are stated at historical cost or estimated historical cost and reported in the government-wide financial statements. Enterprise capital assets are also reported in their respective fund financial statements. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The City updated its Capital Asset Policy on June 16, 2014 per Council approval. The City capitalizes its assets as follows:

Buildings and Building Improvements	Costs of \$50,000 or more
Furniture	Costs of \$10,000 or more
Equipment	Costs of \$20,000 or more
Infrastructure	Costs of \$100,000 or more

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization. Water rights, which are intangible assets, are not amortized. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50 years
Infrastructure and improvements other than buildings	10-100 years
Machinery and equipment	3-15 years

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

j. Compensated Absence Payable

Under certain circumstances and according to negotiated labor agreements, employees of the City are allowed to accumulate vacation leave, compensation time, and sick leave. This amount is included as a liability in the government-wide and enterprise fund financial statements.

k. Long-Term Obligations

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position.

l. Net Position and Fund Equity

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This category groups all capital assets into one component of net position. Accumulated depreciation on these assets and the outstanding principal of related debt reduce this category.

Restricted Net Position: This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: This category represents the net position of the City that are not externally restricted for any project or other purpose.

In the fund financial statements, governmental funds are classified in the following categories:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – is the portion of fund balance that can only be used for specific purpose due to formal action of the City Council through adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. No amounts have been reported within this category of fund balance.

Assigned Fund Balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) City Council or (b) a body (a budget, finance committee, or management

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

(City Wide Leadership team, which consists of City Manager and Executive Department Heads)) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund, that are not classified as non-spendable, restricted, or committed.

Unassigned Fund Balance – the residual classification for the General Fund and includes all not contained in the other classifications. Governmental funds report residual negative balances as unassigned fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

m. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

n. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan and San Bernardino County Employees' Retirement Association (SBCERA) plan (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and SBCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

o. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Valuation Date July 1, 2019
Measurement Date June 30, 2020
Measurement Period July 1, 2019 to June 30, 2020

p. New Pronouncements

During the fiscal year ended June 30, 2021, the City implemented the following GASB standards:

GASB Statement No. 84 – Fiduciary Activities The requirements of 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 enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The result of implementing this standard resulted in the inclusion of financial information formerly reported as “agency funds” in prior years within the General Fund. Additionally, Funds previously reported as agency funds are now reported as custodial funds. The implementation of this financial information resulted in prior period adjustments of \$211,017, refer to note 14 for additional information.

Note 2: Cash and Investments

Cash and investments are reported in the accompanying financial statements as follows:

Government-Wide Statement of Net Position

	Governmental Activities	Business Activities	Fiduciary Funds	Total
Cash and Investments	\$ 9,723,367	\$ 2,162,566	\$ 1,060,688	\$12,946,621
Total Cash and Investments	\$ 9,723,367	\$ 2,162,566	\$ 1,060,688	\$12,946,621

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

Deposits:

Cash on Hand	\$ 1,940
Deposits with Financial Institution	4,778,695
Total Deposits	4,780,635

Investments

Local Agency Investment Fund	8,165,986
Total Investments	8,165,986
Total City Treasury	12,946,621
Total Cash and Investments	\$ 12,946,621

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 2: Cash and Investments (Continued)

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund. The carrying amount of the City's cash deposit was \$4,778,695 at June 30, 2021. Bank balances before reconciling items were \$5,172,085, the total amount of which was insured and/or collateralized with securities held by pledging financial institutions in the City's name as discussed in note 2.f.

a. Investments Authorized by the California Government Code and the City of Barstow Adopted Investment Policy

The table below identifies the investment types that are authorized for the City of Barstow by the California Government Code and by the City's adopted investment policy. The table also identifies certain provisions of the California Government Code or the City's adopted investment policy, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City or its authorities, rather than the general provisions of the California Government Code or the City's adopted investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills, Notes, or Bonds	None	None	None
U.S. Agencies	None	None	None
CA Warrants, Treasury Notes and Bonds	None	None	None
Local Agency Bonds	5 Years	N/A	N/A
Negotiable Certificates of Deposit	N/A	30%	50%
Bankers' Acceptance	180 Days	40%	30%
Prime Commercial Paper	270 Days	25%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Mutual Funds Investing in Eligible	N/A	20%	10%
Medium Term Notes	5 Years	30%	None
Mortgage Backed Securities	5 Years	20%	None
Local Agency Investment Fund (LAIF) *	N/A	None	\$75 million
Federal Agency	None	None	None

*Limit set by LAIF Governing Board, not Government Code

b. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 2: Cash and Investments (Continued)

c. Disclosures Related to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that 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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>
		<u>1 Year or Less</u>
Local Agent Investment Fund	\$ 8,165,986	\$ 8,165,986
Total	\$ 8,165,986	\$ 8,165,986

d. Disclosures Related to Credit Risk

Generally, 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. Presented below is the minimum rating required by the California Government Code or the City's investment policy, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Legal Minimum Rating</u>	<u>Rating as of Year End</u>
			<u>Not Rated</u>
Local Agency Investment Funds	\$ 8,165,986	N/A	\$ 8,165,986
Total	\$ 8,165,986		\$ 8,165,986

Concentration of Credit Risk

The City's investment policy contains certain limitations as disclosed in the accompanying table on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City has not invested more than 5% of its total investment value with any one issuer.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 2: Cash and Investments (Continued)

e. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. 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 agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, \$4,922,085 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

f. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City's investments with LAIF at June 30, 2021, include a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structures Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021, the City had \$8,165,986 invested in LAIF, which had invested 1.1% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 1.00008297 to the total investments held by LAIF.

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 2: Cash and Investments (Continued)

g. Investment Valuation

Investments (except for money market accounts included in investments classified as restricted cash and investments) are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2021 are described on the following page.

Investments included in restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to fair value measurement.

Investment Type	Fair Value	Not Subjected to Disclosure
Local Agency Investment Fund	\$ 8,165,968	\$ 8,165,968
Total Investment Subject to Fair Value	<u>\$ 8,165,968</u>	<u>\$ 8,165,968</u>

Note 3: Accounts Receivable

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Accounts Receivable</u>	<u>Allowances for Uncollectibles</u>	<u>Accounts Receivable, Net</u>
Funds			
General Fund	\$ 320,723	\$ (68,937)	\$ 251,786
Measure I Special Revenue Fund	506,917	-	506,917
Barstow Fire Protection District			
Special Revenue Fund	26,549	-	26,549
Grants Fund	984,864	-	984,864
Non Major Funds	159,653	-	159,653
Enterprise Funds			
Wastewater Reclamation	828,721	(73,187)	755,534
Solid Waste Disposal	419,082	(55,211)	363,871
	<u>\$ 3,246,509</u>	<u>\$ (197,335)</u>	<u>\$ 3,049,174</u>

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 4: Interfund Balances

The following table presents the interfund balances as of June 30, 2021:

<u>Due to General Fund</u>	<u>Due From Other Funds</u>
Grants Fund	\$ 838,951
Non-Major Governmental Funds	85,491
Total	\$ 924,442

Capital projects, funded by reimbursable grants and capital allocations from Federal, State, and County sources, were approved by the City Council with the understanding that the General Fund lends monies to other funds with the expectation that the amounts will be repaid based on contractual commitments from other governmental entities. The Grants Special Revenue Fund and Non-Major Governmental Funds have expenses for which the expected reimbursement has not yet been received as of June 30, 2021.

The following table presents advances as of June 30, 2021:

	<u>Advances From Other Funds</u>			<u>Total</u>
	<u>Measure I Special Revenue Fund</u>	<u>Barstow Fire Protection District Special Revenue Fund</u>		
		<u>Special Revenue Fund</u>	<u>Wastewater Reclamation Enterprise Fund</u>	
Advances to Other Funds				
General Fund	\$ 1,700,000	\$ 5,317,392	\$ 283,671	\$ 7,301,063
Total	\$ 1,700,000	\$ 5,317,392	\$ 283,671	\$ 7,301,063

In fiscal year 2016, the General Fund advanced \$2,000,000 to the Measure I Special Revenue Fund to complete the Henderson/Cameron Area Road Project. Per San Bernardino County Transportation Authority (SBCTA), interest may not be charged on Measure I funds. As of June 30, 2021, the total amount owed to the General Fund is \$1,700,000.

Beginning in fiscal year 2015, the General Fund began advancing funds to the Barstow Fire Protection District Special Revenue Fund to cover operational expenditures for each fiscal year. Funds advanced accumulated to \$4,153,696 as of July 1, 2018. On October 1, 2018, the City and the Barstow Fire Protection District entered into a formal loan agreement with the balance due to be paid over a period of 5 years at a zero percent interest rate. The City has the option to declare at any point in time that the entire principal amount outstanding will be due and payable upon request. In fiscal year 2021, the General Fund advanced the Barstow Fire Protection District an additional \$1,243,696. As of June 30, 2021, the total amount owed to the General Fund from the Barstow Fire Protection District Special Revenue Fund is \$5,317,392.

In fiscal year 2015, the General Fund advanced \$5 million to the Wastewater fund to cover major capital facility improvements. The funds were advanced at a 2% interest rate. As of June 30, 2021, the total amount owed to the General Fund from the Wastewater Fund is \$283,671.

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 4: Interfund Transfers (Continued)

With Council approval, resources are transferred from one City fund to another. The transfers reflected are to record capital outlay and debt service for the year.

In the fund financial statements, total transfers were \$8,189,791 as follows:

Transfers Out	Transfers In				Total
	General Fund	Barstow Fire Protection District	City Capital Projects	Non-Major Governmental Funds	
Major					
General	\$ -	\$ 3,497,562	\$ -	\$ -	\$ 3,497,562
Grants Fund	-	-	782,657	-	782,657
Measure I Special Revenue Fund	840,000	-	82,954	367,808	1,290,762
Non-Major Governmental Funds	199,760	-	2,419,050	-	2,618,810
Total	\$ 1,039,760	\$ 3,497,562	\$ 3,284,661	\$ 367,808	\$ 8,189,791

The transfers between governmental funds have been eliminated in the government-wide statements.

The transfers of \$3,497,562 from the general fund, \$782,657 from the Grants Fund, \$1,290,762 from the Measure I Fund, and \$2,618,810 from Non-major governmental funds to Non-major governmental funds were for capital improvements and debt services.

Note 5: Capital Assets

A summary of changes in the governmental activities capital assets at June 30, 2021 are as follows:

	Balance July 1, 2020	Transfers of CIP	Increases	Decreases	Balance June 30, 2021
Non-Depreciable Assets:					
Work in Progress	\$ 10,154,019	\$ (100,661)	\$ 3,409,333	\$ 101,223	\$ 13,361,468
Land	9,800,485	-	-	98,001	9,702,484
Intangible Asset-Water Rights	85,000	-	-	-	85,000
Total Non-Depreciable Assets	20,039,504	(100,661)	3,409,333	199,224	23,148,952
Depreciable Assets:					
Buildings and Improvements	28,829,129	35,784	-	3,528,585	25,336,328
Machinery and Equipment	5,496,564	64,877	113,675	376,606	5,298,510
Property Under Capital Lease	1,205,253	-	208,432	-	1,413,685
Infrastructure	113,337,068	-	-	5,000	113,332,068
Total Depreciable Assets	148,868,014	100,661	322,107	3,910,191	145,380,591
Less Accumulated Depreciation:					
Buildings and Improvements	(18,301,986)	-	(504,705)	(3,135,739)	(15,670,952)
Machinery and Equipment	(3,986,333)	-	(257,277)	(343,490)	(3,900,120)
Property Under Capital lease	(222,509)	-	(171,992)	-	(394,501)
Infrastructure	(60,683,984)	-	(3,097,157)	(5,000)	(63,776,141)
Total Accumulated Depreciation	(83,194,812)	-	(4,031,131)	(3,484,229)	(83,741,714)
Total Depreciable Assets, Net	65,673,202	100,661	(3,709,024)	425,962	61,638,877
Total Capital Assets	\$ 85,712,706	\$ -	\$ (299,691)	\$ 625,186	\$ 84,787,829

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 5: Capital Assets (Continued)

A summary of changes in the business-type activities capital assets at June 30, 2021 are as follows:

	Balance July 1, 2020	Transfers of CIP	Increases	Decreases	Balance June 30, 2021
Non-Depreciable Assets:					
Work in Progress	\$ 206,403	\$ (118,802)	\$ 150,140	\$ -	\$ 237,741
Land	1,657,637	-	-	-	1,657,637
Total Non-Depreciable Assets	<u>1,864,040</u>	<u>(118,802)</u>	<u>150,140</u>	<u>-</u>	<u>1,895,378</u>
Depreciable Assets:					
Buildings and Improvements	306,094	-	-	-	306,094
Machinery and Equipment	3,445,538	-	-	833,411	2,612,127
Property Under Capital Lease	169,364	-	-	-	169,364
Infrastructure	31,252,541	118,802	-	1,581	31,369,762
Total Depreciable Assets	<u>35,173,537</u>	<u>118,802</u>	<u>-</u>	<u>834,992</u>	<u>34,457,347</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(210,879)	-	(6,419)	-	(217,298)
Machinery and Equipment	(1,834,237)	-	(134,798)	(833,411)	(1,135,624)
Property Under Capital lease	(64,601)	-	(16,440)	-	(81,041)
Infrastructure	(12,134,437)	-	(815,840)	(998)	(12,949,279)
Total Accumulated Depreciation	<u>(14,244,154)</u>	<u>-</u>	<u>(973,497)</u>	<u>(834,409)</u>	<u>(14,383,242)</u>
Total Depreciable Assets, Net	<u>20,929,383</u>	<u>118,802</u>	<u>(973,497)</u>	<u>583</u>	<u>20,074,105</u>
Total Capital Assets	<u>\$ 22,793,423</u>	<u>\$ -</u>	<u>\$ (823,357)</u>	<u>\$ 583</u>	<u>\$ 21,969,483</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	Governmental Activities	Business-Type Activities
General Government	\$ 371,746	\$ -
Public Safety	296,319	-
Recreation	231,556	-
Community Development	4,129	-
Public Works	3,127,381	-
Wastewater Reclamation	-	951,307
Solid Waste Disposal	-	22,190
Total Depreciation Expense	<u>\$ 4,031,131</u>	<u>\$ 973,497</u>

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 6: Long-Term Debt

During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term debt:

	Balance June 30, 2020	Additions	Deletions/ Adjustments	Balance June 30, 2021	Due Within One Year
Governmental Activities:					
Measure I TRIP COP, Series 2012	\$ 1,395,000	\$ -	\$ (1,395,000)	\$ -	\$ -
Bond Premium - Measure I TRIP	112,750	-	(112,750)	-	-
Capital Lease Agreements	1,027,234	1,286,285	(719,295)	1,594,224	378,488
Total Governmental Activities	<u>\$ 2,534,984</u>	<u>\$ 1,286,285</u>	<u>\$ (2,227,045)</u>	<u>\$ 1,594,224</u>	<u>\$ 378,488</u>
Business Type Activities:					
Capital lease Agreement	\$ 349,491	\$ -	\$ (302,434)	\$ 47,057	\$ 30,086
Total Business Type Activities	<u>\$ 349,491</u>	<u>\$ -</u>	<u>\$ (302,434)</u>	<u>\$ 47,057</u>	<u>\$ 30,086</u>

a. California Communities Local Measure I Sales Tax Revenue (Installment Sale) Certificates of Participation, Series 2012 (T.R.I.P. – Total Road Improvement Program)

On December 1, 2012, the City entered into an installment sale agreement with the California Statewide Communities Development Authority (Authority) to issue California Communities Local Measure I Sales Tax Revenue (Installment Sale) Certificates of Participation, Series 2012 (T.R.I.P. – Total Road Improvement Program), totaling \$9,770,000. The purpose was to (i) finance the design, acquisition, and construction of certain local roadway improvements and street resurfacing projects within the jurisdiction of the City; (ii) fund a reserve subaccount within the reserve fund for the Certificates, and; (iii) pay the costs incurred in connection with the execution, sale, and delivery of the Certificates.

The City is required under the 2012 installment sale agreement to make installment sale payments to the Authority. Installment Sale Payments are payable from a first lien on all Measure I receipts, generally consisting of certain amounts received by the City from a 0.5% sales and use tax that is collected in the County of San Bernardino, California for a thirty-year period ending on March 31, 2040. Measure I revenues received by the City for the fiscal year ended June 30, 2021 were \$375,549. The Measure I TRIP COPs were paid in full in fiscal year 2020-2021.

b. Capital Lease Agreements

The City entered into a capital lease agreement to finance the cost of an energy retrofit project for \$5,489,461. The City is required to make monthly payments of \$55,536. The monthly payment includes principal and interest at 4.795%. The lease is for 126 months and expires in July 2021.

Year Ending June 30,	Governmental	Business Type
	Activities	Activities
2022	Lease Payment	Lease Payment
	\$ 21,971	\$ 16,575
Total Minimum Lease Payments	21,971	16,575
Less: Amount representing interest	(87)	(66)
Present Value of Future Minimum Lease Payments	<u>\$ 21,884</u>	<u>\$ 16,509</u>

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 6: Long-Term Debt (Continued)

The City entered into a multi-year capital lease program for vehicle replacement. Each year, vehicles in the fleet are evaluated and proposed additions and retirements are taken to the City Council for approval. The City makes an annual payment based on the leased vehicles in the fleet. In fiscal year 2021, the City leased 1 new vehicle for governmental activities at a cost of \$43,408 and made an annual lease payment of \$284,602. The City made an annual lease payment of \$23,945 related to the business type activity leases. Future minimum lease payments under all of the leases are as follows:

Year Ending June 30,	Governmental	Business Type
	Activities	Activities
	Lease Payment	Lease Payment
2022	\$ 244,147	\$ 20,821
2023	201,173	13,579
2024	24,171	7,778
2025	8,116	3,241
Total Minimum Lease Payments	477,607	45,419
Less: Amount representing interest	(82,612)	(14,871)
Present Value of Future Minimum Lease Payments	\$ 394,995	\$ 30,548

In fiscal year 2020-2021, the City entered into a lease agreement to finance the cost to refurbish a fire engine, and purchase a new fire apparatus, and hydraulic lift to service the fire apparatus. The total available financing is \$1,451,751. At June 30, 2021, costs of \$1,242,878 were incurred relating to the purchase of the fire equipment. The City is required to make semi-annual lease payments of 83,601, including principal and interest at a rate of 2.45% until the year 2030.

Year Ending June 30,	Governmental
	Activities
	Lease Payment
2022	\$ 167,202
2023	167,202
2024	167,202
2025	167,202
2026	167,202
2027-2030	520,290
Total Minimum Lease Payments	1,356,300
Less: Amount representing interest	(178,955)
Present Value of Future Minimum Lease Payments	\$ 1,177,345

Note 7: Pollution Remediation Liability

During the year ended June 30, 2021, the following changes occurred in the City's Pollution Remediation Liability

	Balance June 30, 2020	Additions	Deletions/ Adjustments	Balance June 30, 2021	Due Within One Year
Business Type Activities:					
Pollution Remediation Liability	\$ 5,486,099	\$ -	\$ (17,107)	\$ 5,468,992	\$ 51,500

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 7: Pollution Remediation Liability (Continued)

On August 2, 2006, the California Regional Water Quality Board issued an order requiring the City of Barstow to take remediation action for wastewater discharges resulting in alleged increases in the nitrate levels in the water supply resulting from the City’s wastewater plant. Major long-term costs associated with the project include quarterly well sampling and reporting; operation and maintenance of a groundwater remediation system; and replacement drinking water to select residents. In 2015, the City completed the Phase I Improvement Project, which resulted in an improved effluent water quality from the Barstow Wastewater Treatment Plant. In 2019, the California Regional Water Quality Control Board issued a new discharge permit that encompassed new and revised sampling requirements for the treatment plant and the surrounding monitoring wells. During this time the Regional Water Quality Control Board removed the Cease and Desist Order against the City of Barstow. To date approximately \$3,386,008 has been spent. Implementation of the mitigation order has been delayed pending the outcome of the discussions with the Regional Water Quality Board to include perchlorate remediation, (which is not the City’s responsibility) with nitrate remediation. The City anticipates spending \$51,500 for the operating and testing costs in fiscal year 2022 and will continue the monitoring costs relating to legal mandates such as regulatory agency orders, court orders or other affirmative legal obligations. A summary of the components of the pollution remediation liability at June 30, 2021 is as follows:

<u>Obligating Event</u>	<u>Liability</u>
Quarterly and Maintenance of Groundwater	\$ 10,257
Operation and Maintenance of Ground Water	1,401
Replacement Drinking Water	5,450
Total by Obligating Event	<u>\$ 17,108</u>

Method and Assumption

With the adoption of GASB 49, the pollution remediation sites on the property managed and operated by the City were evaluated. The City applied the requirements of GASB 49 and measured the environmental liabilities for pollution remediation sites using the expected cash flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include components which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants and City staff.

Changes to estimates will be made when new information becomes available, increases or reductions in price, changes in technology, or changes in applicable laws or regulations. At a minimum, the City will evaluate the estimates for the pollution remediation sites when the following benchmarks occur.

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and post remediation monitoring.

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 8: Compensated Absences

The City's policy relating to compensated absences is described in Note 1. Compensated absences are liquidated primarily by the General Fund and the Enterprise Funds. The total amount outstanding at June 30, 2021, was \$1,567,956 for governmental activities and \$174,733 for business-type activities.

	Balance June 30, 2020	Incurred	Satisfied	Balance June 30, 2021	Due Within One Year
Governmental Activities	\$ 1,567,956	\$ 1,073,665	\$ (784,672)	\$ 1,856,949	\$ 742,780
Business Type Activities	\$ 174,733	\$ 85,505	\$ (123,331)	\$ 136,907	\$ 54,763

Note 9: Risk Management

The City is a member of Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-one participating member agencies: twenty-one cities, four transit agencies and six special districts. PERMA is governed by a Board of Directors which consists of one director from each member agency. The City participates in the Liability, Workers' Compensation, Employment Practices Liability, Property Insurance, Auto Physical Damage, Cyber Liability, and Crime Coverage insurance programs of PERMA.

The Liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City self-insures up to \$125,000 per occurrence and participates in risk sharing pools for losses up to \$1 million followed by PERMA's membership in the Public Risk Innovation, Solutions, and Management (PRISM) for \$49 million excess liability coverage. PERMA administers the City's liability claims.

The Workers' Compensation program provides statutory limits per accident for workers' compensation and \$5 million each accident for employers' liability. The City self-insures up to \$250,000 per accident or employee and participates in a risk sharing pool for losses up to \$500,000 followed by PERMA's membership in the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for excess coverage. A third-party administrator administers the City's workers' compensation claims.

The Employment Practices Liability program provides up to \$1 million coverage for employment related lawsuits, such as wrongful termination and discrimination. The City self-insures up to \$25,000 per occurrence and participates in the Employment Risk Management Authority (ERMA) for losses up to \$1 million. Coverage above \$1 million and up to \$50 million is available through PERMA's membership in PRISM for excess liability coverage.

The Property Insurance program is group purchased under a master property insurance policy with accumulated values from all participants effecting lower rates and broader coverage for members. The program covers real property, business personal property, inland marine coverage for special mobile equipment and business interruption. Commercial property coverage is written on a replacement cost basis and all risk, eliminating the traditional commercial "named peril" policy.

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 9: Risk Management (Continued)

The Auto Physical Damage program is also group purchased under a master insurance policy with accumulated values from all participants effecting lower rates for members. Auto physical damage coverage is written on an agreed amount basis.

The Cyber Liability program is also group purchased under a master insurance policy and provides coverage for information security and privacy liability, privacy notification costs, regulatory defense and penalties, website media content liability, cyber extortion, first party data protection, and business interruption losses. The program provides its insureds with access to a breach response team consisting of privacy expert attorneys, forensic specialists to determine scope of breach, notification vendors, and credit monitoring services at preferred rates.

The Crime Coverage program is also group purchased under a master insurance policy and provides coverage up to \$1,000,000 for employee theft, forgery or alteration, computer fraud and funds transfer fraud.

None of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage for the past three (3) years. There have been no reductions in pooled or insured coverage from coverage in the prior year. General fund resources would be typically used to liquidate the claims liability, should the need arise.

The claims liability is estimated based on actuarial studies of the Liability and Workers' Compensation program. The actuary used a 65% confidence level and discounted the liabilities using a 2% interest rate.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Workers' Compensation</u>			
Liability, July 1	\$2,370,315	\$ 1,683,201	\$ 1,838,232
Incurred Claims and Changes in Estimates	677,615	1,407,654	385,735
Claim Payments	<u>(169,455)</u>	<u>(720,540)</u>	<u>(540,766)</u>
Liability, June 30	<u>\$2,878,475</u>	<u>\$2,370,315</u>	<u>\$ 1,683,201</u>
Due Within One Year	\$ 575,695	\$ 474,063	\$ 336,641
Due in More Than One Year	<u>2,302,780</u>	<u>1,896,252</u>	<u>1,346,560</u>
	<u>\$2,878,475</u>	<u>\$2,370,315</u>	<u>\$ 1,683,201</u>
<u>General Liability</u>			
Liability, July 1	\$ 239,823	\$ 426,977	\$ 278,058
Incurred Claims and Changes in Estimates	1,635,798	(158)	429,835
Claim Payments	<u>(1,391,031)</u>	<u>(186,996)</u>	<u>(280,916)</u>
Liability, June 30	<u>\$ 484,590</u>	<u>\$ 239,823</u>	<u>\$ 426,977</u>
Due Within One Year	\$ 121,147	\$ 59,956	\$ 106,743
Due in More Than One Year	<u>363,443</u>	<u>179,867</u>	<u>320,234</u>
	<u>\$ 484,590</u>	<u>\$ 239,823</u>	<u>\$ 426,977</u>

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 10: Retirement Plans

a. Summary of Pension Plan Balances

Pension related balances presented on the Statement of Net Position as of June 30, 2021, by individual plan are described in the following table:

	Deferred Employer Contributions	Deferred Outflows- Pension	Net Pension Liability	Deferred Inflows- Pension	Pension Expense
CalPERS Cost Sharing Plan	\$ 3,405,375	\$ 4,669,311	\$ (29,751,671)	\$ (2,567,246)	\$ 6,086,358
SBCERA- Barstow Fire Protection District	2,029,361	7,231,464	(16,891,227)	(3,315,013)	3,201,401
Total	<u>\$ 5,434,736</u>	<u>\$ 11,900,775</u>	<u>\$ (46,642,898)</u>	<u>\$ (5,882,259)</u>	<u>\$ 9,287,759</u>

b. CALPERS Safety and Miscellaneous Employees Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

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 credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 10: Retirement Plans (Continued)

The rate plan provisions and benefits in effect at the measurement date are summarized as follows:

	<u>Safety - Classic</u>	<u>Miscellaneous - Classic</u>
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payment	Monthly For Life	Monthly For Life
Retirement Age	50	55
Monthly Benefits, as a % of Annual Salary	3%	2.7%
Required Employee Contribution Rates	9.000%	8.000%
Required Employer Contribution Rates	21.927%	13.182%
Required UAL Payment	\$ 813,069	\$ 827,964

	<u>Safety - PEPRA</u>	<u>Miscellaneous - PEPRA</u>
Hire Date	On or After January 1, 2013	On or After January 1, 2013
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payment	Monthly For Life	Monthly For Life
Retirement Age	57	62
Monthly Benefits, as a % of Annual Salary	2.70%	2.00%
Required Employee Contribution Rates	11.500%	6.250%
Required Employer Contribution Rates	13.034%	6.985%
Required UAL Payment	\$ 1,674	\$ 13,931

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are to be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s contributions to the Plan for the measurement period ended June 30, 2020, recognized as a reduction to the net pension liability were \$3,124,739.

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$29,751,671.

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 10: Retirement Plans (Continued)

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportionate of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2019 and 2020 were as follows:

Proportion - June 30, 2019	0.24588%
Proportion - June 30, 2020	<u>0.26490%</u>
Change - Increase (Decrease)	0.01902%

For the year ended June 30, 2021, the City recognized pension expense of \$6,086,358. At June 30, 2021, the City 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	\$ 3,405,375	\$ -
Changes of Assumptions	-	(155,706)
Differences Between Expected and Actual	1,919,765	-
Changes in Employer's Proportion	1,984,206	-
Differences Between the Employer's Contribution and the Employer's Proportionate Share of Contributions	-	(2,411,540)
Net Differences Between Projected and Actual Earnings on Plan Investments	<u>765,340</u>	-
Total	<u>\$ 8,074,686</u>	<u>\$ (2,567,246)</u>

\$3,405,375 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30:	
2021	\$ 426,680
2022	740,920
2023	560,465
2024	<u>374,000</u>
Total	<u>\$ 2,102,065</u>

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FOR YEAR ENDED JUNE 30, 2021

Note 10: Retirement Plans (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2020, actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry - Age Normal in Accordance with the Requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table	Derived by CalPERS Membership Data for All Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019, valuation were based on the results of a January 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions - There were no changes in assumptions.

Subsequent Events - There were no subsequent events to the plan that would materially affect the results presented.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 10: Retirement Plans (Continued)

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

Asset Class ¹	New Strategic Allocation	Real Return Years 1 - 10(a) ²	Real Return Years 11+(b) ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%
Total	100.00%		

¹ In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An Expected Inflation of 2.00% Used for this Period.

³ An Expected Inflation of 2.92% Used for this Period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 47,786,201
Current Discount Rate	7.15%
Net Pension Liability	\$ 29,751,671
1% Increase	8.15%
Net Pension Liability	\$ 14,891,260

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 10: Retirement Plans (Continued)

c. San Bernardino County Employees' Retirement Association (SBCERA)

The District became a component of the City from November 17, 2010, and effective that date all of the employees of the District have become employees of the City. The District employees were covered under the pension plan of the San Bernardino County Employees' Retirement Association (SBCERA). Subsequent to the merger, the members of Barstow Professional Firefighters Association were enrolled in the City's retirement program through the SBCERA.

Plan Description

The SBCERA is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees' Retirement Act of 1937 (1937 Act). It provides retirement, death and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, Department of Water and Power-City of Big Bear Lake, Crestline Sanitation District, California State Association of Counties, South Coast Air Quality Management District (SCAQMD), San Bernardino Associated Governments (SANBAG), Local Agency Formation Commission (LAFCO), San Bernardino County Law Library, Barstow Fire Protection District, Hesperia Recreation and Parks District, SBCERA, City of Chino Hills, Mojave Desert Air Quality Management District (MDAQMD), California Electronic Recording Transaction Network Authority (CERTNA), along with the County, and are collectively referred to as the "Participating Members." The plan is governed by the SBCERA Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd Floor, San Bernardino, California 92415-0014.

Benefits Provided

SBCERA provides service retirement, disability, death, and survivor benefits to eligible employees. Generally, any employee of the County of San Bernardino or participating employers who is appointed to a regular position whose service is greater than fifty percent of the full standard of hours required by a participating SBCERA employer (e.g. 20 hours per week or more) must become a member of SBCERA effective on the first day of employment. There are separate retirement benefits for General and Safety member employees. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General Members.

There are currently two tiers applicable to both General and Safety members. Members with membership dates before January 1, 2013 are included in General Tier 1 or Safety Tier 1. Any new member who becomes a member on or after January 1, 2013 is designated as General Tier 2 or Safety Tier 2 and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (CalPEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197.

General members prior to January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 52 and have acquired five or more years of retirement service credit.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 10: Retirement Plans (Continued)

Safety members prior to January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired five or more years of retirement service credit.

The retirement benefits the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General Tier 1 benefit is calculated pursuant to the provisions of California Government Code of Section 31676.15. The monthly allowance is equal to 2% of final compensation times years of accrued retirement service credit times age factor from Section 31676.15. General Tier 2 benefit is calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Safety Tier 1 benefit is calculated pursuant to the provisions of California Government Code Section 31664.1. The monthly allowance is equal to 3% of final compensation times years of accrued retirement service credit times age factor from Section 31664.1. Safety Tier 2 benefit is calculated pursuant to the provisions found in California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

For Tier 1 members, the maximum monthly retirement allowance is 100% of final compensation. There is no final compensation limit on the maximum retirement benefit for Tier 2 members. However, the maximum amount of compensation earnable that can be taken into account for Tier 1 members with membership dates on or after July 1, 1996 is \$265,000. The maximum amount of pensionable compensation for Tier 2 members that can be taken into account is equal to \$140,424. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

Final average compensation consists of the highest 12 consecutive months for Tier 1 members and the highest 36 consecutive months for Tier 2 members.

The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date or at least two years prior to the date of death and has attained age 55 on or prior to the date of death. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 10: Retirement Plans (Continued)

SBCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment based upon the Consumer Price Index for All Urban Consumers for the Los Angeles-Riverside-Orange County Area, is capped at 2.0%.

The County of San Bernardino and participating employers contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SBCERA's actuary after the completion of the annual actuarial valuation.

All members are required to make contributions to SBCERA regardless of the retirement plan or tier in which they are included.

Fire safety members contribute the required employee share of their pension. The percentage of pay varies between 12.30% – 17.74%.

The District pays a capped percentage of the employer's pension cost per the Barstow Professional Fire Fighters Association Memorandum of Understanding. The employer's costs are capped at 46% with the employee paying the difference.

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 the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by SBCERA. 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City's contributions to the Plan for the measurement period ended June 30, 2020 were \$2,029,361.

During the fiscal year, the City transferred from the "Other Safety" cost group within SBCERA to the "County Safety" cost group to achieve future savings in the cost of the City's contributions to SBCERA. Such transfer must be made in a manner that does not shift the present unfunded liability burden associated with the City, or a portion thereof, to the County. The Parties have agreed that the amount that must be contributed to SBCERA to effectuate the inclusion of the City into the present County Safety cost group, and avoid negatively impacting the County as a result thereof, is \$8,485,000 calculated as of June 30, 2018. The Parties have further agreed that this amount may be amortized over twenty years at SBCERA's assumed rate of return for investments, which is 7.5%, resulting in twenty annual payments of \$832,312 beginning on or before July 1, 2017, and continuing on or before each successive July 1 thereafter, through and including July 1, 2036. The payments are considered supplemental contributions in addition to the regular employer contribution rates annually set by the SBSERA Board of Retirement and approved by the County Board of Supervisors.

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 10: Retirement Plans (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$16,891,227

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2020. The City's proportionate of the net pension liability was based on the City's share of all actual contributions, actuarially determined.

The City's proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2019 and 2020 were as follows:

Proportion - June 30, 2019	0.457%
Proportion - June 30, 2020	0.421%
Change - Increase (Decrease)	<u>-0.036%</u>

For the year ended June 30, 2021, the City recognized pension expense of \$3,038,423. At June 30, 2021, the City 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	\$ 2,029,361	\$ -
Changes of Assumptions or Other Inputs	1,978,725	-
Changes in Employer's Proportion and Differences Between the Employer's Contribution and the Employer's Proportionate Share of Contributions	1,481,273	(3,154,750)
Net Differences Between Projected and Actual Earnings on Plan Investments	3,564,321	-
Difference Between Expected and Actual Experience in the Total Pension Liability	207,145	(160,263)
Total	<u>\$ 9,260,825</u>	<u>\$ (3,315,013)</u>

\$2,029,361 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30:	
2022	\$ 495,737
2023	1,107,874
2024	1,396,388
2025	856,246
2026	60,206
Total	<u>\$ 3,916,451</u>

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FOR YEAR ENDED JUNE 30, 2021

Note 10: Retirement Plans (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2020, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry - Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	3.00%
Projected Salary Increase ²	General: 4.50% to 14.5% and Safety: 4.7% to 14.5%
Cost of Living Adjustments	Contingent upon CPI increases with a 2% maximum
Investment Rate of Return ¹	7.25%
Mortality	Mortality rates are based on the Headcount-Weighted RP 2014 Healthy Annuitant Mortality Table projected generationally using the two-dimensional mortality improvement scale MP-2016. For healthy General males members, the ages are set forward one year. No adjustment for healthy General female members. For Safety members, ages are set back one year. For disabled General members, ages are set forward seven years.

¹ Net of pension plan investment expenses, including inflation.

² Varying by service, including inflation 3% plus real across-the-board salary increase of 0.5% plus merit and promotional increases for both June 30, 2020, and 2019.

Change of Assumptions - There were no changes in assumptions.

Subsequent Events - There were no subsequent events to the plan that would materially affect the results presented.

Discount Rate – The discount rates used to measure the Total Pension Liability was 7.25% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed employer and member contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.25% was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2020.

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.

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 10: Retirement Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin.

The June 30, 2020, target allocations (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption is summarized in the table on the following page.

Asset Class	Total Allocation	Long-Term ExpectedReal Rate of Return (Arithmetic)
Large Cap U.S. Equity	11.00%	5.42%
Small Cap U.S. Equity	2.00%	6.21%
Developed International Equity	9.00%	6.50%
Emerging Market Equity	6.00%	8.80%
U.S. Core Fixed Income	2.00%	1.13%
High Yield/ Credit Strategies	13.00%	3.40%
International Core Fixed Income	1.00%	-0.04%
Emerging Market Debt	8.00%	3.44%
Real Estate	3.00%	4.57%
Value added real estate	3.00%	6.53%
Cash & Equivalents	3.00%	-0.03%
International Credit	11.00%	5.89%
Absolute Return	7.00%	3.69%
Real Assets	5.00%	10.64%
Private Equity	16.00%	10.70%
Total	100.00%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.25%
Net Pension Liability	\$ 23,703,774
Current Discount Rate	7.25%
Net Pension Liability	\$ 16,891,227
1% Increase	8.25%
Net Pension Liability	\$ 11,312,878

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 10: Retirement Plans (Continued)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued SBCERA financial reports.

Payable to the Pension Plan

At June 30, 2021, the City reported a payable of \$20,004 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Note 11: Post-Employment Healthcare Benefits

a. City of Barstow OPEB Plan

Pension related balances presented on the Statement of Net Position as of June 30, 2021, by individual plan are described in the following table:

	Deferred Employer Contributions - OPEB	Deferred Outflows- OPEB	Net OPEB Liability	Deferred Inflows- OPEB	OPEB Expense
City of Barstow OPEB Plan	\$ 851,272	\$ 1,833,336	\$ 20,236,016	\$ (327,108)	\$ 1,273,542
Barstow Fire Protection District OPEB Plan	33,966	220,483	3,889,081	(31,494)	659,231
Total	<u>\$ 885,238</u>	<u>\$ 2,053,819</u>	<u>\$ 24,125,097</u>	<u>\$ (358,602)</u>	<u>\$ 1,932,773</u>

Plan Description

The City provides retiree medical benefits under the CalPERS health plan which provide medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811. The CalPERS health plan is an agent multiple employer defined benefit plan.

Employee Covered

Inactive Employees of Beneficiaries Currently Receiving Benefits	114
Inactive Employees Entitled to but not yet Receiving Benefits	32
Active Employees	135
Total	<u>281</u>

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree’s coverage. The required contribution is based on projected prefunding financing requirements. For the measurement period 2019-2020, the City contributed \$851,272 which were in the form of benefit payments during the period. The City did not make additional contributions to the CERBT trust (CERBT).

CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to prefund OPEB as described in GASB Statement No. 45. The CERBT issues a publicly available financial report that included financial statements and required supplementary information for the City, not individualizing, but in aggregate with the other CERBT participants. That report may be obtained by contacting CalPERS.

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 11: Post-Employment Healthcare Benefits (Continued)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry - Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	2.66%
Inflation	2.5% per year
Salary Increases	2.5% per year
Assumed Wage Inflation	3.00%
Investment Rate of Return	6.75% ¹
Mortality	MacLeod Watts Scale 2018 applied generationally
Post Retirement Benefit Increase	Post-retirement mortality projected fully generational with Scale MP-2017
Healthcare Trend	6.5% as of Jan 1, 2011; and grade down to 4.0% for years 2076 and thereafter

¹ Net of pension plan investment expenses and including inflation.

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

Asset Class	Target Allocation*	Expected Real Return Year 1-10	Expected Real Return Years 11+
Global Equity	59.00%	4.80%	5.98%
Fixed Income	25.00%	1.10%	2.62%
Global Real Estate (REITs)	8.00%	3.20%	5.00%
Treasury Inflation Protected Securities	5.00%	0.25%	1.46%
Commodities	3.00%	1.50%	2.87%
Assumed Long-Term Rate of Inflation			2.00%
Assumed Long-Term Investment Expenses			N/A
Expected Long-Term Net Rate of Return, Rounded			6.75%
Discount Rate			2.79%

*Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2%.

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 11: Post-Employment Healthcare Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66 percent. The discount rate used reflects the results of a crossover test. In years where the trust is expected to have sufficient assets to pay the current year's retiree benefits, the assumed trust rate of return is applied; once the trust is no longer expected to be able to pay plan benefits, a municipal bond rate is applied for the remainder of the projects. The S&P General Obligation Municipal Bond 20 Year High Grade Index was used for the purpose of the municipal bond rate.

Changes in the net OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/Asset
Balance at June 30, 2020	\$ 20,861,858	\$ 1,293,319	\$ 19,568,539
Change in the Year:			
Service Cost	532,051	-	532,051
Interest	586,298	-	586,298
Differences between expected and actual experience	-	-	-
Changes in Assumptions	353,512		353,512
Benefit Payments	(759,312)	(759,312)	(1,518,624)
Contribution - Employer	-	759,312	759,312
Net Investment Income	-	45,704	45,704
Administrative Expenses	-	(632)	(632)
Net Changes	<u>712,549</u>	<u>45,072</u>	<u>757,621</u>
Balance at June 30, 2021	\$ 21,574,407	\$ 1,338,391	\$ 20,236,016

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease 1.66%	Current Discount 2.66%	1% Increase 3.66%
Net OPEB Liability	<u>\$ 23,286,197</u>	<u>\$ 20,236,016</u>	<u>\$ 17,735,950</u>

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease 5.5% - 3%	Current Healthcare Trend Rate 6.5% - 4%	1% Increase 7.5% - 5%
Net OPEB Liability	<u>\$ 19,031,854</u>	<u>\$ 20,236,016</u>	<u>\$ 22,034,268</u>

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 11: Post-Employment Healthcare Benefits (Continued)

Recognition of Deferred Outflow and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB plan investments	5 years straight-line recognition
All Other Amounts	Expected average remaining service lifetime (EARSL) (6.24 years at June 30, 2020, measurement date)

OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$1,273,542. For the fiscal year ended June 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement	\$ 851,272	\$ -
Differences between expected and actual experience	74,913	-
Changes of Assumptions	1,730,976	(327,108)
Net Difference Between Projected and Actual	27,447	-
Total	<u>\$ 2,684,608</u>	<u>\$ (327,108)</u>

The \$851,272 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020, measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period Ending June 30:	
2021	\$ 241,840
2022	313,264
2023	424,870
2024	380,320
2025	132,340
Thereafter	13,594
Total	<u>\$ 1,506,228</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 11: Post-Employment Healthcare Benefits (Continued)

b. Barstow Fire Protection District OPEB Plan

Plan Description

The Barstow Fire Protection District (BFPD) became part of the City of Barstow in November 2010 as a special revenue fund. In previous years, the Barstow Fire Professional Fire Fighters Association (BFPA) had a separate health insurance plan, Riverstone Capital, apart from City Employees. Riverstone Capital notified the City that effective February 28, 2019, the BFPD employees would be losing their Stop Loss/Reinsurance coverage. The City's/BFPD's insurance broker, Alliant/Crystal and Company, reviewed several options and it was determined that moving the BFPD employees into CalPERS medical would offer the best long-term coverage options for the employees.

CalPERS would also extend the coverage to retirees. The previous method for providing retiree coverage under BFPA's Memorandum of Understanding (MOU) required the retiree carry their own insurance coverage and submit proof of payment of the premium and a request for reimbursement on a monthly basis. Including retired firefighters in CalPERS medical coverage streamlined the process for the city and the retiree.

A meeting with BFPD members was held to advise them of the situation and staff began the process to enroll them into CalPERS health coverage effective March 1, 2019. The inclusion of the BFPD firefighters in CalPERS medical coverage also simplified the process of providing medical insurance to all City employees.

The City provides retiree medical benefits to eligible retirees and their spouses in accordance with their labor agreements.

Employee Covered

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	19
Total	<u>23</u>

Contributions

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The District must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected prefunding financing requirements. For the measurement period 2019-20, the District contributed \$19,568, which were in the form of benefit payments during the period. The City did not make additional contributions to the CERBT trust (CERBT).

CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to prefund OPEB as described in GASB Statement No. 45. The CERBT issues a publicly available financial report that included financial statements and required supplementary information for the City, not individualizing, but in aggregate with the other CERBT participants. That report may be obtained by contacting CalPERS.

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 11: Post-Employment Healthcare Benefits (Continued)

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry - Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	2.70%
Inflation	2.50%
Contribution Policy	Contributes full ADC
Salary Increases	Varies by Entry Age and Service
Projected Salary Increases	3.00%
Investment Rate of Return	7.05%
Mortality	MacLeod Watts Scale 2020 applied generationally
Healthcare Trend	5.4% decreasing to 4.00% in 2076

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

Asset Class	Target Allocation*	Expected Real Return Year 1-10	Expected Real Return Years 11+
Global Equity	59.00%	4.80%	5.98%
Fixed Income	25.00%	1.10%	2.62%
Global Real Estate (REITs)	8.00%	3.20%	5.00%
Treasury Inflation Protected Securities	5.00%	0.25%	1.46%
Commodities	3.00%	1.50%	2.87%
Assumed Long-Term Rate of Inflation			2.00%
Assumed Long-Term Investment Expenses			N/A
Expected Long-Term Net Rate of Return, Rounded			7.05%
Discount Rate			2.70%

*Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.70 percent. The discount rate used reflects the results of a crossover test. In years where the trust is expected to have sufficient assets to pay the current year's retiree benefits, the assumed trust rate of return is applied; once the trust is no longer expected to be able to pay plan benefits, a municipal bond rate is applied for the remainder of the projects. The S&P General Obligation Municipal Bond 20 Year High Grade Index was used for the purpose of the municipal bond rate.

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 11: Post-Employment Healthcare Benefits (Continued)

Changes in the net OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/Asset
Balance at June 30, 2020	\$ 3,474,315	\$ 284,169	\$ 3,190,146
Change in the Year:			
Service Cost	544,393	-	544,393
Interest on the Total OPEB Liability	111,849	-	111,849
Charges in Assumptions	72,167	-	72,167
Contribution - Employer	-	19,568	(19,568)
Benefit Payments	(19,568)	(19,568)	-
Net Investment Income	-	10,045	(10,045)
Administrative Expenses	-	(139)	139
Net Changes	<u>708,841</u>	<u>9,906</u>	<u>698,935</u>
Balance at June 30, 2021	\$ 4,183,156	\$ 294,075	\$ 3,889,081

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease	Current Discount	1% Increase
	1.70%	2.70%	3.70%
Net OPEB Liability	\$ 4,826,289	\$ 3,889,081	\$ 3,178,755

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

Due to the nature of the benefit agreements of the plan, the health care cost trend rate was not considered to be a significant assumption in determining the net OPEB liability, hence the sensitivity disclosure with regard to the healthcare cost trend rate was not applicable.

Recognition of Deferred Outflow and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB plan investments	5 years straight-line
All Other Amounts	Expected average remaining service lifetime (EARSL) (9.52 years at June 30, 2020)

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 11: Post-Employment Healthcare Benefits (Continued)

OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$659,231. For the fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
OPEB Contributions Subsequent to Measurement	\$ 33,966	\$ -
Changes of Assumptions	115,257	(31,494)
Differences between expected and actual experience	98,651	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	6,575	-
Total	<u>\$ 254,449</u>	<u>\$ (31,494)</u>

The \$33,966 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period Ending June 30:	
2021	\$ 22,880
2022	24,486
2023	24,965
2024	24,580
2025	22,584
Thereafter	69,494
Total	<u>\$ 188,989</u>

Note 12: Commitments and Contingencies

Pending Litigation

The City is a defendant in a number of lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions, when finally adjudicated, will not have any material adverse effect in the financial position of the City.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 13: Fund Balance for Governmental Funds

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances at June 30, 2020, for the governmental funds are non-spendable, restricted, assigned, and unassigned for the following purposes:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. At June 30, 2021, the City had non-spendable fund balance of inventories and prepaid amount of 109,932, deposits of \$591,564, and advances to other funds of \$7,301,063.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. At June 30, 2021, the City had restricted fund balances of: \$807,489 for capital projects, \$442,902 for low & moderate income housing, \$730 for parks and recreation, \$776,153 for streets & highways, \$22,286 for public safety and fire protection, and \$10,472 for other purposes.

Assigned Fund Balance - includes amounts that are constrained by the City’s intent by its Council itself or a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes that are neither restricted nor committed. The City Council has delegated this authority to the City Manager. In June 2010, the City Council adopted Resolution No. 4548-2010 approving Policy Memorandum No 2010-15 - Fund Balance Policy. The policy aims to help reduce the negative impact on the City in times of economic uncertainty and potential losses of funding from other governmental agencies. City reserves are restricted for one-time purposes. The policy establishes minimum requirements for General Fund non-departmental reserves and provides guidelines for the use of these funds. Appropriation for contingencies is maintained at twenty percent of total General Fund net appropriations for one-time emergencies and economic uncertainties. Excess fund balance at year-end must first be used to replenish the reserve amount at the 20% level. Accordingly, at June 30, 2021, the City has assigned fund balance of \$887,681 for emergency contingency, and \$3,550,723 for working capital reserve. The Fund Balance Policy can be changed only by a resolution of the City Council.

Unassigned Fund Balance –The residual classification for the General Fund and includes all amounts not contained in the other classifications. Governmental funds report residual negative balances as unassigned fund balance. At June 30, 2021, the City General Fund had an unassigned fund balance of \$5,218,191.

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 13: Fund Balance for Governmental Funds (Continued)

The schedule on the following page illustrates the City's fund balances as of June 30, 2021 for its governmental funds:

	Major Governmental Funds						Total Government
	General Fund	Measure I Special Revenue Fund	Barstow Fire Protection District Special Revenue Fund	Grants Special Revenue Fund	City Capital Projects	Non Major Government Funds	
Fund Balances							
Nonspendable Fund Balance:							
Prepays & Inventory	\$ 109,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,932
Deposits	591,564	-	-	-	-	-	591,564
Advance to Other Funds	7,301,063	-	-	-	-	-	7,301,063
	<u>8,002,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,002,559</u>
Restricted Fund Balance for:							
Public Safety/Fire Protection	-	-	-	-	-	22,286	22,286
Streets & Highway	-	-	-	-	-	776,153	776,153
Parks and Recreation	-	-	-	-	-	730	730
Low & Moderate Income Housing	-	-	-	-	-	442,902	442,902
Capital Projects	-	-	-	-	807,489	-	807,489
Other Purposes	-	-	-	-	-	10,472	10,472
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>807,489</u>	<u>1,252,543</u>	<u>2,060,032</u>
Assigned Fund Balance							
Emergency Contingency Policy	887,681	-	-	-	-	-	887,681
Working Capital Reserve	3,550,723	-	-	-	-	-	3,550,723
	<u>4,438,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,438,404</u>
Unassigned Fund Balance							
Other	5,218,191	(1,218,910)	(5,049,330)	(491,369)	-	(24,932)	(1,566,350)
	<u>5,218,191</u>	<u>(1,218,910)</u>	<u>(5,049,330)</u>	<u>(491,369)</u>	<u>-</u>	<u>(24,932)</u>	<u>(1,566,350)</u>
Total Fund Balances	<u>\$ 17,659,154</u>	<u>\$ (1,218,910)</u>	<u>\$ (5,049,330)</u>	<u>\$ (491,369)</u>	<u>\$ 807,489</u>	<u>\$ 1,227,611</u>	<u>\$ 12,934,645</u>

Note 14: Restatement of Beginning Fund Balances

Restatements to the beginning net position of the Public Improvement District 91-1 and Landscape Assessment District funds of \$96,393 and \$114,624, respectively, were made due to implementation of GASB 84 – Fiduciary Activities, in order to present the funds as Custodial funds, rather than Agency funds.

Note 15: Measure Q

In November 2018, the voters approved Measure Q which established a one-cent sales-tax, estimated to generate \$7 million in local funding for public safety and citywide services.

Funding generated from the tax is intended to:

- Maintain local fire protection and paramedic services
- Provide police services, including neighborhood police patrols, crime prevention and investigations
- Maintain streets and parks, and repair potholes
- Provide quick responses to 9-1-1 emergencies
- Help fund senior and youth programs
- Reduce gang activity and drug-related crimes

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 15: Measure Q (Continued)

The revenues received and expenditures relating to Measure “Q” for the current year and previous year are as follows:

	Fiscal Year	
	2020-2021	2019-2020
Revenues:		
Measure "Q" sales tax	\$ 8,851,984	\$ 7,448,243
Use of money and property	3,119	20,993
Total Revenues	<u>8,855,103</u>	<u>7,469,236</u>
Expenditures:		
General Government	707,211	601,450
Police	1,739,572	1,633,409
Fire	3,903,826	2,510,558
Community Development	79,964	246,322
Parks	19,983	-
Public Works	240,749	383,822
Total expenditures	<u>6,691,305</u>	<u>5,375,561</u>
Current year excess (deficiency) of revenues over expenditures	<u>2,160,679</u>	<u>2,072,682</u>
Fund Balance, Beginning of the year	<u>4,130,794</u>	<u>2,058,112</u>
Fund Balance, End of Year	<u><u>\$ 6,291,473</u></u>	<u><u>\$ 4,130,794</u></u>

Note 16: Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Barstow that previously had reported a redevelopment agency within the reporting entity of the city as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 4653-2012.

Fiduciary Funds – Successor Agency Private Purpose Trust Fund

During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term debt for Fiduciary Funds:

	Balance June 30, 2020	Additions	Deletions/ Adjustments	Balance June 30, 2021	Due Within One Year
Fiduciary Funds Successor Agency Private Purpose Trust					
Public Offerings:					
Redevelopment Tax Allocation Bonds:					
2004 Tax Allocation Bonds	\$ 2,340,000	\$ -	\$ (745,000)	\$ 1,595,000	\$ 780,000
Total Fiduciary Funds	<u>\$ 2,340,000</u>	<u>\$ -</u>	<u>\$ (745,000)</u>	<u>\$ 1,595,000</u>	<u>\$ 780,000</u>

CITY OF BARSTOW

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021**

Note 16: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

2004 Tax Allocation Bonds

The Successor Agency's outstanding bonds from public offerings of \$2,340,000, contain a provision that if any event of default should occur, the trustee shall at the written direction of the Bond Owners of a majority in aggregate principal amount outstanding, and upon receipt of the prior written consent of the Bond Insurer, declare the principal of all of the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately.

On July 1, 2004, the Agency issued \$8,660,000 in Tax Allocation Bonds, Series 2004, for the purpose of refunding a portion of the Agency's outstanding Central Redevelopment Project Tax Allocation Bonds, 1994 Series A, which are secured by an irrevocable pledge of the tax revenues payable to the Agency.

The 2004 Tax Allocation Bonds are secured by the Agency increment pledge of certain tax increment revenues to be derived from Project Area I and are payable from the Tax Revenues and such other funds as may become available for such purposes. The notes bear interest payable semiannually at rates ranging from 3.00% to 4.70% per annum, with maturity dates until September 1, 2022.

As of February 1, 2012, the future annual debt service requirements of the 2004 Tax Allocation Bonds were taken over by the Successor Agency to the Redevelopment Agency due to the dissolution of the Barstow Redevelopment Agency per Assembly Bill AB 1X 26 and Assembly Bill AB1484 (See Note 13).

For the current year, principal and interest paid was \$835,948. The principal amount outstanding at June 30, 2021 is \$1,595,000.

Tax allocation bonds debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 780,000	\$ 56,245	\$ 836,245
2023	815,000	19,153	834,153
Total	<u>\$ 1,595,000</u>	<u>\$ 75,398</u>	<u>\$ 1,670,398</u>

Significant debt payments authorized in the Recognizable Obligations Payment Schedule (ROPS) by the State of California's Department of Finance and made in FY 2020-21 from the Redevelopment Property Tax Trust Fund (RPTTF) include the following:

2004 Bonds:	Principal	\$ 745,000
	Interest	90,948
Advance to Low Income Loan		312,931

In addition, a \$64,000 administration charge was paid to the City of Barstow and other authorized payments were made for other miscellaneous fees.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 16: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Real Property Held for Resale

In order to improve blighted conditions in the City of Barstow, the City formed the Barstow Redevelopment Agency in 1973. Additionally, the Agency had adopted a Five-Year Implementation Plan for the Project Area I with an established goal of supporting affordable housing and promoting economic development, as well as community, commercial and institutional revitalization. To implement these programs and activities, the Agency acquired real property within the Project Area I to be redeveloped. Three parcels were held in the Land Held for Resale asset account by the Agency totaling \$2,224,905.

As of February 1, 2012, the land held for resale was taken over by the Successor Agency to the Redevelopment Agency due to the dissolution of the Barstow Redevelopment Agency per Assembly Bill AB 1X 26 and Assembly Bill AB1484.

Note 17: Negative Fund Balance/Net Position

The following funds have negative fund balance as of June 30, 2021:

Measure I - Special Revenue Fund (\$1,218,910) - On September 8, 2015, the City Council approved an interfund loan agreement in the amount of \$2 million to cover the costs of completing the Henderson / Cameron Area Road Project. The funds are scheduled to be paid back periodically over the next fiscal years. The loan balance as of June 30, 2021, is \$1,700,000.

Barstow Fire Protection District Fund (\$5,049,330) - As projected by staff and discussed with the Board, the District's expenditures exceeded revenues for the fiscal year. The District had reduced its operating expenditures to its lowest, yet sustainable limit. Salaries and benefits continued to be monitored but pension costs remained high with the San Bernardino County Employees' Retirement Association. Management was aware of ongoing fiscal issues and the Board was also aware of the increasing fund balance deficit.

Grants Fund (\$491,369) – The City made major progress payments for reimbursable grant projects for which it had not been reimbursed.

Harvey House Foundation (\$14,611) – The Foundation is expected to become more active in the future. It is anticipated that the Foundation will receive revenue to offset the deficit fund balance in the coming years.

COVID-19 Grants (\$10,321) – The City's Covid-19 Grants fund had negative fund balance due to grant revenues that have not been reimbursed from granting agencies. The negative fund balance is expected to be reduced through future grant revenues.

CITY OF BARSTOW

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2021

Note 18: Barstow Fire Protection District

The Barstow Fire Protection District (District) continues to have a deficit fund balance in fiscal year 2021. In fiscal year 2018, the Board and management studied and reviewed a variety of options to address these concerns.

- *Measure Q* - In March 2018, the City Council hired a research firm to perform a general sales tax measure feasibility study. As part of this study, a survey was sent to the City of Barstow voters requesting their feedback about establishing an increase in general transaction and use (sales) tax that will fund municipal services. The result of the survey, was presented at the May 15, 2018, Council's meeting, showing approximately 63-69% of the residents in support of the proposed transaction and use tax measure. On July 16, 2018, the City Council unanimously adopted the resolution and ordinance to put Measure Q on November 2018 ballot. The resolution called for a General Transaction and Use Tax of one percent. The measure passed with 59.28% of the vote. The City began receiving the Measure Q revenue immediately in July, for fiscal year 2020. So far, the receipts have exceeded the City's initial estimates. These funds will be used to pay-back the loan and sustain the Fire Department, in addition to supporting police officers, maintaining streets and help fund senior and youth programs.
- Beginning in fiscal year 2015, the City began advancing funds to the District to cover operational costs. On October 1, 2018, the City Council approved the amended and restated loan agreement between the City of Barstow and the Barstow Fire Protection for \$4,153,696, with a zero percent interest rate. The City advanced an additional \$1,243,696 for fiscal year 2020 bringing the amount due the City to \$5,817,392. This action formalized the outstanding debt due the City in the event the Measure Q ballot measure was not successful. The Fire Protection district repaid \$500,000 in 2021, bringing the amount due at June 20, 2021 to \$5,317,392.
- The Board and management will continue to monitor the Barstow Fire Protection District financial situation. Management will keep the Board informed of developing highlights, and concerns regarding the District.

REQUIRED SUPPLEMENTARY INFORMATION

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1. BUDGETS AND BUDGETARY ACCOUNTING

a. Budgetary Control and Budgetary Accounting

The City follows these procedures in establishing the budgets.

1. The annual budget is adopted by the City Council after the holding of a hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This “appropriated budget” covers City expenditures in all governmental funds, except debt service and capital improvement projects carried forward from prior years.
3. The City manager is authorized to transfer budgeted amounts between departments. Actual expenditures may not exceed budgeted appropriations at the fund level.
4. Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Capital projects appropriations are an automatic supplemental appropriation for next year. All others lapse unless they are encumbered at year end or re-appropriated through the formal budget process.
5. Annual budgets are adopted for the General Fund, all special revenue funds, capital projects funds, and debt service funds, on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$13,882,054	\$13,882,054	\$13,882,054	\$ -
Resources (Inflows):				
Taxes	20,786,874	20,756,990	26,139,094	5,382,104
Licenses and permits	343,975	356,096	455,886	99,790
Intergovernmental	436,500	451,400	487,333	35,933
Charges for services	602,375	320,835	328,465	7,630
Use of money and property	312,200	593,200	604,102	10,902
Fines and forfeitures	130,000	81,500	89,923	8,423
Miscellaneous	170,200	942,364	589,610	(352,754)
Transfers in	1,540,000	1,238,040	1,039,760	(198,280)
Proceeds from sale of capital asset	-	127,000	126,938	(62)
Amounts Available for Appropriations	38,204,178	38,749,479	43,743,165	4,993,686
Charges to Appropriation (Outflow):				
General government	3,968,878	4,926,051	5,164,979	(238,928)
Public safety	13,586,750	10,947,891	10,535,542	412,349
Community development	1,378,834	1,626,751	1,497,209	129,542
Parks and recreation	969,546	1,006,805	1,006,800	5
Public works	3,514,341	3,423,503	3,353,690	69,813
Capital outlay	108,500	366,219	207,816	158,403
Debt service:				
Principal retirement	-	-	719,295	(719,295)
Interest and fiscal charges	777,868	831,470	101,118	730,352
Transfers out	500,000	3,497,562	3,497,562	-
Total Charges to Appropriations	24,804,717	26,626,252	26,084,011	542,241
Budgetary Fund Balance, June 30	\$13,399,461	\$12,123,227	\$17,659,154	\$5,535,927

See Notes to Required Supplementary Information.

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
 MEASURE I SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (1,617,935)	\$ (1,617,935)	\$ (1,617,935)	\$ -
Resources (Inflows):				
Intergovernmental	1,308,873	1,308,873	1,701,195	392,322
Use of money and property	-	-	229	229
Amounts Available for Appropriations	(309,062)	(309,062)	83,489	392,551
Charges to Appropriation (Outflow):				
Public safety	-	45,600	11,637	33,963
Transfers out	1,190,000	1,965,903	1,290,762	675,141
Total Charges to Appropriations	1,190,000	2,011,503	1,302,399	709,104
Budgetary Fund Balance, June 30	\$ (1,499,062)	\$ (2,320,565)	\$ (1,218,910)	\$ 1,101,655

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
 BARSTOW FIRE PROTECTION DISTRICT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (6,371,923)	\$ (6,371,923)	\$ (6,371,923)	\$ -
Resources (Inflows):				
Taxes	4,790,000	4,790,000	4,932,372	142,372
Licenses and permits	-	79,865	80,912	1,047
Intergovernmental	100,000	202,207	217,370	15,163
Use of money and property	30,000	30,000	470,849	440,849
Miscellaneous	-	1,800	1,800	-
Transfers in	-	2,959,962	3,497,562	537,600
Amounts Available for Appropriations	(1,451,923)	1,691,911	2,828,942	1,137,031
Charges to Appropriation (Outflow):				
Public safety	4,858,301	8,331,863	7,878,272	453,591
Total Charges to Appropriations	4,858,301	8,331,863	7,878,272	453,591
Budgetary Fund Balance, June 30	\$ (6,310,224)	\$ (6,639,952)	\$ (5,049,330)	\$ 1,590,622

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
 GRANTS SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (31,655)	\$ (31,655)	\$ (31,655)	\$ -
Resources (Inflows):				
Intergovernmental	100,000	6,811,602	742,866	(6,068,736)
Use of money and property	-	-	813	813
Amounts Available for Appropriations	68,345	6,779,947	712,024	(6,067,923)
Charges to Appropriation (Outflow):				
Public safety	250,000	938,636	344,003	594,633
Community development	-	172,639	76,244	96,395
Capital outlay	20,000	20,000	489	19,511
Transfers out	-	5,380,925	782,657	4,598,268
Total Charges to Appropriations	270,000	6,512,200	1,203,393	5,308,807
Budgetary Fund Balance, June 30	\$ (201,655)	\$ 267,747	\$ (491,369)	\$ (759,116)

CITY OF BARSTOW

**CALPERS COST SHARING PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Proportion of the Net Pension Liability	26.48990%	0.24588%	0.25121%	0.24901%	0.24341%	0.20999%
Proportionate Share of the Net Pension Liability	\$ 29,751,671	\$ 26,777,913	\$ 24,207,207	\$ 24,695,340	\$ 21,062,463	\$ 14,413,454
Covered-Employee Payroll	\$ 10,266,253	\$ 9,842,257	\$ 10,816,083	\$ 11,891,452	\$ 10,244,777	\$ 10,085,135
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	289.80%	272.07%	223.81%	207.67%	205.59%	142.92%
Plan Fiduciary Net Position	\$ 104,679,650	\$ 102,046,037	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.87%	75.26%	75.26%	73.31%	74.06%	79.82%

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of Assumptions: None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

CITY OF BARSTOW

**CALPERS COST SHARING PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 3,405,375	\$ 3,124,739	\$ 2,677,140	\$ 2,533,851	\$ 2,388,566	\$ 2,051,026
Contribution in Relation to the Actuarially Determined Contribution	<u>(3,405,375)</u>	<u>(3,124,739)</u>	<u>(2,677,140)</u>	<u>(2,533,851)</u>	<u>(2,388,566)</u>	<u>(2,051,026)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	9,880,472	10,266,253	9,842,257	10,816,083	11,891,452	10,244,777
Contributions as a Percentage of Covered-Employee Payroll	34.47%	30.44%	27.20%	23.43%	20.09%	20.02%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

Note to Schedule:

Valuation Date: June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal cost method
Amortization method	Level Percent of pay
Remaining amortization period	15 years
Assets valuation method	Direct rate smoothing
Inflation	2.625% per year
Payroll Growth	2.875%
Investment rate of return	7.25% net of pension plan investment expense, including inflation

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The experience study report may be accessed on the CalPERS website at www.calpers.ca.gov under forms and publications.

Retirement age

Mortality

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of society of actuaries' scale 2016. For more details on this table, please refer to the 2017 experience study report.

CITY OF BARSTOW

**SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SBCERA)
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

Measurement Date	<u>2021</u> 6/30/2020	<u>2020</u> 6/30/2019	<u>2019</u> 6/30/2018	<u>2018</u> 6/30/2017	<u>2017</u> 6/30/2016	<u>2016</u> 6/30/2015
Proportion of the Net Pension Liability	0.421%	0.457%	0.498%	0.378%	0.518%	0.638%
Proportionate Share of the Net Pension Liability	\$ 16,891,227	\$ 12,382,040	\$ 12,626,176	\$ 9,958,070	\$ 12,781,554	\$ 12,395,608
Covered-Employee Payroll	\$ 2,045,831	\$ 1,890,826	\$ 1,816,148	\$ 1,776,774	\$ 2,518,304	\$ 2,036,785
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	825.64%	654.85%	695.22%	560.46%	507.55%	608.59%
Plan Fiduciary Net Position	\$ 33,270,269	\$ 33,532,575	\$ 34,034,011	\$ 24,486,977	\$ 18,856,232	\$ 20,207,792
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.33%	73.03%	72.94%	71.09%	76.86%	80.98%

Notes to Schedule:

Benefit Changes: None

Changes of Assumptions: None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

CITY OF BARSTOW

**SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (SBCERA)
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 2,029,361	\$ 1,760,542	\$ 1,625,725	\$ 1,704,307	\$ 1,258,947	\$ 1,407,336
Contribution in Relation to the Actuarially Determined Contribution	<u>(2,029,361)</u>	<u>(1,760,542)</u>	<u>(1,625,725)</u>	<u>(1,704,307)</u>	<u>(1,258,947)</u>	<u>(1,407,336)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	2,430,284	2,045,831	1,890,826	1,816,148	1,776,774	2,518,304
Contributions as a Percentage of Covered-Employee Payroll	83.50%	86.06%	85.98%	93.84%	70.86%	55.88%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

Note to Schedule:

Valuation Date:	June 30, 2018
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry age normal cost method
Amortization method	Level Percent of pay (3.5% payroll growth assumed)
Remaining amortization period	20 years
Assets valuation method	Market value of assets less unrecognized returns from each of the last five years.
Inflation	2.50% per year
Salary Increases	3.00% implation per year, plus real across-the-board salary increase of 0.50%, plus merit and promotion increases.
Investment rate of return	7.25% net of pension plan investment expense, including
Retirement age	53 years
Mortality	RP-2000 Heath Annuitant Martality Table

CITY OF BARSTOW

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

Measurement Date	2021 6/30/2020	2020 6/30/2019	2019 6/30/2018	2018 6/30/2017
Changes in Total OPEB Liability				
Service cost	\$ 532,051	\$ 628,854	\$ 586,241	\$ 637,325
Interest	586,298	557,475	559,512	497,633
Differences between actual and expected experience	-	110,249	-	-
Changes in assumptions	353,512	1,857,556	365,110	(1,110,604)
Changes in benefit terms	-	-	-	-
Benefit payments	(759,312)	(741,262)	(702,823)	(628,957)
Net change in total OPEB liability	712,549	2,412,872	808,040	(604,603)
Total OPEB liability - beginning	20,861,858	18,448,986	17,640,946	18,245,549
Total OPEB liability - ending (a)	\$ 21,574,407	\$ 20,861,858	\$ 18,448,986	\$ 17,640,946
Plan Fiduciary Net Position				
Contribution - employer	\$ 759,312	\$ 741,262	\$ 702,823	\$ 628,957
Net investment income	45,704	75,207	89,989	108,069
Benefit payments	(759,312)	(741,262)	(702,823)	(628,957)
Administrative expense	(632)	(261)	(603)	(548)
Other expense	-	-	(1,496)	-
Net change in plan fiduciary net position	45,072	74,946	87,890	107,521
Plan fiduciary net position - beginning	1,293,319	1,218,373	1,130,483	1,022,962
Plan fiduciary net position - ending (b)	\$ 1,338,391	\$ 1,293,319	\$ 1,218,373	\$ 1,130,483
Net OPEB Liability/(Assets) - ending (a) - (b)	\$ 20,236,016	\$ 19,568,539	\$ 17,230,613	\$ 16,510,463
Plan fiduciary net position as a percentage of the total OPEB liability	6%	6%	7%	6%
Covered-employee payroll	\$ 13,389,701	\$ 12,153,938	\$ 10,550,746	\$ 10,550,746
Net OPEB liability as a percentage of covered-employee payroll	151.13%	161.01%	163.31%	156.49%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

Changes of Assumptions: The discount rate decreased from 2.79% to 2.66% in measurement period 6/30/2020

BARSTOW FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

Measurement Date	2021	2020	2019	2018
	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Changes in Total OPEB Liability				
Service cost	\$ 544,393	\$ 90,956	\$ 86,320	\$ 90,934
Interest on the total OPEB liability	111,849	29,157	26,317	21,440
Plan experience	-	124,887	-	-
Changes in assumptions	72,167	52,128	13,302	(50,934)
Changes in benefit terms	-	2,355,457	-	-
Benefit payments	(19,568)	(14,200)	(12,072)	(12,099)
Net change in total OPEB liability	708,841	2,638,385	113,867	49,341
Total OPEB liability - beginning	3,474,315	835,930	722,063	672,722
Total OPEB liability - ending (a)	\$ 4,183,156	\$ 3,474,315	\$ 835,930	\$ 722,063
Plan Fiduciary Net Position				
Contribution - employer	\$ 19,568	\$ 14,200	\$ 12,072	\$ 12,099
Net investment income	10,045	16,415	19,778	23,752
Benefit payments	(19,568)	(14,200)	(12,072)	(12,099)
Administrative expense	(139)	57	(461)	(121)
Net change in plan fiduciary net position	9,906	16,472	19,317	23,631
Plan fiduciary net position - beginning	284,169	267,697	248,380	224,749
Plan fiduciary net position - ending (b)	\$ 294,075	\$ 284,169	\$ 267,697	\$ 248,380
Net OPEB Liability/(Assets) - ending (a) - (b)	\$ 3,889,081	\$ 3,190,146	\$ 568,233	\$ 473,683
Plan fiduciary net position as a percentage of the total OPEB liability	7.03%	8.18%	32.02%	34.40%
Covered-employee payroll	\$ 2,045,831	\$ 2,758,300	\$ 2,611,101	\$ 2,537,528
Net OPEB liability as a percentage of covered-employee payroll	190.10%	115.66%	21.76%	18.67%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

Changes of Assumptions: The discount rate decreased from 3.17% to 2.79% in measurement period 2018-19.

CITY OF BARSTOW

**SCHEDULE OF CONTRIBUTIONS - OPEB
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 1,213,266	\$ 1,085,891	\$ 1,032,102	\$ 982,138
Contribution in Relation to the Actuarially Determined Contributions	851,272	759,312	741,262	702,823
Contribution Deficiency (Excess)	<u>\$ 361,994</u>	<u>\$ 326,579</u>	<u>\$ 290,840</u>	<u>\$ 279,315</u>
Covered-employee payroll	\$ 12,765,028	\$ 13,389,701	\$ 12,153,938	\$ 10,550,746
Contributions as a percentage of covered-employee payroll	6.67%	5.67%	6.10%	6.66%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

*Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2018 were from the June 30, 2016 actuarial valuation.

Methods and assumptions used to determine contributions:

Valuation Date	6/30/2017
Actuarial Cost Method	Entry Age Normal
Amortization Valuation Method/Period	Level percent of pay 30 year closed
Asset Valuation Method	Market value
Inflation	2.75%
Investment Rate of Return	7.25%
Healthcare cost-trend rates	7.5% as of Jan 1, 2019; step down 0.5% per year down to 5% by 2024
Retirement Age	50 to 75
Mortality	2014 CalPERS Experience study

BARSTOW FIRE PROTECTION DISTRICT PLAN

**SCHEDULE OF CONTRIBUTIONS - OPEB
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 366,074	\$ 335,358	\$ 64,738	\$ 62,732
Contribution in Relation to the Actuarially Determined Contributions	33,966	19,568	14,200	12,072
Contribution Deficiency (Excess)	<u>\$ 332,108</u>	<u>\$ 315,790</u>	<u>\$ 50,538</u>	<u>\$ 50,660</u>
Covered-employee payroll	\$ 3,624,974	\$ 2,045,831	\$ 2,758,300	\$ 2,611,101
Contributions as a percentage of covered-employee payroll	0.94%	0.96%	0.51%	0.46%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

*Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2018 were from the June 30, 2016 actuarial valuation.

Methods and assumptions used to determine contributions:

Valuation Date	6/30/2019
Actuarial Cost Method	Entry Age Normal
Amortization Valuation Method/Period	Level percent of pay
Asset Valuation Method	Market value
Inflation	2.50%
Payroll Growth	3% per annum, in aggregate
Investment Rate of Return	6.75%
Healthcare cost-trend rates	5.4% in 2021 fluctuating to 4% by 2076
Retirement Age	45 to 65 years
Mortality	MacLeod Watts Scale 2020 applied generationally

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUES FUNDS

Gas Tax Special Revenue Fund is used to account for receipts and expenditures of money apportioned under Street and Highway Code Sections 2105, 2106, 2107 and 2107.5 of the State of California.

Asset Seizure Special Revenue Fund is used to account for asset seizure and forfeitures resulting from police investigations and court decisions.

Barstow Harvey House Foundation Special Revenue Fund is used to account for the operations of the Harvey House facility. The City rents portions of the premises to various organizations.

Redevelopment Housing Successor Special Revenue Fund is used to account for housing income to be used to promote low and moderate income programs for residents.

Barstow Community Services Foundation Fund is used to account for activities of the Barstow Community Services Foundation Inc.

Local Transportation Fund is used to account for revenue received as allocated excess transit funds after transit needs are met.

Flood Control Fund is used to account for expenditures toward the construction of Kitchen Dean Wash, Laverne Avenue, and Avenue I funded by the San Bernardino County Flood Control District (District).

COVID-19 Grants Fund is used to account for grant expenditures incurred due grants for the Covid-19 pandemic.

DEBT SERVICE FUND

Measure I TRIP Fund is used to account for the reserve amount held as reserve for the Measure I TRIP Certificates of Participation, Series 2012.

CITY OF BARSTOW

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	Special Revenue Funds			
	Gas Tax	Asset Seizure	Barstow Harvey House Foundation	Redevelopment Housing Successor
Assets:				
Pooled cash and investments	\$ 775,645	\$ 46,174	\$ -	\$ 442,411
Receivables:				
Accounts	81,983	-	-	-
Taxes	63,662	-	-	-
Accrued interest	508	-	-	491
Total Assets	\$ 921,798	\$ 46,174	\$ -	\$ 442,902
Liabilities, Deferred inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 216,777	\$ 1,022	\$ -	\$ -
Unearned revenues	-	22,866	-	-
Due to other funds	-	-	14,611	-
Total Liabilities	216,777	23,888	14,611	-
Deferred inflows of resources:				
Unavailable revenues	-	-	-	-
Total Deferred inflows of Resources	-	-	-	-
Fund Balances:				
Restricted	705,021	22,286	-	442,902
Unassigned	-	-	(14,611)	-
Total Fund Balances	705,021	22,286	(14,611)	442,902
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 921,798	\$ 46,174	\$ -	\$ 442,902

CITY OF BARSTOW

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

(CONTINUED)

	Special Revenue Funds			
	Barstow Community Services	Local Transportation	Flood Control	COVID-19 Grants
Assets:				
Pooled cash and investments	\$ 729	\$ 73,767	\$ 10,466	\$ -
Receivables:				
Accounts	-	-	-	77,670
Taxes	-	-	-	-
Accrued interest	1	-	6	-
Total Assets	\$ 730	\$ 73,767	\$ 10,472	\$ 77,670
Liabilities, Deferred inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 2,635	\$ -	\$ -
Unearned revenues	-	-	-	6,790
Due to other funds	-	-	-	70,880
Total Liabilities	-	2,635	-	77,670
Deferred inflows of resources:				
Unavailable revenues	-	-	-	10,321
Total Deferred inflows of Resources	-	-	-	10,321
Fund Balances:				
Restricted	730	71,132	10,472	-
Unassigned	-	-	-	(10,321)
Total Fund Balances	730	71,132	10,472	(10,321)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 730	\$ 73,767	\$ 10,472	\$ 77,670

CITY OF BARSTOW

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	<u>Debt Service Fund</u>	
	<u>Measure I TRIP</u>	<u>Total Governmental Funds</u>
Assets:		
Pooled cash and investments	\$ 3,250	\$ 1,352,442
Receivables:		
Accounts	-	159,653
Taxes	-	63,662
Accrued interest	-	1,006
Total Assets	<u>\$ 3,250</u>	<u>\$ 1,576,763</u>
Liabilities, Deferred inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ 3,250	\$ 223,684
Unearned revenues	-	29,656
Due to other funds	-	85,491
Total Liabilities	<u>3,250</u>	<u>338,831</u>
Deferred inflows of resources:		
Unavailable revenues	-	10,321
Total Deferred inflows of Resources	<u>-</u>	<u>10,321</u>
Fund Balances:		
Restricted	-	1,252,543
Unassigned	-	(24,932)
Total Fund Balances	<u>-</u>	<u>1,227,611</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,250</u>	<u>\$ 1,576,763</u>

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CITY OF BARSTOW

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			
	Gas Tax	Asset Seizure	Barstow Harvey House Foundation	Redevelopment Housing Successor
Revenues:				
Intergovernmental	\$ 1,001,157	\$ 1,144	\$ -	\$ -
Use of money and property	473	110	-	(443)
Miscellaneous	-	-	-	1,273
Total Revenues	1,001,630	1,254	-	830
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	13,012	-	-
Community development	-	-	-	60
Parks and recreation	-	-	300	-
Public works	538,313	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	538,313	13,012	300	60
Excess (Deficiency) of Revenues Over (Under) Expenditures	463,317	(11,758)	(300)	770
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(771,481)	-	-	(1,036,042)
Total Other Financing Sources (Uses)	(771,481)	-	-	(1,036,042)
Net Change in Fund Balances	(308,164)	(11,758)	(300)	(1,035,272)
Fund Balances, Beginning of Year	1,013,185	34,044	(14,311)	1,478,174
Fund Balances, End of Year	\$ 705,021	\$ 22,286	\$ (14,611)	\$ 442,902

CITY OF BARSTOW

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

(CONTINUED)

	Special Revenue Funds			
	Barstow Community Services	Local Transportation	Flood Control	COVID-19 Grants
Revenues:				
Intergovernmental	\$ -	\$ 15,676	\$ -	\$ 925,066
Use of money and property	3	368	22	-
Miscellaneous	-	-	-	-
Total Revenues	3	16,044	22	925,066
Expenditures:				
Current:				
General government	-	-	-	360,743
Public safety	-	-	-	1,583
Community development	300	-	-	15,786
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	300	-	-	378,112
Excess (Deficiency) of Revenues Over (Under) Expenditures	(297)	16,044	22	546,954
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(386,570)	-	(424,717)
Total Other Financing Sources (Uses)	-	(386,570)	-	(424,717)
Net Change in Fund Balances	(297)	(370,526)	22	122,237
Fund Balances, Beginning of Year	1,027	441,658	10,450	(132,558)
Fund Balances, End of Year	\$ 730	\$ 71,132	\$ 10,472	\$ (10,321)

CITY OF BARSTOW

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	Debt Service Funds	Total Governmental Funds
	Measure I TRIP	
Revenues:		
Intergovernmental	\$ -	\$ 1,943,043
Use of money and property	7,741	8,274
Miscellaneous	-	1,273
Total Revenues	7,741	1,952,590
Expenditures:		
Current:		
General government	-	360,743
Public safety	-	14,595
Community development	-	16,146
Parks and recreation	-	300
Public works	-	538,313
Debt service:		
Principal retirement	1,395,000	1,395,000
Interest and fiscal charges	62,794	62,794
Total Expenditures	1,457,794	2,387,891
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,450,053)	(435,301)
Other Financing Sources (Uses):		
Transfers in	367,808	367,808
Transfers out	-	(2,618,810)
Total Other Financing Sources (Uses)	367,808	(2,251,002)
Net Change in Fund Balances	(1,082,245)	(2,686,303)
Fund Balances, Beginning of Year	1,082,245	3,913,914
Fund Balances, End of Year	\$ -	\$ 1,227,611

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,013,185	\$ 1,013,185	\$ 1,013,185	\$ -
Resources (Inflows):				
Intergovernmental	989,391	989,391	1,001,157	11,766
Use of money and property	-	-	473	473
Amounts Available for Appropriations	2,002,576	2,002,576	2,014,815	12,239
Charges to Appropriation (Outflow):				
Public works	570,000	570,000	538,313	31,687
Transfers out	1,308,142	1,375,443	771,481	603,962
Total Charges to Appropriations	1,878,142	1,945,443	1,309,794	635,649
Budgetary Fund Balance, June 30	\$ 124,434	\$ 57,133	\$ 705,021	\$ 647,888

CITY OF BARSTOW

**BUDGETARY COMPARISON SCHEDULE
ASSET SEIZURE
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 34,044	\$ 34,044	\$ 34,044	\$ -
Resources (Inflows):				
Intergovernmental	-	1,200	1,144	(56)
Use of money and property	-	-	110	110
Amounts Available for Appropriations	34,044	35,244	35,298	54
Charges to Appropriation (Outflow):				
Public safety	-	35,244	13,012	22,232
Total Charges to Appropriations	-	35,244	13,012	22,232
Budgetary Fund Balance, June 30	\$ 34,044	\$ -	\$ 22,286	\$ 22,286

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
 BARSTOW HARVEY HOUSE FOUNDATION
 YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (14,311)	\$ (14,311)	\$ (14,311)	\$ -
Charges to Appropriation (Outflow):				
Parks and recreation	600	600	300	300
Total Charges to Appropriations	600	600	300	300
Budgetary Fund Balance, June 30	\$ (14,911)	\$ (14,911)	\$ (14,611)	\$ 300

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT HOUSING SUCCESSOR
 YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,478,174	\$ 1,478,174	\$ 1,478,174	\$ -
Resources (Inflows):				
Use of money and property	-	-	(443)	(443)
Miscellaneous	-	-	1,273	1,273
Amounts Available for Appropriations	1,478,174	1,478,174	1,479,004	830
Charges to Appropriation (Outflow):				
Community development	-	-	60	(60)
Transfers out	-	1,241,240	1,036,042	205,198
Total Charges to Appropriations	-	1,241,240	1,036,102	205,138
Budgetary Fund Balance, June 30	\$ 1,478,174	\$ 236,934	\$ 442,902	\$ 205,968

CITY OF BARSTOW

**BUDGETARY COMPARISON SCHEDULE
 BARSTOW COMMUNITY SERVICE
 YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,027	\$ 1,027	\$ 1,027	\$ -
Resources (Inflows):				
Use of money and property	-	-	3	3
Amounts Available for Appropriations	1,027	1,027	1,030	3
Charges to Appropriation (Outflow):				
Community development	300	300	300	-
Total Charges to Appropriations	300	300	300	-
Budgetary Fund Balance, June 30	\$ 727	\$ 727	\$ 730	\$ 3

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
 LOCAL TRANSPORTATION
 YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 441,658	\$ 441,658	\$ 441,658	\$ -
Resources (Inflows):				
Intergovernmental	-	15,676	15,676	-
Use of money and property	-	-	368	368
Amounts Available for Appropriations	441,658	457,334	457,702	368
Charges to Appropriation (Outflow):				
Public safety	-	8,000	-	8,000
Transfers out	446,475	446,475	386,570	59,905
Total Charges to Appropriations	446,475	454,475	386,570	67,905
Budgetary Fund Balance, June 30	\$ (4,817)	\$ 2,859	\$ 71,132	\$ 68,273

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
 FLOOD CONTROL
 YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,450	\$ 10,450	\$ 10,450	\$ -
Resources (Inflows):				
Use of money and property	-	-	22	22
Amounts Available for Appropriations	10,450	10,450	10,472	22
Budgetary Fund Balance, June 30	\$ 10,450	\$ 10,450	\$ 10,472	\$ 22

CITY OF BARSTOW

BUDGETARY COMPARISON SCHEDULE
COVID-19 Grants
YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (132,558)	\$ (132,558)	\$ (132,558)	\$ -
Resources (Inflows):				
Intergovernmental	-	988,312	925,066	(63,246)
Amounts Available for Appropriation	(132,558)	855,754	792,508	(63,246)
Charges to Appropriation (Outflow):				
General government	-	361,000	360,743	257
Public safety	-	71,392	1,583	69,809
Community development	-	15,786	15,786	-
Transfers out	-	555,920	424,717	131,203
Total Charges to Appropriations	-	1,004,098	802,829	201,269
Budgetary Fund Balance, June 30	\$ (132,558)	\$ (148,344)	\$ (10,321)	\$ 138,023

CITY OF BARSTOW

**BUDGETARY COMPARISON SCHEDULE
MEASURE I TRIP
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,082,245	\$ 1,082,245	\$ 1,082,245	\$ -
Resources (Inflows):				
Use of money and property	7,421	7,421	7,741	320
Transfers in	350,000	395,000	367,808	(27,192)
Amounts Available for Appropriations	1,439,666	1,484,666	1,457,794	(26,872)
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	1,395,000	1,395,000	1,395,000	-
Interest and fiscal charges	55,800	75,800	62,794	13,006
Total Charges to Appropriations	1,450,800	1,470,800	1,457,794	13,006
Budgetary Fund Balance, June 30	\$ (11,134)	\$ 13,866	\$ -	\$ (13,866)

CITY OF BARSTOW

**BUDGETARY COMPARISON SCHEDULE
CITY CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 795,371	\$ 795,371	\$ 795,371	\$ -
Resources (Inflows):				
Intergovernmental	-	426,169	443,759	17,590
Use of money and property	-	-	381	381
Transfers in	2,436,840	9,683,187	3,284,661	(6,398,526)
Amounts Available for Appropriations	3,232,211	10,904,727	4,524,172	(6,380,555)
Charges to Appropriation (Outflow):				
General government	-	240,000	224,957	15,043
Community development	-	150,000	16,261	133,739
Public works	825,000	1,886,367	1,150,787	735,580
Capital outlay	1,611,840	7,838,842	2,324,678	5,514,164
Transfers out	682,223	250,201	-	250,201
Total Charges to Appropriations	3,119,063	10,365,410	3,716,683	6,648,727
Budgetary Fund Balance, June 30	\$ 113,148	\$ 539,317	\$ 807,489	\$ 268,172

CUSTODIAL FUNDS

Public Improvement District 91-1 accounts for the receipt of assessments relating to Public Improvement District 91-1 and the disposition of the assessments under the terms of the agreement.

Landscape Assessment District accounts for the receipt of assessment relating to the Landscape District and the disposition of the assessments under the terms of the agreements.

CITY OF BARSTOW, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 ALL CUSTODIAL FUNDS
 JUNE 30, 2021

	Public Improvement District 91-1	Landscape Assessment District	Totals
Assets:			
Cash and investments	\$ 96,538	\$ 129,965	\$ 226,503
Receivables:			
Accounts	-	17	17
Accrued interest receivable	57	72	129
Total Assets	96,595	130,054	226,649
Liabilities:			
Accounts payable	-	58,128	58,128
Total Liabilities	-	58,128	58,128
Net Position:			
Held trust for other purposes	96,595	71,926	168,521
Total Net Position	\$ 96,595	\$ 71,926	\$ 168,521

CITY OF BARSTOW, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN NET POSITION
 ALL CUSTODIAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Public Improvement District 91-1	Landscape Assessment District	Totals
Additions:			
Investment earnings:			
Interest	\$ 202	\$ 254	\$ 456
Net investment earnings	202	254	456
Collections for assessment districts	-	22,129	22,129
Total Additions	202	22,383	22,585
Deductions:			
Administrative expenses	-	59,031	59,031
Contractual services	-	6,050	6,050
Total Deductions	-	65,081	65,081
Net Increase (Decrease) in Fiduciary Net Position	202	(42,698)	(42,496)
Net Position - Beginning	-	-	-
Restatement of Net Position	96,393	114,624	211,017
Net Position - Beginning, as Restated	96,393	114,624	211,017
Net Position - End of the Year	\$ 96,595	\$ 71,926	\$ 168,521

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Barstow’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City.

Index	Page
Financial Trends	137
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	142
These schedules contain information to help the reader assess the City’s most significant local revenues sources, property tax and sales tax.	
Debt Capacity	150
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability issues additional debt in the future.	
Demographic and Economic Information	155
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
Operating Information	157
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

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CITY OF BARSTOW
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities:										
Net investment in										
capital assets	\$ 72,765,415	\$ 76,148,543	\$ 73,335,444	\$ 76,362,833	\$ 80,392,246	\$ 81,895,762	\$ 82,945,793	\$ 83,892,867	\$ 83,177,722	\$ 83,193,605
Restricted	6,609,675	4,937,538	6,079,590	2,245,332	1,912,180	2,122,953	2,815,993	4,321,280	4,856,154	2,060,032
Unrestricted	29,552,965	23,982,795	1,591,292	777,665	(4,892,883)	(15,011,733)	(36,244,461)	(40,010,751)	(48,226,357)	(47,612,389)
Total Governmental Activities Net Position	\$ 108,928,055	\$ 105,068,876	\$ 81,006,326	\$ 79,385,830	\$ 77,411,543	\$ 69,006,982	\$ 49,517,325	\$ 48,203,396	\$ 39,807,519	\$ 37,641,248
Business-type Activities:										
Net investment in										
capital assets	\$ 14,530,286	\$ 15,734,425	\$ 23,983,537	\$ 28,045,832	\$ 22,332,269	\$ 22,376,249	\$ 22,036,073	\$ 22,493,982	\$ 22,443,932	\$ 21,922,426
Unrestricted	(4,779,780)	(5,850,933)	(10,547,818)	(14,863,742)	(12,179,023)	(10,757,834)	(9,598,849)	(8,538,249)	(7,598,760)	(5,702,487)
Total Business-type Activities Net Position	\$ 9,750,506	\$ 9,883,492	\$ 13,435,719	\$ 13,182,090	\$ 10,153,246	\$ 11,618,415	\$ 12,437,224	\$ 13,955,733	\$ 14,845,172	\$ 16,219,939
Primary Government:										
Net investment in										
capital assets	\$ 87,295,701	\$ 91,882,968	\$ 97,318,981	\$ 104,408,665	\$ 102,724,515	\$ 104,272,011	\$ 104,981,866	\$ 106,386,849	\$ 105,621,654	\$ 105,116,031
Restricted	6,609,675	4,937,538	6,079,590	2,245,332	1,912,180	2,122,953	2,815,993	4,321,280	4,856,154	2,060,032
Unrestricted	24,773,185	18,131,862	(8,956,526)	(14,086,077)	(17,071,906)	(25,769,567)	(45,843,310)	(48,549,000)	(55,825,117)	(53,314,876)
Total Primary Government Net Position	\$ 118,678,561	\$ 114,952,368	\$ 94,442,045	\$ 92,567,920	\$ 87,564,789	\$ 80,625,397	\$ 61,954,549	\$ 62,159,129	\$ 54,652,691	\$ 53,861,187

CITY OF BARSTOW
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses:										
Governmental activities:										
General government	\$ 4,372,577	\$ 3,979,122	\$ 3,040,319	\$ 2,340,584	\$ 3,453,207	\$ 4,243,537	\$ 3,407,933	\$ 3,195,349	\$ 4,539,158	\$ 7,178,050
Public safety	13,910,834	14,781,347	13,263,509	13,655,432	14,618,441	16,507,044	16,367,119	18,968,397	23,887,685	22,274,486
Community development	3,233,598	2,646,525	2,068,450	2,458,665	2,567,843	3,328,046	2,868,473	2,522,157	2,959,442	1,835,249
Recreation	2,226,201	1,980,078	2,647,726	2,777,589	2,840,457	3,221,250	3,097,501	2,573,335	2,548,681	1,413,896
Public works	4,976,071	5,928,990	11,353,600	6,882,670	7,863,741	7,603,005	6,911,603	6,937,058	7,842,090	9,115,346
Interest on long-term debt	373,524	132,321	260,017	239,143	188,887	143,333	100,036	55,104	85	51,162
Total Governmental Activities Expenses	29,092,805	29,448,383	32,633,621	28,354,083	31,532,576	35,046,215	32,752,665	34,251,400	41,777,141	41,868,189
Business-type Activities:										
Wastewater	4,398,844	3,479,553	3,933,499	5,217,340	5,183,363	3,991,004	4,077,582	3,928,331	5,093,118	4,626,634
Solid Waste	3,989,240	4,095,682	4,605,465	4,350,342	4,588,155	2,376,686	2,526,901	2,216,662	1,575,575	3,901,112
Transit Services	2,943,943	2,714,135	2,916,096	2,685,773	127,671	-	-	-	-	-
Other Enterprise Funds	336,203	324,043	382,573	473,911	391,844	-	-	-	-	-
Total Business-type Activities Expenses	11,668,230	10,613,413	11,837,633	12,727,366	10,291,033	6,367,690	6,604,483	6,144,993	6,668,693	8,527,746
Total Primary Government Expenses	40,761,035	40,061,796	44,471,254	41,081,449	41,823,609	41,413,905	39,357,148	40,396,393	48,445,834	50,395,935
Program revenues:										
Governmental activities:										
Charges for services:										
General government	1,200,799	1,543,686	1,430,544	1,490,257	1,569,444	1,702,142	1,488,493	2,318,518	1,327,757	1,236,136
Operating grants and contributions	595,522	436,434	861,484	1,702,084	1,045,110	638,283	847,091	1,002,010	859,437	757,387
Capital grants and contributions	4,099,782	3,297,685	7,793,386	3,978,333	5,488,502	4,365,660	6,145,461	5,670,702	3,526,055	4,994,774
Total governmental activities program revenues	5,896,103	5,277,805	10,085,414	7,170,674	8,103,056	6,706,085	8,481,045	8,991,230	5,713,249	6,988,297
Business-type activities:										
Charges for services:										
Wastewater	4,025,728	4,297,624	4,930,118	5,530,122	5,514,969	5,382,396	5,395,851	5,691,682	5,541,935	5,564,001
Solid Waste	4,062,908	3,785,422	4,040,347	4,023,189	4,121,294	1,926,405	2,027,441	1,971,820	1,988,453	4,208,547
Transit Services	688,374	186,984	610,918	169,247	129,803	-	-	-	-	-
Other business-type activities	34,136	94,831	75,831	69,973	58,451	-	-	-	-	-
Operating grants and contributions	2,044,518	2,381,538	1,849,657	2,275,972	219,038	524,058	-	-	-	-
Capital grants and contributions	-	-	4,779,757	405,234	-	-	-	-	-	-
Total business-type activities program revenues	10,855,664	10,746,399	16,286,628	12,473,737	10,043,555	7,832,859	7,423,292	7,663,502	7,530,388	9,772,548
Total primary government program revenues	16,751,767	16,024,204	26,372,042	19,644,411	18,146,611	14,538,944	15,904,337	16,654,732	13,243,637	16,760,845

(Continued)

CITY OF BARSTOW
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net revenues (expenses):										
Governmental activities	(23,196,702)	(24,170,578)	(22,548,207)	(21,183,409)	(23,429,520)	(28,340,130)	(25,103,932)	(25,260,170)	(36,063,892)	(34,879,892)
Business-type activities	(812,566)	132,986	4,448,995	(253,629)	(247,478)	1,465,169	818,809	1,518,509	861,695	1,244,802
Total net revenues (expenses)	<u>(24,009,268)</u>	<u>(24,037,592)</u>	<u>(18,099,212)</u>	<u>(21,437,038)</u>	<u>(23,676,998)</u>	<u>(26,874,961)</u>	<u>(24,285,123)</u>	<u>(23,741,661)</u>	<u>(35,202,197)</u>	<u>(33,635,090)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
Property taxes	9,581,086	8,750,763	7,288,665	7,398,978	7,441,119	7,970,015	9,108,160	8,774,293	9,252,006	9,796,572
Transient occupancy taxes	2,626,389	2,649,694	2,748,763	2,892,232	2,857,509	3,056,078	3,147,207	3,320,952	2,855,796	3,436,464
Sales taxes	6,942,387	7,346,732	7,532,540	7,259,449	7,670,993	7,166,274	7,239,830	9,690,333	13,527,079	16,387,048
Franchise taxes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,023,994	1,077,373	1,175,996
Business License taxes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	233,526	220,930	222,605
Other taxes	1,213,263	1,126,099	1,178,629	1,211,911	1,265,262	1,264,374	1,308,951	59,958	64,808	55,188
Motor vehicle in lieu, unrestricted	24,459	-	-	-	-	-	-	-	-	-
Use of money and property	1,297,074	328,226	693,341	471,980	482,812	278,153	202,328	242,147	318,440	1,048,338
Other general revenues	91,654	109,885	141,895	328,363	199,570	200,675	269,350	601,038	352,124	591,410
Transfers	-	-	-	-	1,537,968	-	-	-	-	-
Extraordinary item - gain due to dissolution of RDA	311,238	-	-	-	-	-	-	-	-	-
Total Governmental Activities	<u>22,087,550</u>	<u>20,311,399</u>	<u>19,583,833</u>	<u>19,562,913</u>	<u>21,455,233</u>	<u>19,935,569</u>	<u>21,275,826</u>	<u>23,946,241</u>	<u>27,668,555</u>	<u>32,713,621</u>
Business-type activities:										
Investment Income										
Other revenue	-	-	-	-	-	-	-	-	27,744	129,965
Transfers	-	-	-	-	(2,781,366)	-	-	-	-	-
Total Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,781,366)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,744</u>	<u>129,965</u>
Total Primary Government	<u>22,087,550</u>	<u>20,311,399</u>	<u>19,583,833</u>	<u>19,562,913</u>	<u>18,673,867</u>	<u>19,935,569</u>	<u>21,275,826</u>	<u>23,946,241</u>	<u>27,696,299</u>	<u>32,843,586</u>
Changes in Net Position:										
Governmental activities	(1,109,152)	(3,859,179)	(2,964,374)	(1,620,496)	(1,974,287)	(8,404,561)	(3,828,106)	(1,313,929)	(8,395,337)	(2,166,271)
Business-type activities	(812,566)	132,986	4,448,995	(253,629)	(3,028,844)	1,465,169	818,809	1,518,509	889,439	1,374,767
Total Primary Government	<u>\$ (1,921,718)</u>	<u>\$ (3,726,193)</u>	<u>\$ 1,484,621</u>	<u>\$ (1,874,125)</u>	<u>\$ (5,003,131)</u>	<u>\$ (6,939,392)</u>	<u>\$ (3,009,297)</u>	<u>\$ 204,580</u>	<u>\$ (7,505,898)</u>	<u>\$ (791,504)</u>

CITY OF BARSTOW
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund:										
Reserved										
Nonspendable*	\$ 6,025,426	\$ 5,819,857	\$ 5,391,889	\$ 10,843,398	\$ 8,680,778	\$ 7,619,282	\$ 5,183,492	\$ 8,111,586	\$ 9,955,211	\$ 8,002,559
Restricted*	-	-	-	-	-	-	-	-	-	-
Assigned*	-	-	-	-	-	-	-	-	4,406,560	4,438,404
Unreserved/Unassigned*	25,449,432	22,749,055	21,445,217	14,466,701	12,063,100	9,222,550	9,163,739	5,843,014	(479,717)	5,218,191
Total General Fund	\$ 31,474,858	\$ 28,568,912	\$ 26,837,106	\$ 25,310,099	\$ 20,743,878	\$ 16,841,832	\$ 14,347,231	\$ 13,954,600	\$ 13,882,054	\$ 17,659,154
All Other Governmental Funds:										
Reserved										
Nonspendable*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted*	6,935,670	15,283,195	6,266,281	2,269,521	1,941,169	2,122,945	2,232,689	4,376,375	4,856,154	2,060,032
Assigned*	-	-	-	-	-	-	-	-	-	-
Unreserved/Unassigned*, reported in:										
Special revenue funds	-	(229,905)	(4,178,949)	(1,203,369)	(3,645,638)	(4,363,879)	(5,509,987)	(8,192,534)	(8,168,382)	(6,784,541)
Total all other governmental funds	\$ 6,935,670	\$ 15,053,290	\$ 2,087,332	\$ 1,066,152	\$ (1,704,469)	\$ (2,240,934)	\$ (3,277,298)	\$ (3,816,159)	\$ (3,312,228)	\$ (4,724,509)

Source: Barstow Finance Department

* FY11 Implementation of GASB 54 Fund Balance Classifications.

**The Hospital Fund for FY09 & FY10 was not included with the General Fund balances but shown as a separate special revenue fund. For comparison purposes, the Hospital Fund (now labeled General Fund II), is combined

CITY OF BARSTOW
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Taxes	\$ 20,387,584	\$ 19,873,288	\$ 18,558,246	\$ 18,540,422	\$ 19,035,503	\$ 19,265,710	\$ 20,748,728	\$ 22,592,237	\$ 26,994,270	\$ 31,071,466
Licenses and permits	196,868	204,981	472,222	429,256	509,323	574,297	561,068	490,306	442,883	536,798
Fines and forfeitures	106,341	104,690	142,409	125,915	140,692	216,117	78,862	114,564	132,885	89,923
From other agencies	4,915,206	3,907,154	5,075,232	9,278,029	6,713,437	5,161,172	7,365,874	6,051,941	5,818,278	5,535,566
Charges for services	677,688	1,099,480	750,382	1,281,351	808,528	712,690	655,742	1,053,338	444,041	328,465
Use of Money and Property	990,102	328,226	768,427	586,238	579,736	430,896	350,328	924,400	354,439	1,084,648
Other	91,654	71,385	82,362	115,621	80,491	68,327	136,635	472,340	352,124	592,683
Total Revenues	<u>27,365,443</u>	<u>25,589,204</u>	<u>25,849,280</u>	<u>30,356,832</u>	<u>27,867,710</u>	<u>26,429,209</u>	<u>29,897,237</u>	<u>31,699,126</u>	<u>34,538,920</u>	<u>39,239,549</u>
Expenditures										
Current:										
General government	3,076,341	3,061,475	2,882,514	2,934,731	3,350,641	3,633,918	3,197,895	3,964,134	3,271,395	5,750,679
Public safety	13,338,769	13,427,720	13,473,842	14,493,181	14,032,923	14,419,752	15,862,429	17,253,463	18,655,220	18,784,049
Public works	2,746,018	3,481,396	3,108,045	3,050,005	3,274,837	3,418,593	3,321,773	3,162,077	3,854,666	5,042,790
Recreation	1,547,172	1,520,643	2,333,991	2,380,982	2,541,381	2,575,293	2,628,551	2,429,324	2,188,673	1,007,100
Community development	3,035,640	2,552,355	2,147,003	2,427,110	2,573,815	2,839,218	2,609,936	2,555,676	2,626,193	1,605,860
Debt service:										
Principal retirement	510,000	-	1,070,000	1,100,000	1,145,000	1,190,000	1,249,026	1,290,000	1,826,578	2,114,295
Interest and fiscal charges	382,583	447,390	386,172	356,970	311,543	262,775	212,818	167,854	112,835	163,912
Capital Outlay	9,775,072	7,233,394	15,212,059	6,162,422	6,929,898	2,652,301	4,176,662	3,372,692	1,890,389	2,532,983
Total Expenditures	<u>34,411,595</u>	<u>31,724,373</u>	<u>40,613,626</u>	<u>32,905,401</u>	<u>34,160,038</u>	<u>30,991,850</u>	<u>33,259,090</u>	<u>34,195,220</u>	<u>34,425,949</u>	<u>37,001,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,046,152)</u>	<u>(6,135,169)</u>	<u>(14,764,346)</u>	<u>(2,548,569)</u>	<u>(6,292,328)</u>	<u>(4,562,641)</u>	<u>(3,361,853)</u>	<u>(2,496,094)</u>	<u>112,971</u>	<u>2,237,881</u>
Other financing sources (uses):										
Transfers in	24,557,219	5,596,067	13,715,655	5,401,533	7,939,085	3,486,269	4,950,785	4,645,038	4,667,368	8,189,791
Transfers out	(24,557,219)	(5,596,067)	(13,715,655)	(5,401,533)	(9,288,600)	(3,486,269)	(4,950,785)	(4,645,038)	(4,667,368)	(8,189,791)
Proceeds from sale of assets	41,770	23,296	33,374	382	24,332	-	32,306	720,188	318,414	126,938
Capital leases	264,473	651,548	33,208	-	-	124,130	642,996	-	-	-
Issuance of bonds	-	9,770,000	-	-	-	-	-	-	-	-
Issuance premium	-	901,999	-	-	-	-	-	-	-	-
Extraordinary loss on dissolution of RDA	(7,023,762)	-	-	-	-	-	-	-	-	-
Transfer of residual equity due to termination	(7,023,762)	-	-	-	280,669	-	-	-	-	-
Total Other Financing	<u>(13,741,281)</u>	<u>11,346,843</u>	<u>66,582</u>	<u>382</u>	<u>(1,044,514)</u>	<u>124,130</u>	<u>675,302</u>	<u>720,188</u>	<u>318,414</u>	<u>126,938</u>
Sources (Uses)	<u>(13,741,281)</u>	<u>11,346,843</u>	<u>66,582</u>	<u>382</u>	<u>(1,044,514)</u>	<u>124,130</u>	<u>675,302</u>	<u>720,188</u>	<u>318,414</u>	<u>126,938</u>
Net Change in Fund Balances	<u>\$ (20,787,433)</u>	<u>\$ 5,211,674</u>	<u>\$ (14,697,764)</u>	<u>\$ (2,548,187)</u>	<u>\$ (7,336,842)</u>	<u>\$ (4,438,511)</u>	<u>\$ (2,686,551)</u>	<u>\$ (1,775,906)</u>	<u>\$ 431,385</u>	<u>\$ 2,364,819</u>
Debt service as a percentage of noncapital expenditures	3.6%	0.7%	5.7%	5.4%	5.3%	5.1%	5.0%	4.7%	6.0%	6.6%

CITY OF BARSTOW
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	City of Barstow				
	Secured	Unsecured	SBE Nonunitary	City Net Value	% Change
2012	\$ 1,105,173,976	\$ 105,571,293	\$ 2,186,442	\$1,212,931,711	-2.61%
2013	1,092,408,332	104,914,213	2,165,193	1,199,487,738	-1.11%
2014	1,039,983,380	102,817,129	677,094	1,143,477,603	-4.67%
2015	1,051,514,240	103,609,217	562,232	1,155,685,689	1.07%
2016	1,075,574,231	100,176,764	1,091,097	1,176,842,092	1.83%
2017	1,179,227,750	92,848,517	1,090,047	1,273,166,314	8.18%
2018	1,199,023,057	87,038,753	1,174,083	1,287,235,893	1.11%
2019	1,277,320,622	97,633,037	1,100,258	1,376,053,917	6.90%
2020	1,364,148,974	96,231,522	1,041,131	1,461,421,627	6.20%
2021	1,406,623,300	99,619,193	986,567	1,507,229,060	3.13%

Source: HdL Coren & Cone/San Bernardino Co Assessor 2011/12-2020/21 Combined Tax Rolls

*Exempt values are not included in Total Assessed Value.

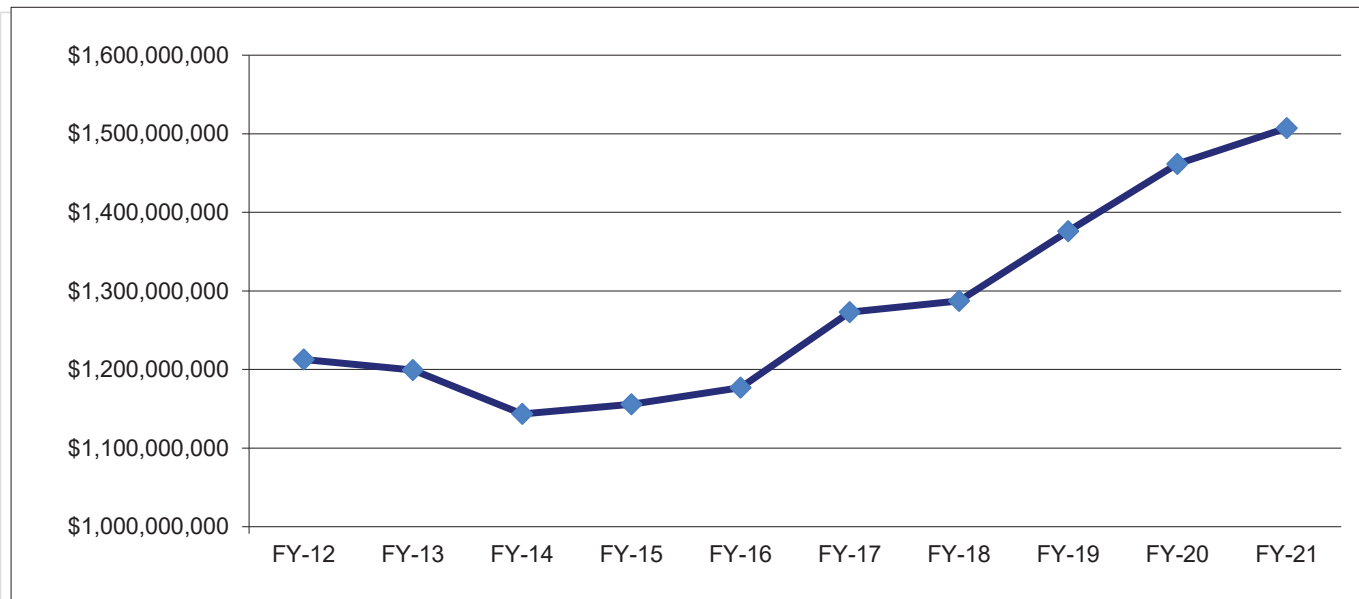
CITY OF BARSTOW
Assessed Value of Taxable Property by Class
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Vacant Land	SBE Non Unitary	Unsecured	Other	Total Taxable Assessed Value (a)	Total Direct Tax Rate
2011-12	\$ 537,307,938	\$ 344,666,172	\$ 33,358,242	\$ 168,757,467	\$ 2,186,442	\$ 105,571,293	\$ 21,084,157	\$1,212,931,711	0.410%
2012-13	520,704,582	354,140,448	30,209,573	173,103,339	2,165,193	104,914,213	14,250,390	1,199,487,738	0.404%
2013-14	504,674,199	342,399,149	29,304,358	150,618,871	677,094	102,817,129	12,986,803	1,143,477,603	0.150%
2014-15	525,855,023	344,691,557	29,536,256	99,024,673	562,232	103,609,217	52,406,731	1,155,685,689	0.150%
2015-16	541,740,544	352,020,034	28,283,445	100,095,186	1,091,097	100,176,764	53,435,022	1,176,842,092	0.150%
2016-17	558,991,827	436,522,540	28,978,583	100,797,408	1,090,047	92,848,517	53,937,392	1,273,166,314	0.150%
2017-18	572,637,923	442,244,817	29,637,912	101,055,206	1,174,083	87,038,753	53,447,196	1,287,235,890	0.150%
2018-19	601,437,825	489,871,146	29,041,847	103,502,172	1,100,258	97,633,037	53,467,632	1,376,053,917	0.150%
2019-20	651,254,179	512,323,358	30,132,457	115,105,159	1,041,131	96,231,522	55,333,821	1,461,421,627	0.150%
2020-21	675,586,704	541,992,444	28,785,991	104,526,446	986,567	99,619,193	55,731,715	1,507,229,060	0.150%

Source: HdL Coren & Cone/San Bernardino Co Assessor 2011/12-2020/21 Combined Tax Rolls

Notes:

(a) Exempt values are not included in Total Assessed Value.



CITY OF BARSTOW
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

	Fiscal Year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Direct & Overlapping (2) Tax Rates											
Basic Levy (1)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Barstow Unified School Bond	0.0401	0.0393	0.0370	0.0474	0.0329	0.0394	0.0308	0.1245	0.0451	0.0844	0.0844
Mojave Water Agency	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675
Total Direct & Overlapping Rates	<u>\$ 1.2076</u>	<u>\$ 1.2068</u>	<u>\$ 1.2045</u>	<u>\$ 1.2149</u>	<u>\$ 1.2004</u>	<u>\$ 1.2069</u>	<u>\$ 1.1983</u>	<u>\$ 1.2920</u>	<u>\$ 1.2126</u>	<u>\$ 1.2519</u>	<u>\$ 1.2519</u>
City's Share of 1% Levy Per Prop 13 (3)	0.14974	0.14974	0.14974	0.14974	0.14974	0.14974	0.14974	0.14974	0.14974	0.14974	0.14974
General Obligation Debt Rate											
Redevelopment Rate (4)	1.0000	1.0000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Direct Rate (5)	0.41035	0.40408	0.14996	0.14998	0.15012	0.15012	0.15015	0.15016	0.015001	0.015005	0.015005

Source: San Bernardino County Assessor/Hdl, Coren & Cone

- NOTE:
- (1) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values of any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
- (3) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (4) Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.
- (5) Total Direct Rate is the weighted average of all individual direct rates applied to the City. Beginning in 2013/2014 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same

CITY OF BARSTOW

Largest 2020-21 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2020-21 Assessed Valuation</u>	<u>% of Total (1)</u>
1	FRO2MO Barstow LLC	Shopping Center	\$120,285,135	7.98%
2	Hospital of Barstow Inc.	Hospital	49,441,213	3.28%
3	Walmart Inc.	Commercial Store	32,260,371	2.14%
4	TVL Properties LLC	Supermarket	13,453,030	0.89%
5	Pilot Travel Centers LLC	Travel Center	12,986,311	0.86%
6	Lee Family Irrevocable Trust	Hotel	12,730,959	0.84%
7	Fred and Robin Rosenberg Family LP	Commercial Properties	12,262,648	0.81%
8	Desert Heights LP	Apartments	12,021,725	0.80%
9	Hospitality Express II LLC	Hotel	11,787,307	0.78%
10	Ayres Hotel Barstow LP	Hotel	11,220,000	0.74%
11	Montara 158 LP	Apartments	10,200,000	0.68%
12	Home Depot USA Inc.	Commercial Store	10,082,320	0.67%
13	T T Group Inc.	Shopping Center	9,718,362	0.64%
14	Elite Experience Inc.	Hotel	9,300,782	0.62%
15	Barstow Retail Partners LLC	Shopping Center	8,976,741	0.60%
16	HPT TA Properties Trust	Travel Center	7,759,000	0.51%
17	Loves Country Stores of California	Travel Center	7,478,353	0.50%
18	Villa Vista	Apartments	6,668,681	0.44%
19	Principal Holdings LLC	Motel	6,150,000	0.41%
20	Barstow Outlet	Shopping Center	5,973,300	0.40%
			<u>\$352,019,375</u>	<u>24.60%</u>

(1) 2020-21 Local Secured Assessed Valuation: \$1,507,229,060

Source: California Municipal Statistics, Inc.

CITY OF BARSTOW
Principal Property Tax Payers
Current Year and Ten Years Ago

Owner	2021		2012	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Ayers Hotel Barstow LP	\$ 11,220,000	0.74%		
Barstow Outlet LLC	5,973,300	0.40%	\$ 10,422,003	0.86%
Compass Bank			13,649,500	1.13%
Desert Heights LLC	12,021,725	0.80%	11,380,220	0.94%
Fred and Robin Rosenberg Family Limited	12,262,648	0.81%		
FRO2MO Barstow LLC	120,285,135	7.98%		
Home Depot USA Inc	10,082,320	0.67%	10,496,528	0.87%
Hospital of Barstow Inc	49,441,213	3.28%	18,422,807	1.52%
Hospitality Express II LLC	11,787,307	0.78%	10,422,281	0.86%
Lee Family Irrevocable Trust	12,730,959	0.84%		
Pilot Travel Center LLC	12,986,311	0.86%		
Suk Hee Suh			10,823,512	0.89%
Tanger Properties LP			24,640,388	2.03%
TVL Properties	13,453,030	0.89%	9,419,191	0.78%
Walmart Real Estate Business Trust	32,260,371	2.14%		
Meruelo Maddux Properties			13,388,052	1.10%
TOTAL OF TOP TEN:	\$ 304,504,319	20.20%	\$ 133,064,482	10.97%
CITY TOTAL	\$ 1,507,229,060		\$ 1,212,931,711	

**Listed alphabetically

Source: Hdl Coren & Cone-San Bernardino County Assessor

City of Barstow
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2012	\$ 4,609,714	\$ 4,446,347	96%	\$ 197,473	\$ 4,643,820	101%
2013	4,587,850	4,415,853	96%	182,397	4,598,250	100%
2014	4,511,674	4,410,513	98%	167,577	4,578,090	101%
2015	4,598,336	4,506,775	98%	103,403	4,610,178	100%
2016	4,730,324	4,634,977	98%	72,106	4,707,083	100%
2017	4,806,434	4,729,391	98%	72,314	4,801,705	100%
2018	4,812,206	4,753,763	99%	57,650	4,811,413	100%
2019	4,980,727	4,901,322	98%	50,063	4,951,385	99%
2020	5,241,332	5,145,125	98%	55,887	5,201,012	99%
2021	5,365,780	5,355,407	100%	-	5,355,407	100%

Source: San Bernardino Auditor-Controller Recorder

Includes Barstow Park & Recreation and Barstow Fire Protection District

CITY OF BARSTOW
Top 25 Sales Tax Producers (Alphabetically)
For the Fiscal Year 2021

<u>Business Name</u>	<u>Business Category</u>
Arco AM PM	Service Stations
Barstow Shell	Service Stations
Chevron	Service Stations
Circle K	Service Stations
Coach	Women's Apparel
Del Taco	Quick-Service Restaurants
Food 4 Less	Grocery Stores
Home Depot	Building Materials
In N Out Burger	Quick-Service Restaurants
Lenwood Arco	Service Stations
Loves Travel Stop 374	Service Stations
Marshalls	Family Apparel
McDonalds	Quick-Service Restaurants
Michael Kors	Family Apparel
Mojave Ford/Nissan of Barstow	New Motor Vehicle Dealers
Mojave Toyota Chrysler Dodge Jeep Ram	New Motor Vehicle Dealers
MSC Industrial Supply	Building Materials
Nike	Shoe Stores
Old Navy	Family Apparel
Pilot Travel Center	Service Stations
Stater Bros	Grocery Stores
Terrible Herbst	Convenience Stores/Liquor
Travelcenters of America	Service Stations
Vans	Specialty Stores
Walmart	Discount Dept Stores

Percent of Fiscal Year Total Paid by Top 25 Accounts = 68.18%
 Period: July 2020 Thru March 2021

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

CITY OF BARSTOW
Top 25 Sales Tax Producers (Alphabetically)
For the Fiscal Year 2012

<u>Business Name</u>	<u>Business Category</u>
Arco	Service Stations
Arco AM PM	Service Stations
Barstow Shell	Service Stations
Calvin Klein	Family Apparel
Chevron	Service Stations
Circle K	Service Stations
Coach	Women's Apparel
Del Taco	Quick-Service Restaurants
Home Depot	Building Materials
In N Out Burgers	Quick-Service Restaurants
Loves Travel Stop	Service Stations
McDonalds	Quick-Service Restaurants
Pilot Travel Center	Service Stations
Ralph Lauren	Family Apparel
Reebok	Shoe Stores
Shell	Service Stations
Soutar's Chrysler Dodge Jeep Ram & Toyota	New Motor Vehicle Dealers
Soutar's Ford/Nissan	New Motor Vehicle Dealers
Terrible Herbst	Convenience Stores/Liquor
Thrifty Oil	Service Stations
Travel Centers of America	Service Stations
Union 76	Service Stations
Valero	Service Stations
Valmont Newmark	Heavy Industrial
Walmart	Discount Dept Stores

Percent of Fiscal Year Total Paid by Top 25 Accounts = 68.80%
 Period: July 2011 thru June 2012

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

CITY OF BARSTOW
Taxable Sales by Category
Last Ten Calendar Years (in thousands of dollars)
Adjusted for Economic Data

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Apparel Stores	\$ 121,561	\$ 136,098	\$ 133,682	\$ 132,209	\$ 129,936	\$ 131,139	\$ 126,807	\$ 121,530	\$ 107,223	\$ 57,480
Food Stores	11,826	11,696	18,756	27,229	25,860	25,047	25,129	27,425	24,378	23,631
Eating & Drinking Places	72,014	74,629	73,539	78,836	81,830	86,487	88,908	89,891	93,254	81,362
Auto Dealers & Supplies	31,009	30,721	27,338	27,153	36,460	40,235	38,661	36,005	32,674	36,486
Service Stations	263,969	285,795	292,409	301,169	262,870	251,746	251,447	273,455	254,498	197,752
Other Retail Stores	94,021	101,423	101,714	103,093	102,123	100,869	106,946	110,707	111,949	131,226
All Other Outlets	79,690	95,115	86,207	86,831	80,706	82,819	89,560	93,786	103,625	120,620
Total	\$ 674,090	\$ 735,477	\$ 733,645	\$ 756,520	\$ 719,785	\$ 718,342	\$ 727,458	\$ 752,799	\$ 727,601	\$ 648,557

Source: State of California Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office and The HdI Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternate information regarding the sources of the City's revenue.

CITY OF BARSTOW
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities						Business-type			Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
	Tax Allocation		Measure I TRIP	Capital Lease Agreements	Total Governmental Activities	Wastewater Certificates of Participation	Wastewater Capital Lease Agreements	Total Business-type Activities				
	Bonds	Loans										
2012	\$ -	\$ -	\$ -	\$ 3,197,150	\$ 3,197,150	\$ 2,028,159	\$ 2,137,571	\$ 4,165,730	\$ 7,362,880	37.54%	\$ 320	
2013	-	-	10,671,999	3,337,511	14,009,510	1,766,808	1,968,975	3,735,783	17,745,293	87.23%	765.94	
2014	-	-	9,849,249	2,874,809	12,724,058	1,500,766	1,757,803	3,258,569	15,982,627	83.27%	686.19	
2015	-	-	8,276,499	2,574,443	10,850,942	1,225,279	1,544,289	2,769,568	13,620,510	69.61%	585	
2016	-	-	7,018,749	2,092,667	9,111,416	935,472	1,312,813	2,248,285	11,359,701	63.48%	466	
2017	-	-	5,715,999	1,625,443	7,341,442	636,157	1,096,638	1,732,795	9,074,237	52.00%	374	
2018	-	-	4,363,249	1,825,131	6,188,380	327,402	887,323	1,214,725	7,403,105	45.33%	305	
2019	-	-	2,960,499	1,195,399	4,155,898	-	598,645	598,645	4,754,543	26.66%	197	
2020	-	-	1,507,749	1,027,235	2,534,984	-	349,491	349,491	2,884,475	15.10%	119	
2021	-	-	-	1,594,224	1,594,224	-	47,057	47,057	1,641,281	8.42%	68	

¹ These ratios are calculated using personal income and population for the prior calendar year

CITY OF BARSTOW
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds	Percent of Assessed Value ¹	Per Capita
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-
2020	-	0.00%	-
2021	-	0.00%	-

Source: Barstow Finance Department

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF BARSTOW
Direct & Overlapping Governmental Activities Debt
As of June 30, 2021

2020-21 Assessed Valuation: \$1,507,229,060

	Total Debt	Percentage	City's share of
	<u>6/30/2021</u>	<u>Applicable (1)</u>	<u>Debt 6/30/21</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Barstow Unified School District	\$ 34,587,358	65.915%	\$ 22,798,257
Mojave Water Agency	3,290,000	3.769%	124,000
City of Barstow-No debt	-	100.000%	-
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 22,922,257</u>

<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
San Bernardino County General Fund Obligations	\$ 214,095,000	0.602%	\$ 1,288,852
San Bernardino County Pension Obligations Bonds	180,825,585	0.602%	1,088,570
San Bernardino County Flood Control District General Fund Obligations	51,360,000	0.602%	309,187
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 2,686,609</u>

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$ 1,595,000	100.00%	\$ 1,595,000
--	---------------------	----------------	---------------------

TOTAL DIRECT DEBT			\$ -
TOTAL OVERLAPPING DEBT			<u>\$ 27,203,866</u>

<u>COMBINED TOTAL DEBT</u>			<u>\$ 27,203,866</u> (2)
-----------------------------------	--	--	---------------------------------

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations

Ratios to 2020-21 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.52%
Combined Total Debt	1.80%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$614,523,247):

Total Overlapping Tax Increment Debt	0.26%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

CITY OF BARSTOW
Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed valuation	\$ 1,212,931,711	\$ 1,199,487,738	\$ 1,143,477,603	\$ 1,155,685,689	\$ 1,176,842,092	\$ 1,273,166,314	\$ 1,287,235,890	\$ 1,376,053,917	\$ 1,461,421,627	\$ 1,507,229,060
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	303,232,928	299,871,935	285,869,401	288,921,422	294,210,523	318,291,579	321,808,973	344,013,479	365,355,407	376,807,265
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	45,484,939	44,980,790	42,880,410	43,338,213	44,131,578	47,743,737	48,271,346	51,602,022	54,803,311	56,521,090
Legal debt margin	<u>\$ 45,484,939</u>	<u>\$ 44,980,790</u>	<u>\$ 42,880,410</u>	<u>\$ 43,338,213</u>	<u>\$ 44,131,578</u>	<u>\$ 47,743,737</u>	<u>\$ 48,271,346</u>	<u>\$ 51,602,022</u>	<u>\$ 54,803,311</u>	<u>\$ 56,521,090</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: Barstow Department of Finance
County Tax Assessor's Office

CITY OF BARSTOW
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended	Tax Allocation Bonds		
	Tax	Debt Service (1)	Coverage
	Increment (1)	Principal and Interest	
June 30			
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-

Source: Barstow Finance Department

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses

(1) Amounts have been rounded to the nearest thousand.

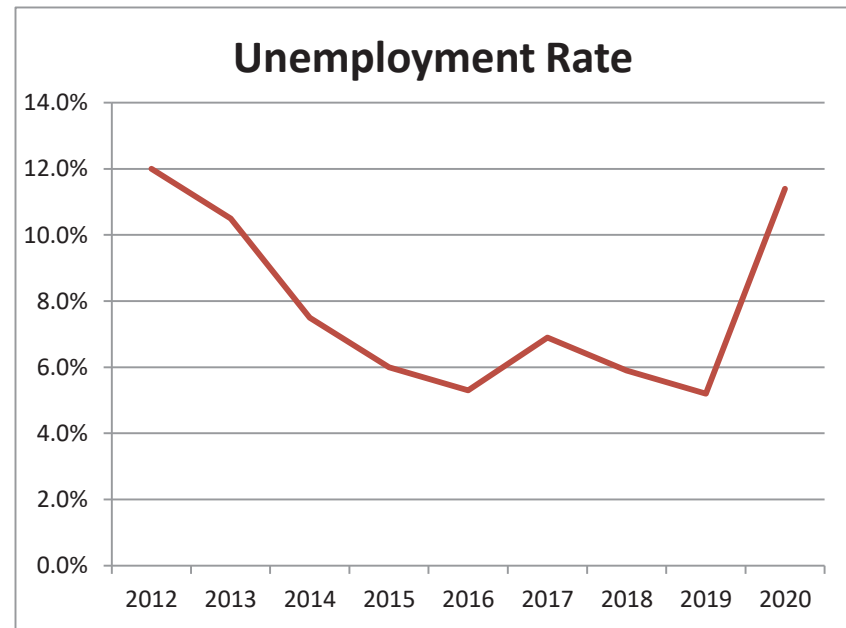
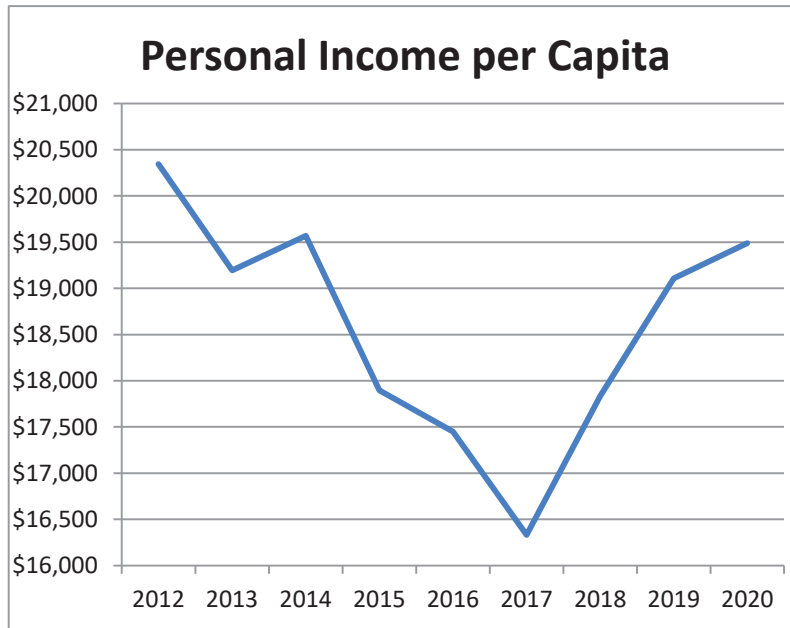
CITY OF BARSTOW
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands)	Per Capita Income	Unemployment Rate (2)	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2011	23,019	\$ 451,449	\$ 19,612	16.4%	33.1	78.9%	9.4%
2012	23,168	471,330	20,344	12.0%	33.3	81.0%	9.2%
2013	23,292	447,043	19,193	10.5%	32.9	79.8%	9.7%
2014	23,265	455,250	19,568	7.5%	33.7	82.4%	10.6%
2015	24,360	435,931	17,895	6.0%	31.2	80.3%	11.8%
2016	24,248	423,134	17,450	5.3%	30.2	79.8%	11.5%
2017	24,248	396,041	16,332	6.9%	29.3	77.3%	11.7%
2018	24,150	430,713	17,834	5.9%	30.0	78.4%	11.7%
2019	24,268	463,700	19,107	5.2%	29.8	79.3%	11.3%
2020	24,205	471,728	19,488	11.4%	30.1	78.2%	9.2%

Sources: HdL Coren & Cone

(1) Population: California State Department of Finance

(2) Unemployment Data: California Employment Development Department



CITY OF BARSTOW
Principal Employers
2020 and Ten Years Ago
Last Ten Calendar Years

Employer	2020		2011	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ft. Irwin National Training Center*	8,900	60.3%	5,665	46.5%
Marine Corps Logistics Base**	1,700	11.5%	1,845	15.1%
BNSF Railroad	1,000	6.8%	1,000	8.2%
Barstow Unified School District	958	6.5%	617	5.1%
Outlets at Barstow (Formerly Tanger Outlet Stores)	480	3.3%	400	3.3%
Raytheon Technical Services Co, LLC*	400	2.7%	498	4.1%
Barstow Community College	377	2.6%	-	0.0%
Barstow Community Hospital	348	2.4%	290	2.4%
Wal-Mart	305	2.1%	-	0.0%
Silver Valley School District*	300	2.0%	-	0.0%
Northrup Grunman (Vernell until 2002)*	-	0.0%	1,152	9.5%
San Bernardino County	-	0.0%	300	2.5%
IAP World Services*	-	0.0%	412	3.4%
Total Top Employers	14,768	100.0%	12,179	100.0%

Source: MuniServices, LLC / Avenu Insights & Analytics

Source: 2011, previously published CAFR

*Employers outside of City Limits

** Total civilian employee headcount includes Marine Corps Logistics Base, Barstow

(1) Total City Labor Force is provided by EDD Labor Force Data.

Note: Fort Irwin National Training Center employee headcount includes current active employees.

Does not include soldiers on 10 rotations a year.

CITY OF BARSTOW
Full-time and Part-time City Employees
by Function
Last Ten Fiscal Years

Full-Time Employees as of June 30										
Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government*	22	21	13	15	17	16	16	16	26.5	24.5
Police Safety										
Sworn	41	41	37	37	38	38	37	38	46	46
Non-Sworn	13	13	17	16	19	19	18	18	20	20
Fire Safety**										
Sworn	20	23	23	23	28	20	20	20	27	28
Non-Sworn	1	1	1	1	1	1	1	1	1	2
Recreation	19	18	16	14	17	17	17	17	11	2.5
Community Service	32	31	36	33	26	21	21	24	23	29
Community Development	10	10	10	12	10	16	15	10	11	7
Redevelopment	2	-	-	-	-	-	-	-	-	-
Solid Waste	1	2	2	3	1	1	1	1	1	1
Wastewater	8	9	8	9	11	11	11	10	11	11
Transit	1	1	1	-	-	-	-	-	-	-
Total	170	170	164	163	167	160	157	155	177.5	171.0

* Includes 7 Elected Officials

**Fire District added November 17, 2010

Source: City of Barstow Adopted Budget-Authorized Positions

CITY OF BARSTOW
Operating Indicators
by Function
Last Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Arrests	2,795	2,672	2,959	2,911	2,762	2,625	2463	2410	2235	2198
Parking citations issued	201	266	489	522	286	501	408	299	1110	579
Fire Services:										
Fire Calls	188	140	199	222**	242	311	212	340	576	499
Medical Aid Calls	4,050	3,636	3,452	4,079**	4,597	5,380	4031	5165	5351	5118
Parks and recreation:										
Number of recreation classes	16	14	14	14	14	14	10	10	6	13
Number of facility rentals	70	139	68	99	85	64	52	50	6	27
Sewer:										
New connections	17	30	4	2	5	4	4	5	8	6
Average/Millions of Gallons Sewage Treatment	2.13	2.11	2.11	2.11	1.98	2.03	2.06	2.13	2.15	2.19
Building Department:										
Permits	663	870	533	879	720	1,106	905	710	657	686
Fire Permits										
Fire Permits	*	*	*	61	-	-	-	-	-	-
Construction Fire Permits#					88	99	94	93	97	78
Annual Permit to Operate#					323	347	335	323	287	313

Source: City of Barstow

* Data not available

**The City of Barstow assumed dispatching services from County of San Bernardino. Incident tracking has changed due to enhanced software.

Permits now processed and tracked through the Building & Planning Department of the City of Barstow.

CITY OF BARSTOW
Capital Asset Statistics
by Function
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire District **										
Stations	3	3	3	3	3	3	3	3	3	3
Public Works:										
Streets (miles)	90	91	91	91	91	91	91	91	91	104.4
Streetlights	1,001	1,081	1,081	1,081	1,081	1,081	1081	1081	1053	1053
Traffic signals	21	21	22	22	22	22	22	22	22	22
Parks and Recreation:										
Parks	10	10	10	10	10	10	10	10	10	10
Community pools	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	3	3	3	3	3	3
Wastewater:										
Sanitary sewers (miles)	117	117	117	113	113	113	113	113	123	123
Storm sewers (miles)	15	15	16	16	16	16	16	16	16	16
Maximum daily treatment capacity (millions of gallons per day)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5

Source: City of Barstow

* Data not available

**Fire District added November 17, 2010

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy or completeness thereof. The City does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners (a) payments of interest, principal, or premium, if any, with respect to the Bonds; (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds; or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of: "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of the provisions of the Indenture of Trust relating to the Bonds, which is not intended to be definitive. Reference is made to the actual document (a copy of which may be obtained from the City) for the complete terms thereof.

Definitions

Terms which have been previously defined in this Official Statement have the same meanings when used in this Summary. In addition, when used in this Summary the following terms have the following meanings:

“Beneficial Owner” means the beneficial owner of each such Bond, determined under the rules of DTC.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations issued by public agencies.

“Business Day” means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“City” means the City of Barstow, a municipal corporation organized and existing under the laws of the State of California.

“Closing Date” means the date on which the Bonds are delivered by the City to the original purchaser of the Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-

month period selected and designated by the City as its official fiscal year period in a written certificate of the City filed with the Trustee.

“Outstanding”, when used as of any particular time with reference to Bonds, means: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the City under the Indenture.

“Owner” means, with respect to any Bond, the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Federal Housing Administration debentures.
- (c) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - (i) Federal Home Loan Mortgage Corporation participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) or senior debt obligations;
 - (ii) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;
 - (iii) Federal Home Loan Banks consolidated debt obligations; and
 - (iv) Federal National Mortgage Association senior debt obligations or mortgage-backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts);
- (d) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank, including the Trustee or its affiliates, the short-term obligations of which are rated “A-1” or better by S&P and “Prime-1” or better by Moody's at the time of initial investment.
- (e) Deposits, the aggregate amount of which are insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee or its affiliates, which have capital and surplus of at least \$15 million.
- (f) Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody's.

(g) Money market funds rated “AAm” or “AAm-G” by S&P, or better, including funds for which the Trustee or its affiliates or subsidiaries provide investment or other advisory services.

(h) “State Obligations”, which means:

(i) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated “A-1+” by S&P and “Prime-1” by Moody’s; and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (i) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(i) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

(i) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(ii) the municipal obligations are secured by cash or Federal Securities described in clause (a) of the definition thereof (“United States Treasury Obligations”) which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(iii) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(iv) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(v) no substitution of a United States Treasury Obligations shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

- (vi) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
- (j) Investment agreements with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA-" by S&P or "Aa3" by Moody's at the time of initial investment.
- (k) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California.

"PERS" means the Public Employees' Retirement System.

"PERS Contracts" means the contracts, as amended from time to time, entered into by the City and PERS pursuant to the Retirement Law obligating the City to make contributions to PERS in exchange for PERS providing retirement benefits to certain City employees.

"PERS Obligations" means the obligation of the City under the Retirement Law and the PERS Contracts to make payments to PERS with respect to benefits accruing to retired public safety City employees who are PERS members, including retired public safety employees and retired miscellaneous employees.

"Request of the City" means a request in writing signed by the Mayor, City Manager or Finance Director of the City, or any other officer of the City duly authorized by the City for that purpose.

"S&P" means S&P Global Ratings, and its successors.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Request of the City delivered by the City to the Trustee.

"Term Bonds" means the Bonds maturing on June 1 in the years specified in the Indenture.

"Trustee" means U.S. Bank Trust Company, National Association, as Trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of the Indenture.

Nature of City's Obligations

The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due and the obligation of the City to make the deposits required under the Indenture for the security of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The City agrees to pay from any legally available source

of revenues of the City, including amounts on deposit in the General Fund of the City, all amounts due and owing with respect to Bonds issued under the Indenture, including principal and interest thereon and the redemption price thereof. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation.

Deposits to Pay Debt Service

The Indenture establishes the Debt Service Fund to be held by the Trustee in trust for the benefit of the Bond Owners. The City will transfer an amount of legally available funds to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, in the following order of priority:

- (a) Interest Account. On or before the 5th Business Day preceding each date on which interest on the Bonds is due and payable, the City will transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on that date. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.
- (b) Principal Account. On or before the 5th Business Day preceding each date on which principal of the Bonds is due and payable at maturity or upon mandatory sinking fund redemption, the City will transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Bonds, including the principal amount of the Term Bonds which are subject to mandatory sinking fund redemption on that date. The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity thereof and the principal of the Term Bonds upon the mandatory sinking fund redemption thereof.

Budget and Appropriation of Debt Service; Certification to Trustee

The City covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under the provisions described above, and to make the necessary annual appropriations for all such payments. If any payment of debt service requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same. Such covenants constitute duties imposed by law.

Investment of Funds

The Trustee shall invest moneys in Debt Service Fund solely in Permitted Investments. In the absence of any such direction from the City, the Trustee shall hold such funds uninvested. All interest or gain derived from the investment of amounts in any fund or account will be retained therein.

Other Covenants of the City

Punctual Payment. The City agrees, from any legally available source of funds of the City, including amounts on deposit in the General Fund of the City, to punctually to pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of the Indenture.

Books and Accounts, Financial Statements. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries are made of all transactions relating to its funds and accounts. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee (who has no duty to inspect,) or the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The City will cause to be prepared annually, within nine months after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year, as of the end of such Fiscal Year. The City will furnish a copy of such statements, upon reasonable request, to the Trustee. The Trustee has no duty to review any such financial statement.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of any Bonds, the Bonds will be incontestable by the City.

Amendment of Indenture

The Indenture may be amended at any time with the written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds. No such amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the City to pay the principal or interest, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond or (b) reduce the percentage of Bonds required for the written consent to any such amendment.

The Indenture may also be amended at any time, without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the City contained in the Indenture, other covenants and agreements thereafter to be

observed, or to limit or surrender any rights or power reserved to or conferred upon the City;

- (b) to provide additional security for the Bonds; or
- (c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Indenture, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the City and the Trustee;

Events of Default and Remedies

Events of Default Defined. Each of the following events constitutes an Event of Default under and as defined in the Indenture:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by the Trustee; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if the City institutes corrective action and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The City commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Remedies. If an Event of Default occurs and is continuing, the Trustee at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee must, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) exercise any other remedies available in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the City in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described

in Section (a) or (b) above, the Trustee shall, and with respect to any Event of Default described in (c) above the Trustee in its sole discretion may, also give such notice to the Bond Owners in the same manner as provided for notices of redemption of the Bonds, which must include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the foregoing provision (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate equal to the highest rate borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Event of Default. All of the amounts held in the funds and accounts established and held by the Trustee under the Indenture upon the occurrence of an Event of Default, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee as follows and in the following order:

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all fees, costs and expenses owing to the Trustee, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Limitation on Bond Owners' Right to Sue. No Bond Owner has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless:

- (a) such Owner has previously given to the Trustee written notice of the occurrence of an event of default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise its powers under the Indenture;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee.

Defeasance of Bonds

The City may pay and discharge the indebtedness on any or all of the Outstanding Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when they become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under the Indenture, in the opinion or report of an independent accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;
- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an independent accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds have not been surrendered for payment, all obligations of the Trustee

and the City under the Indenture with respect to such Bonds shall cease and terminate, except only:

- (a) the obligation of the Trustee to transfer and exchange Bonds under the Indenture,
- (b) the obligation of the City to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the City to compensate and indemnify the Trustee under the Indenture.

The City must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the City.

To accomplish defeasance, the City shall cause to be delivered (i) a report of an Independent Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement, (iii) an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding and (iv) a certificate of discharge of the Trustee with respect to the Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City and the Trustee.

In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with the Indenture, the Trustee shall pay all amounts held by it in any funds or accounts under the Indenture, which are not required for said purpose or for payment of amounts due the Trustee under the Indenture, to the City.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

_____, 2022

City Council
City of Barstow
220 E Mountain View St # A
Barstow, CA 92311

OPINION: \$20,170,000 City of Barstow
2022 Taxable Pension Obligation Bonds

Members of the City Council:

We have acted as bond counsel in connection with the issuance and delivery by the City of Barstow (the "City") of the captioned bonds (the "Bonds"), issued under the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), an Indenture of Trust, dated as of April 1, 2022 (the "Indenture"), between the City and U.S. Bank Trust Company, National Association, as trustee, and Resolution No. 5062-2021 adopted by the City Council of the City on October 4, 2021 and Resolution No. 5084-2022 adopted by the City Council of the City on March 21, 2022 (together, the "Resolution of Issuance"). The Bonds have been issued to provide funds to refund certain obligations of the City to the California Public Employees' Retirement System.

We have examined the Bond Law, the Indenture and such certified proceedings, opinions, certifications and other papers as we deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. Regarding certain questions of law material to our opinion, we have assumed the correctness of certain legal conclusions contained in the written opinions of the City Attorney and others, without undertaking to verify the same by independent investigation.

In rendering our opinion, we are also relying upon the judgment of the San Bernardino Superior Court rendered on February 9, 2022, in *City of Barstow vs. All Persons Interested, etc.*, Case No. CIVSB2127060.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The City is a municipal corporation duly organized and existing under the laws of the State of California, with power to adopt the Resolution of Issuance, to enter into the Indenture and perform the agreements on its part contained therein, and to issue the Bonds.

2. The Bonds constitute legal, valid and binding obligations of the City enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly authorized, executed and delivered by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

4. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

5. The City does not intend for the interest on the Bonds to be excluded from gross income for federal income tax purposes.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations, covenants and opinions referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$20,170,000
CITY OF BARSTOW
2022 TAXABLE PENSION OBLIGATION BONDS

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the CITY OF BARSTOW (the “City”), in connection with its issuance of the bonds captioned above (the “Bonds”) pursuant to an Indenture of Trust, dated as of April 1, 2022 (the “Indenture”), by and between the City and U.S. Bank Trust Company, National Association (the “Trustee”).

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is no later than 9 months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means U.S. Bank Trust Company, National Association, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2023, with the report for the 2021-22 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 5 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 5 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice thereof.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) Table 2 (General Fund Balance Sheets);
 - (ii) Table 3 (Statements of Revenues, Expenditures and Changes in General Fund Balance); and
 - (iii) Table 4 (General Fund Major Tax Revenues By Source);
- (c) Information for the most recent year provided by CalPERS for the net pension liability of the City's Plans, in the format provided by CalPERS (which format may change from time to time).
- (d) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.
- (e) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

- (a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:
- (1) Principal and interest payment delinquencies.
 - (2) Non-payment related defaults, if material.
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
 - (5) Substitution of credit or liquidity providers, or their failure to perform.
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
 - (7) Modifications to rights of security holders, if material.
 - (8) Bond calls, if material, and tender offers.
 - (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or

governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank Trust Company, National Association. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the

change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Indenture. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California.

Date: April 20, 2022

CITY OF BARSTOW

By: _____
Willie A. Hopkins, Jr
City Manager

AGREED AND ACCEPTED:

**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION,**
as Dissemination Agent

By: _____

Name: _____

Title: _____

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272