

**ADELANTO ELEMENTARY SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2019**



ADELANTO ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2019

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Adelanto Elementary School District
Adelanto, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adelanto Elementary School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Adelanto Elementary School District, as of June 30, 2019, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 63 to 66 and the schedule of expenditures of federal awards on page 67 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 62 and 68 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
December 10, 2019

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2019

This discussion and analysis of Adelanto Elementary School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial status declined from last year, as the net position decreased by 5.5% to \$103.4 million.
- Total governmental revenues were \$109.9 million, about \$6.0 million less than expenses.
- The total cost of basic programs was \$115.9 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just \$99.2 million.
- Average daily attendance (ADA) in grades K-8 decreased by 195 or 2.5%.
- Governmental funds increased by \$0.9 million, or 2.1%.
- Reserves for the General Fund increased by \$2.4 million, or 15.8%.

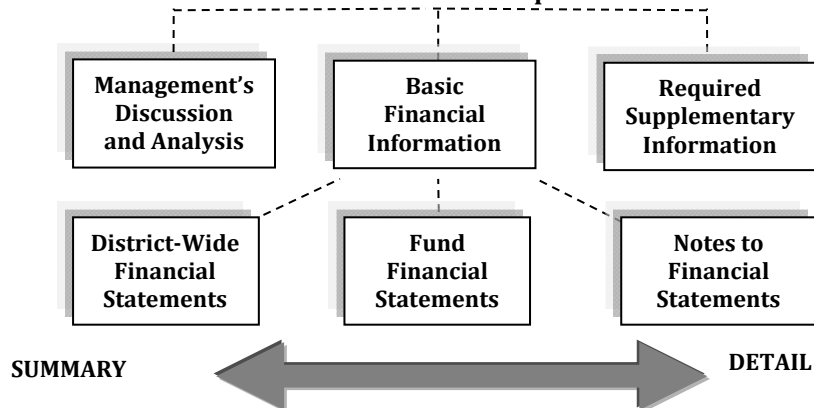
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Adelanto Elementary School District's Annual Financial Report



ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2019, than it was the year before – decreasing 5.5% to \$103.4 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Assets			
Current assets	\$ 51,166,251	\$ 50,731,535	\$ 434,716
Capital assets	169,691,242	172,209,090	(2,517,848)
Total assets	220,857,493	222,940,625	(2,083,132)
Deferred outflows of resources	34,942,069	32,364,212	2,577,857
Liabilities			
Current liabilities	7,877,548	8,353,401	(475,853)
Long-term liabilities	48,294,199	49,458,938	(1,164,739)
Net pension liability	92,795,559	85,091,970	7,703,589
Total liabilities	148,967,306	142,904,309	6,062,997
Deferred inflows of resources	3,393,745	2,966,599	427,146
Net position			
Net investment in capital assets	155,803,292	157,077,921	(1,274,629)
Restricted	24,379,003	24,483,153	(104,150)
Unrestricted	(76,743,784)	(72,127,145)	(4,616,639)
Total net position	\$ 103,438,511	\$ 109,433,929	\$ (5,995,418)

Changes in net position, governmental activities. The District's total revenues increased 6.2% to \$109.9 million (See Table A-2). The increase is due primarily to higher Federal and State aid.

The total cost of all programs and services increased 4.1% to \$115.9 million. The District's expenses are predominantly related to educating and caring for students, 75.3%. The purely administrative activities of the District accounted for just 5.8% of total costs. A significant contributor to the increase in costs was from instruction and pupil related costs.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Revenues			
Program Revenues:			
Charges for services	\$ 728,422	\$ 798,734	\$ (70,312)
Operating grants and contributions	17,641,690	16,623,173	1,018,517
Capital grants and contributions	(1,699,669)	(880,347)	(819,322)
General Revenues:			
Federal and state aid not restricted	81,905,949	77,153,034	4,752,915
Property taxes	10,377,748	8,854,032	1,523,716
Other general revenues	951,169	951,529	(360)
Total Revenues	109,905,309	103,500,155	6,405,154
Expenses			
Instruction-related	70,889,491	70,215,047	674,444
Pupil services	16,391,546	14,743,789	1,647,757
Administration	6,681,679	5,876,924	804,755
Plant services	10,932,436	10,063,975	868,461
All other activities	11,005,575	10,429,270	576,305
Total Expenses	115,900,727	111,329,005	4,571,722
Increase (decrease) in net position	\$ (5,995,418)	\$ (7,828,850)	\$ 1,833,432
Total net position	\$ 103,438,511	\$ 109,433,929	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$43.4 million, which is above last year's ending fund balance of \$42.5 million. The primary cause of the increased fund balance is from LCFF revenues.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2018	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
General Fund	\$ 24,204,516	\$ 105,126,160	\$ 102,302,721	\$ 299,217	\$ 27,327,172
Cafeteria Fund	3,384,550	6,755,715	6,642,720	-	3,497,545
Deferred Maintenance Fund	1,769,191	20,545	1,307,945	-	481,791
Special Reserve Fund (Other Than Capital Outlay)	467	9	-	-	476
Capital Facilities Fund	1,104,581	738,104	11,000	(571,274)	1,260,411
County School Facilities Fund	6,641,516	(1,699,670)	-	-	4,941,846
Capital Outlay Fund for Blended Component Units	357,221	5,278	-	-	362,499
Bond Interest and Redemption Fund	4,230,200	4,513,273	4,026,991	-	4,716,482
Debt Service Fund for Blended Component Units	807,980	14,415	573,863	571,274	819,806
Self-Insurance Fund	1,540	30	-	-	1,570
	\$ 42,501,762	\$ 115,473,859	\$ 114,865,240	\$ 299,217	\$ 43,409,598

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$10.2 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased about \$5.2 million due to STRS and PERS on-behalf amounts.
- Other non-capital expenditures – increased \$2.3 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$0.2 million, the actual results for the year show that revenues exceeded expenditures by roughly \$3.1 million. Actual revenues were \$0.2 million less than anticipated, and expenditures were \$3.1 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had invested \$3.7 million in new capital assets, related to site improvements and capital lease acquisitions. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$6.2 million.

Table A-4: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Land	\$ 17,806,485	\$ 17,806,485	\$ -
Improvement of sites	4,344,735	1,151,407	3,193,328
Buildings	144,908,408	150,234,843	(5,326,435)
Equipment	2,631,614	3,016,355	(384,741)
Total	<u>\$ 169,691,242</u>	<u>\$ 172,209,090</u>	<u>\$ (2,517,848)</u>

Long-Term Debt Other Than Pensions

At year-end the District had \$48.3 million in general obligation bonds, certificates of participation, compensated absences, capital leases, and retirement benefits – a decrease of 2.4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
General obligation bonds	\$ 17,544,616	\$ 20,034,268	\$ (2,489,652)
Certificates of participation	8,174,723	8,369,136	(194,413)
Compensated absences	824,658	854,982	(30,324)
Capital leases	822,804	926,167	(103,363)
Early retirement incentives	387,292	767,953	(380,661)
Other postemployment benefits	20,540,106	18,506,432	2,033,674
Total	\$ 48,294,199	\$ 49,458,938	\$ (1,164,739)

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes \$5.9 Billion in Additional Unfunded Liability Payments

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates \$5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***\$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses \$2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes \$1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***\$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes \$1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and \$660 million General Fund to address the school districts' CalPERS unfunded liability.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations

Under the spending plan, Proposition 98 funding for 2019-20 increases \$2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—\$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) \$493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) \$153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years

The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides \$606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides \$244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

All of these factors were considered in preparing the Adelanto Elementary School District budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to:

Business Services
Adelanto Elementary School District
11824 Air Expressway
Adelanto, CA 92301
(760) 246-8691

ADELANTO ELEMENTARY SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	Total Governmental Activities
ASSETS	
Cash	\$ 44,734,826
Accounts receivable	6,151,794
Inventories	235,036
Prepaid expenses	44,595
Capital assets:	
Non-depreciable assets	17,806,485
Depreciable assets	229,714,184
Less accumulated depreciation	<u>(77,829,427)</u>
Total assets	<u>220,857,493</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	445,057
Deferred outflows related to pensions	<u>34,497,012</u>
Total deferred outflows of resources	<u>34,942,069</u>
LIABILITIES	
Accounts payable	7,877,548
Long-term debt other than pensions:	
Portion due or payable within one year	5,249,418
Portion due or payable after one year	43,044,781
Net pension liability	<u>92,795,559</u>
Total liabilities	<u>148,967,306</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>3,393,745</u>
NET POSITION	
Net investment in capital assets	155,803,292
Restricted for:	
Capital projects	6,202,257
Debt service	5,536,288
Categorical programs	12,640,458
Unrestricted	<u>(76,743,784)</u>
Total net position	<u>\$ 103,438,511</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instructional services:					
Instruction	\$ 59,683,641	\$ 698	\$ 7,017,295	\$ (1,699,669)	\$ (54,365,317)
Instruction-related services:					
Supervision of instruction	1,990,192	-	339,928	-	(1,650,264)
Instructional library, media and technology	1,267,104	-	239,148	-	(1,027,956)
School site administration	7,948,554	-	1,705,721	-	(6,242,833)
Pupil support services:					
Home-to-school transportation	4,205,007	-	116,901	-	(4,088,106)
Food services	6,630,570	8,471	6,446,962	-	(175,137)
All other pupil services	5,555,969	2,279	655,100	-	(4,898,590)
General administration services:					
Data processing services	1,104,567	-	19,530	-	(1,085,037)
Other general administration	5,577,112	419	649,097	-	(4,927,596)
Plant services	10,932,436	73,921	267,076	-	(10,591,439)
Ancillary services	664	-	-	-	(664)
Community services	215,287	-	31,416	-	(183,871)
Interest on long-term debt	2,250,920	-	-	-	(2,250,920)
Other outgo	2,311,188	642,634	153,516	-	(1,515,038)
Depreciation (unallocated)	6,227,516	-	-	-	(6,227,516)
Total Governmental Activities	\$ 115,900,727	\$ 728,422	\$ 17,641,690	\$ (1,699,669)	(99,230,284)
General Revenues:					
					10,377,748
					81,905,949
					456,569
					25,000
					469,600
					<u>93,234,866</u>
					<u>(5,995,418)</u>
					<u>109,433,929</u>
					<u>\$ 103,438,511</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2019*

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 29,730,359	\$ 15,004,467	\$ 44,734,826
Accounts receivable	4,461,600	1,690,194	6,151,794
Due from other funds	684,091	-	684,091
Inventories	100,716	134,320	235,036
Prepaid expenditures	44,595	-	44,595
Total Assets	<u>\$ 35,021,361</u>	<u>\$ 16,828,981</u>	<u>\$ 51,850,342</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 7,692,143	\$ 64,510	\$ 7,756,653
Due to other funds	-	684,091	684,091
Total Liabilities	<u>7,692,143</u>	<u>748,601</u>	<u>8,440,744</u>
Fund Balances			
Nonspendable	205,311	135,240	340,551
Restricted	9,142,913	15,463,349	24,606,262
Committed	-	481,791	481,791
Assigned	476	-	476
Unassigned	17,980,518	-	17,980,518
Total Fund Balances	<u>27,329,218</u>	<u>16,080,380</u>	<u>43,409,598</u>
Total Liabilities and Fund Balances	<u>\$ 35,021,361</u>	<u>\$ 16,828,981</u>	<u>\$ 51,850,342</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

Total fund balances - governmental funds \$ 43,409,598

Amounts reported for governmental *activities* in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$247,520,669, and the accumulated depreciation is (\$77,829,427). 169,691,242

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (120,895)

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	17,544,616	
Certificates of participation payable	8,174,723	
Compensated absences payable	824,658	
Capital leases payable	822,804	
Early retirement incentive	387,292	
Other postemployment benefits	<u>20,540,106</u>	(48,294,199)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (92,795,559)

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported. Deferred outflows and inflows of resources relating to OPEB consist of:

Total deferred outflows	445,057
-------------------------	---------

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Deferred outflows and inflows of resources relating to pensions consist of:

Total deferred outflows	34,497,012	
Total deferred inflows	<u>(3,393,745)</u>	<u>31,103,267</u>

Total net position - governmental activities \$ 103,438,511

ADELANTO ELEMENTARY SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2019*

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 83,546,611	\$ -	\$ 83,546,611
Federal sources	6,192,479	6,206,474	12,398,953
Other state sources	12,839,703	(1,286,344)	11,553,359
Other local sources	2,547,406	5,427,530	7,974,936
Total Revenues	105,126,199	10,347,660	115,473,859
EXPENDITURES			
Current:			
Instruction	60,867,355	-	60,867,355
Instruction-related services:			
Supervision of instruction	1,991,824	-	1,991,824
Instructional library, media and technology	1,028,676	-	1,028,676
School site administration	7,747,712	-	7,747,712
Pupil support services:			
Home-to-school transportation	3,673,696	-	3,673,696
Food services	27,197	6,340,163	6,367,360
All other pupil services	5,437,158	-	5,437,158
Community services	220,445	-	220,445
General administration services:			
Data processing services	1,002,823	-	1,002,823
Other general administration	5,366,417	-	5,366,417
Plant services	9,674,890	1,317,028	10,991,918
Ancillary services	664	-	664
Transfers of indirect costs	(293,474)	293,474	-
Intergovernmental transfers	2,311,188	-	2,311,188
Capital outlay	2,811,144	11,000	2,822,144
Debt service:			
Principal	402,580	1,145,165	1,547,745
Interest	32,426	3,455,689	3,488,115
Total Expenditures	102,302,721	12,562,519	114,865,240
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,823,478	(2,214,859)	608,619
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	299,217	-	299,217
Interfund transfers in	-	571,274	571,274
Interfund transfers out	-	(571,274)	(571,274)
Total Other Financing Sources and Uses	299,217	-	299,217
Net Change in Fund Balances	3,122,695	(2,214,859)	907,836
Fund Balances, July 1, 2018	24,206,523	18,295,239	42,501,762
Fund Balances, June 30, 2019	\$ 27,329,218	\$ 16,080,380	\$ 43,409,598

ADELANTO ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2019

Total net change in fund balances - governmental funds \$ 907,836

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	3,709,668	
Depreciation expense	<u>(6,227,516)</u>	(2,517,848)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 1,547,745

In governmental funds, accreted interest on capital appreciation bonds is not recorded as expenditures from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest earned and paid during the year was: 1,549,487

In the governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from capital leases during the year were: (299,217)

In the governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: (10,587)

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expense are recognized on the accrual basis. This year, the difference between OPB expenses and actual employer OPBE contribution was: (1,588,617)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits, such as retirement incentives financed over time, and structured legal settlements. This year, early retirement incentives paid exceeded the amounts granted by: 380,661

In governmental funds, interest on long-term debt is recognized in the period, that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period, was: 2,733

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between the accrual-basis pension costs and actual employer contributions was: (5,997,935)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*). 30,324

Change in net position of governmental activities \$ (5,995,418)

ADELANTO ELEMENTARY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2019

	Agency Funds	
	Student Body Funds	Debt Service Fund for Special Tax Bonds
Assets		
Cash	\$ 28,548	\$ 4,926,825
Liabilities		
Due to bondholders	\$ -	\$ 4,926,825
Due to student groups	28,548	-
Total Liabilities	\$ 28,548	\$ 4,926,825

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adelanto Elementary School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Adelanto Elementary School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Adelanto Elementary School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

The following is a summary of the Community Facilities Districts (CFDs) operated by the District:

<u>Date of Formation</u>	<u>Name</u>	<u>Area</u>
April 19, 2005	CFD No. 1	West Creek
September 6, 2005	CFD No. 2	New West
August 2, 2006	CFD No. 3	Griffin Communities
December 4, 2006	CFD No. 4	American Heritage

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District maintains a Special Reserve Fund for Other Than Capital Outlay Projects and a Self-Insurance Fund. The Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. The Self-insurance Fund is not operating as a true Self-Insurance Fund and is not composed of restricted or committed resources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity of these funds is being reported within the General Fund.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

Deferred Maintenance Fund: This fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

County School Facilities Fund: This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

Capital Projects Fund for Blended Component Units: This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Debt Service Fund for Blended Component Units: This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

The District maintains the following fiduciary funds:

ASB Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

Debt Service Fund for Special Tax Bonds: This fund is used to account for the accumulation of resources for, and the repayment, of Community Facility District bonds, interest and related costs.

2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Budgetary Data

The budgetary process is prescribed by provisions of the *California Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year.

The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Postemployment Benefits Other Than Pensions (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 District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

8. Pensions

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 District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Net Position (continued)

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

F. Minimum Fund Balance Policy

Pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund. Fund balance measures the net financial resources available to finance expenditures of future periods. The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees.

The Board of Trustees recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, the Board intends to maintain a minimum fund balance of 8% of the District's general fund annual operating expenditures. If a fund balance drops below 8%, a plan will be developed to replenish the fund balance to the established minimum level within two years.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements

During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

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

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. (continued)

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

J. Future Accounting Pronouncements

Other GASB pronouncements, which will be effective in future periods, are as follows:

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

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. (continued)

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 - CASH

Cash at June 30, 2019, is reported at fair value and consisted of the following:

	Governmental Activities/Funds	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	\$ 43,449,605	\$ -
Deposits:		
Cash on hand and in banks	92,627	28,548
Cash in revolving fund	60,920	-
Cash with fiscal agent	1,131,674	4,926,825
Total Deposits	1,285,221	4,955,373
Total Cash	\$ 44,734,826	\$ 4,955,373

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2019, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH (continued)

Fair Value Measurements

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

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

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

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

Uncategorized – Investments in the San Bernardino County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal Government:			
Categorical aid programs	\$ 2,093,042	\$ 1,537,505	\$ 3,630,547
State Government:			
Lottery	395,410	-	395,410
Categorical aid programs	1,195,267	101,248	1,296,515
Local:			
Interest	139,932	50,981	190,913
Miscellaneous	637,949	460	638,409
Total	<u>\$ 4,461,600</u>	<u>\$ 1,690,194</u>	<u>\$ 6,151,794</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 4 - INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2019, consisted of the following:

Cafeteria Fund Due to General Fund for benefits, taxes, fuel and indirect costs	<u>\$ 684,091</u>
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B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2019, consisted of the following:

Capital Facilities Fund transfer to Debt Service Fund for Blended Component Units for COP payment	<u>\$ 571,274</u>
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NOTE 5 - FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable:			
Revolving cash	\$ 60,000	\$ 920	\$ 60,920
Stores inventories	100,716	134,320	235,036
Prepaid expenditures	44,595	-	44,595
Total Nonspendable	<u>205,311</u>	<u>135,240</u>	<u>340,551</u>
Restricted:			
Categorical programs	9,142,913	-	9,142,913
Child nutrition program	-	3,362,305	3,362,305
Capital projects	-	6,564,756	6,564,756
Debt service	-	5,536,288	5,536,288
Total Restricted	<u>9,142,913</u>	<u>15,463,349</u>	<u>24,606,262</u>
Committed:			
Deferred maintenance program	-	481,791	481,791
Total Committed	<u>-</u>	<u>481,791</u>	<u>481,791</u>
Assigned:			
Other assignments	476	-	476
Total Assigned	<u>476</u>	<u>-</u>	<u>476</u>
Unassigned:			
Remaining unassigned balances	17,980,518	-	17,980,518
Total Unassigned	<u>17,980,518</u>	<u>-</u>	<u>17,980,518</u>
Total	<u>\$ 27,329,218</u>	<u>\$ 16,080,380</u>	<u>\$ 43,409,598</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions	Retirements	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	\$ 17,806,485	\$ -	\$ -	\$ 17,806,485
Total capital assets not being depreciated	17,806,485	-	-	17,806,485
Capital assets being depreciated:				
Improvement of sites	5,614,719	3,459,985	-	9,074,704
Buildings	206,851,893	-	-	206,851,893
Equipment	13,550,704	249,683	(12,800)	13,787,587
Total capital assets being depreciated	226,017,316	3,709,668	(12,800)	229,714,184
Accumulated depreciation for:				
Improvement of sites	(4,463,312)	(266,657)	-	(4,729,969)
Buildings	(56,617,050)	(5,326,435)	-	(61,943,485)
Equipment	(10,534,349)	(634,424)	12,800	(11,155,973)
Total accumulated depreciation	(71,614,711)	(6,227,516)	12,800	(77,829,427)
Total capital assets being depreciated, net	154,402,605	(2,517,848)	-	151,884,757
Governmental activity capital assets, net	<u>\$ 172,209,090</u>	<u>\$ (2,517,848)</u>	<u>\$ -</u>	<u>\$ 169,691,242</u>

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 6,193,086	\$ -	\$ 940,165	\$ 5,252,921	\$ 1,265,527
Accreted interest component	13,841,182	1,540,347	3,089,834	12,291,695	3,089,473
Total - G.O. Bonds	20,034,268	1,540,347	4,029,999	17,544,616	4,355,000
Certificates of Participation:					
Principal repayments	8,565,000	-	205,000	8,360,000	225,000
Unamortized issuance discount	(195,864)	-	(10,587)	(185,277)	(10,587)
Total - COPs	8,369,136	-	194,413	8,174,723	214,413
Compensated Absences	854,982	-	30,324	824,658	-
Capital Lease	926,167	299,217	402,580	822,804	403,974
Early Retirement Incentives	767,953	-	380,661	387,292	276,031
Other Postemployment Benefits	18,506,432	2,778,298	744,624	20,540,106	-
Totals	<u>\$ 49,458,938</u>	<u>\$ 4,617,862</u>	<u>\$ 5,782,601</u>	<u>\$ 48,294,199</u>	<u>\$ 5,249,418</u>

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Debt Service Fund for Blended Component Units. Capital lease payments are made by the General Fund. Accumulated vacation, early retirement incentive payments, and employment benefits will be paid for by the fund for which the employee worked.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds

In 1993, the District received authorization to issue \$10 million of general obligation bonds at an election held on June 8, 1993. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. Bond proceeds were used to finance the construction of two new elementary schools.

In 1996, the District received authorization to issue \$12 million of general obligation bonds at an election held on June 4, 1996. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. Bond proceeds were used to finance the construction of a new elementary school and a new middle school.

Below is a summary of bonds issued by the District:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
1993A	10/26/1993	9/1/2018	2.6%-5.6%	\$ 3,999,350	\$ 281,396	\$ -	\$ 281,396	\$ -
1994B	6/9/1994	9/1/2018	5.35%-6.7%	5,997,952	442,615	-	442,615	-
1996A	11/13/1996	9/1/2021	3.7%-5.95%	4,498,721	388,569	-	105,845	282,724
1997A	9/9/1997	9/1/2022	3.9%-5.67%	7,499,622	5,080,506	-	110,309	4,970,197
				<u>\$ 21,995,645</u>	<u>\$ 6,193,086</u>	<u>\$ -</u>	<u>\$ 940,165</u>	<u>\$ 5,252,921</u>
Accreted Interest								
				1993	\$ 689,780	\$ 138,824	\$ 828,604	\$ -
				1994	1,317,580	424,804	1,742,384	-
				1996	966,139	70,501	274,155	762,485
				1997	10,867,683	906,218	244,691	11,529,210
					<u>\$ 13,841,182</u>	<u>\$ 1,540,347</u>	<u>\$ 3,089,834</u>	<u>\$ 12,291,695</u>

The amounts required to amortize general obligation bonds payable at June 30, 2019, were:

Fiscal Year	Principal	Interest	Total
2019-20	\$ 1,265,527	\$ 3,089,473	\$ 4,355,000
2020-21	1,296,403	3,418,598	4,715,001
2021-22	1,322,593	3,772,407	5,095,000
2022-23	1,368,398	4,161,601	5,529,999
Total	<u>\$ 5,252,921</u>	<u>\$ 14,442,079</u>	<u>\$ 19,695,000</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Certificates of Participation

On January 17, 2007, the District issued \$9,495,000 certificates of participation pursuant to a lease agreement with the Public Property Financing Corporation of California. The proceeds of the certificates were used primarily to finance the acquisition and construction of certain improvements and the acquisition of certain items of equipment for a new district administrative facility to be owned and operated by the District. The certificates were issued as \$1,870,000 Serial Certificates with stated interest rates of between 3.875% and 4.25% and maturing between September 1, 2011 and 2021, and Term Certificates of \$1,705,000, and \$5,920,000, having yields of 4.48% and 4.53%, and maturing September 1, 2026, and 2036, respectively. At June 30, 2019, the principal balance outstanding was \$8,360,000.

The annual amounts required to amortize the outstanding certificates are shown below.

Fiscal Year	Principal	Interest	Total
2019-20	\$ 225,000	\$ 358,184	\$ 583,184
2020-21	245,000	348,631	593,631
2021-22	265,000	337,946	602,946
2022-23	290,000	326,080	616,080
2022-24	315,000	313,073	628,073
2024-29	1,985,000	1,330,362	3,315,362
2029-34	2,830,000	808,937	3,638,937
2034-37	2,205,000	148,640	2,353,640
Total	<u>\$ 8,360,000</u>	<u>\$ 3,971,853</u>	<u>\$ 12,331,853</u>

C. Early Retirement

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2019, for these obligations are shown below.

Future Years	Amount
2019-20	\$ 276,031
2020-21	111,261
Total	<u>\$ 387,292</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Capital Leases

On August 4, 2014, the District entered into a six year capital lease agreement with Wells Fargo for busses valued at \$1,551,758. Total future payments at June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2019-20	\$ 403,974	\$ 30,282	\$ 434,256
2020-21	418,830	15,426	434,256
Total	<u>\$ 822,804</u>	<u>\$ 45,708</u>	<u>\$ 868,512</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

E. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$16,600,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in the financial statements.

F. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 20,120,990	\$ 445,057	\$ -	\$ 2,333,241
MPP Program	419,116	-	-	(21,297)
Total	<u>\$ 20,540,106</u>	<u>\$ 445,057</u>	<u>\$ -</u>	<u>\$ 2,311,944</u>

The details of each plan are as follows:

District Plan

Plan Description

The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Benefits Provided

The postretirement health plans and the District’s obligation vary by employee group as described below:

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical and vision	Medical only	Medical only
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years	10 years	10 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	95% of the lowest supercomposite rate	100% of the lowest supercomposite rate	100% of the lowest supercomposite rate

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	39
Active employees	646
Total	<u>685</u>

Total OPEB Liability

The District’s total OPEB liability of \$20,120,990 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Inflation	2.75 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent for 2018 and thereafter
Retirees' share of benefit-related costs	5% of the lowest available super composite rate.

Discount Rate

The discount rate is 3.5% per year, net of expenses based on the Bond Buyer 20-Bond Index.

Mortality Rates

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for the pension valuations.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	<u>\$ 18,066,019</u>
Changes for the year:	
Service cost	1,647,967
Interest	648,492
Changes of assumptions	481,839
Benefit payments	<u>(723,327)</u>
Net changes	2,054,971
Balance at June 30, 2019	<u><u>\$ 20,120,990</u></u>

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

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

<u>Discount Rate</u>	<u>OPEB Liability</u>
1% decrease (2.50%)	\$ 21,735,279
Current discount rate (3.50%)	\$ 20,120,990
1% increase (4.50%)	\$ 18,723,974

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>Healthcare Cost Trend Rate</u>	<u>OPEB Liability</u>
1% decrease (3.00%)	\$ 18,599,588
Current rate (4.00%)	\$ 20,120,990
1% increase (5.00%)	\$ 21,720,044

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,333,241. In addition, at June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 445,057	\$ -
Total	<u>\$ 445,057</u>	<u>\$ -</u>

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year. The deferred outflows of resources related to the differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 6.79 years.

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	<u>Deferred Outflows of Resources</u>
2020	\$ 36,782
2021	36,782
2022	36,782
2023	36,782
2024	36,782
Thereafter	261,147
	<u>\$ 445,057</u>

Medicare Premium Payment (MPP) Program

Plan Description

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2019, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with California Education Code section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability

At June 30, 2019, the District reported a liability of \$419,116 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net OPEB Liability	0.109496%	0.104684%	0.004812%

For the year ended June 30, 2019, the District reported OPEB expense of \$(21,297).

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

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

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

<u>Discount Rate</u>	<u>MPP OPEB Liability</u>
1% decrease (2.87%)	\$ 463,562
Current discount rate (3.87%)	\$ 419,116
1% increase (4.87%)	\$ 378,982

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

<u>Medicare Cost Trend Rates</u>	<u>MPP OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 382,191
Current rate (3.7% Part A and 4.1% Part B)	\$ 419,116
1% increase (4.7% Part A and 5.1% Part B)	\$ 458,827

NOTE 8 – PENSION PLANS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 63,994,436	\$ 25,484,777	\$ 3,393,745	\$ 10,320,925
CalPERS	28,801,123	9,012,235	-	5,841,689
Total	<u>\$ 92,795,559</u>	<u>\$ 34,497,012</u>	<u>\$ 3,393,745</u>	<u>\$ 16,162,614</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

Benefits Provided (continued)

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.28%	16.28%
Required State Contribution Rate	9.828%	9.828%

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were \$6,331,763.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$	63,994,436
State's proportionate share of the net pension liability associated with the District		<u>36,639,808</u>
Total	\$	<u>100,634,244</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.069630%	0.065773%	0.003857%

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2019, the District recognized pension expense of \$10,320,925. In addition, the District recognized pension expense and revenue of \$1,249,410 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,331,763	\$ -
Net change in proportionate share of net pension liability	9,012,862	-
Difference between projected and actual earnings on pension plan investments	-	2,464,190
Changes of assumptions	9,941,708	-
Differences between expected and actual experience	198,444	929,555
Total	<u>\$ 25,484,777</u>	<u>\$ 3,393,745</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 4,080,199
2021	3,156,215
2022	1,474,661
2023	3,133,237
2024	2,859,067
Thereafter	1,055,890
Total	<u>\$ 15,759,269</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance–PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

For each future valuation, CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	(1.00)%

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 93,744,360
Current discount rate (7.10%)	63,994,436
1% increase (8.10%)	39,328,862

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of \$2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$5,841,444.

Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.50%
Required Employer Contribution Rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$2,583,506.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$28,801,123. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.108018%	0.101644%	0.006374%

For the year ended June 30, 2019, the District recognized pension expense of \$5,841,689. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,583,506	\$ -
Net change in proportionate share of net pension liability	1,428,734	-
Difference between projected and actual earnings on pension plan investments	236,234	-
Changes of assumptions	2,875,665	-
Differences between expected and actual experience	1,888,096	-
Total	<u>\$ 9,012,235</u>	<u>\$ -</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 3,394,740
2021	2,526,846
2022	374,582
2023	132,561
2024	-
Thereafter	-
Total	<u>\$ 6,428,729</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 adjusted to account for assumed administration expenses.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 41,933,058
Current discount rate (7.15%)	28,801,123
1% increase (8.15%)	17,906,303

On-Behalf Payments

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of \$904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$976,487.

C. Social Security

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

D. Payables to the Pension Plans

At June 30, 2019, the District reported payables of \$532,224 and \$23,397 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2019.

NOTE 9 – JOINT VENTURES

The Adelanto Elementary School District participates in joint ventures under joint powers agreements with the Southern California Schools Employee Benefits Association (SCSEBA), and Southern California Schools Risk Management (SCSRM). The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage, health and welfare benefits coverage, and workers compensation insurance coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Condensed audited financial information is as follows:

	SCSRM	SCSEBA
	June 30, 2018	June 30, 2018
Total Assets	\$ 77,532,077	\$ 58,821,912
Total Liabilities	31,139,862	18,571,042
Total Net Position	<u>\$ 46,392,215</u>	<u>\$ 40,250,870</u>
Revenues	\$ 44,528,754	\$ 249,139,047
Expenses	43,678,978	245,358,552
Operating Income (Loss)	849,776	3,780,495
Non-Operating Revenue (Expense)	328,903	681,621
Change in Net Position	<u>\$ 1,178,679</u>	<u>\$ 4,462,116</u>

NOTE 10 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District participated in the SCSRM public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 10 – RISK MANAGEMENT (continued)

Workers' Compensation

For fiscal year 2018-19, the District participated in the SCSRM JPA for workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

The District has contracted with High Desert and Inland Employee/Employer Trust to provide employee medical, vision, and life insurance benefits. The District provides dental benefits for management employees through SCSEBA.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

At June 30, 2019, the District had no commitments with respect to unfinished capital projects.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

Required Supplementary Information

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ADELANTO ELEMENTARY SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF sources	\$ 82,661,328	\$ 83,024,156	\$ 83,546,611	\$ 522,455
Federal sources	5,278,699	6,768,619	6,192,479	(576,140)
Other state sources	6,101,462	12,839,704	12,839,703	(1)
Other local sources	1,074,219	2,653,615	2,547,367	(106,248)
Total Revenues	95,115,708	105,286,094	105,126,160	(159,934)
Expenditures				
Current:				
Certificated salaries	40,414,151	39,632,330	39,528,268	104,062
Classified salaries	15,193,847	14,660,351	14,391,105	269,246
Employee benefits	23,435,046	29,996,382	29,032,701	963,681
Books and supplies	3,836,550	3,036,782	2,655,084	381,698
Services and other operating expenditures	10,999,298	12,488,458	11,335,222	1,153,236
Transfers of indirect costs	(253,517)	(265,435)	(293,474)	28,039
Intergovernmental	860,000	2,489,860	2,311,188	178,672
Capital outlay	640,000	2,630,718	2,907,621	(276,903)
Debt service	479,951	435,158	435,006	152
Total Expenditures	95,605,326	105,104,604	102,302,721	2,801,883
Excess (Deficiency) of Revenues Over (Under) Expenditures	(489,618)	181,490	2,823,439	2,641,949
Other Financing Sources and Uses				
Interfund transfers out	(50,000)	(50,000)	-	50,000
Proceeds from capital leases	-	-	299,217	299,217
Total Other Financing Sources and Uses	(50,000)	(50,000)	299,217	349,217
Net Change in Fund Balance	(539,618)	131,490	3,122,656	2,991,166
Fund Balance, July 1, 2018	24,204,516	24,204,516	24,204,516	-
Fund Balance, June 30, 2019	<u>\$ 23,664,898</u>	<u>\$ 24,336,006</u>	<u>27,327,172</u>	<u>\$ 2,991,166</u>
Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Other Than Capital Outlay Projects			476	
Self-insurance Fund			1,570	
Reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balance:			<u>\$ 27,329,218</u>	

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019

	Last Ten Fiscal Years*				
	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
CalSTRS					
District's proportion of the net pension liability	<u>0.0696%</u>	<u>0.0658%</u>	<u>0.0640%</u>	<u>0.0620%</u>	<u>0.0530%</u>
District's proportionate share of the net pension liability	<u>\$ 63,994,436</u>	<u>\$ 60,826,865</u>	<u>\$ 51,763,840</u>	<u>\$ 41,740,880</u>	<u>\$ 30,971,610</u>
State's proportionate share of the net pension liability associated with the District	<u>36,639,808</u>	<u>35,984,659</u>	<u>29,472,569</u>	<u>22,076,265</u>	<u>18,702,183</u>
Totals	<u>\$ 100,634,244</u>	<u>\$ 96,811,524</u>	<u>\$ 81,236,409</u>	<u>\$ 63,817,145</u>	<u>\$ 49,673,793</u>
District's covered-employee payroll	<u>\$ 38,434,304</u>	<u>\$ 34,593,625</u>	<u>\$ 31,428,472</u>	<u>\$ 30,042,489</u>	<u>\$ 26,275,442</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>166.50%</u>	<u>175.83%</u>	<u>164.70%</u>	<u>138.94%</u>	<u>117.87%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS					
District's proportion of the net pension liability	<u>0.1080%</u>	<u>0.1016%</u>	<u>0.0990%</u>	<u>0.1012%</u>	<u>0.0976%</u>
District's proportionate share of the net pension liability	<u>\$ 28,801,123</u>	<u>\$ 24,265,105</u>	<u>\$ 19,552,561</u>	<u>\$ 14,916,980</u>	<u>\$ 11,079,976</u>
District's covered-employee payroll	<u>\$ 14,329,515</u>	<u>\$ 13,430,170</u>	<u>\$ 11,895,341</u>	<u>\$ 11,210,492</u>	<u>\$ 10,210,863</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>200.99%</u>	<u>180.68%</u>	<u>164.37%</u>	<u>133.06%</u>	<u>108.51%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

Notes to Schedule:

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2019

	Last Ten Fiscal Years*				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS					
Contractually required contribution	\$ 6,331,763	\$ 5,546,070	\$ 4,351,878	\$ 3,372,275	\$ 2,667,773
Contributions in relation to the contractually required contribution	<u>6,331,763</u>	<u>5,546,070</u>	<u>4,351,878</u>	<u>3,372,275</u>	<u>2,667,773</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 38,892,890</u>	<u>\$ 38,434,302</u>	<u>\$ 34,593,625</u>	<u>\$ 31,428,472</u>	<u>\$ 30,042,489</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS					
Contractually required contribution	\$ 2,583,506	\$ 2,225,517	\$ 1,865,182	\$ 1,409,241	\$ 1,319,587
Contributions in relation to the contractually required contribution	<u>2,583,506</u>	<u>2,225,517</u>	<u>1,865,182</u>	<u>1,409,241</u>	<u>1,319,587</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 14,303,544</u>	<u>\$ 14,329,515</u>	<u>\$ 13,430,170</u>	<u>\$ 11,895,341</u>	<u>\$ 11,210,492</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019*

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 1,647,967	\$ 1,603,861
Interest	648,492	643,942
Changes of assumptions or other inputs	481,839	-
Benefit payments	<u>(723,327)</u>	<u>(695,507)</u>
Net change in total OPEB liability	2,054,971	1,552,296
Total OPEB liability - beginning	<u>18,066,019</u>	<u>16,513,723</u>
Total OPEB liability - ending	<u><u>\$ 20,120,990</u></u>	<u><u>\$ 18,066,019</u></u>
Covered-employee payroll	<u>\$ 54,930,159</u>	<u>\$ 53,148,586</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>36.63%</u>	<u>33.99%</u>

Notes to Schedule:

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
For the Fiscal Year Ended June 30, 2019*

	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	0.1095%	0.1047%
District's proportionate share of net OPEB liability	\$ 419,116	\$ 440,413
Covered-employee payroll	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.40%	0.01%

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoptions with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

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

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Schedule of District Contributions

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

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

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. The discount rate changed to 3.5 percent from 3.8 percent in the previous valuation.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the District’s Proportionate Share of the Net OPEB Liability – MPP Program

This schedule presents information on the District’s proportionate share of the net OPEB liability – MPP Program and the plans’ fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

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

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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Supplementary Information

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ADELANTO ELEMENTARY SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2019

The Adelanto Elementary School District is an elementary school district established in 1873 and is comprised of an area of approximately 330 square miles located in San Bernardino County, encompassing a portion of the City of Adelanto and surrounding areas. There were no changes in the boundaries of the District during the current year. During the fiscal year, the District operated seven elementary schools (K-6), three K-8 schools, and two middle schools (7-8).

GOVERNING BOARD

Member	Office	Term Expires
Christine Turner	President	November, 2020
Holly Eckes	Clerk	November, 2020
Christina Bentz	Clerk	November, 2022
Ammie Hines	Member	November, 2022
LaShawn Love-French	Member	November, 2022

DISTRICT ADMINISTRATORS

Dr. Amy Nguyen-Hernandez, Ed.D.,
Superintendent

Dr. Fal Asrani, Ed.D.,
Chief Academic Officer

Ajay Mohindra,
Chief Business Officer

Andrea Credille,
Chief Personnel Officer

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report	Annual Report
	Certificate No. (56855E80)	Certificate No. (03FDB6B5)
Regular & Extended Year:		
Grades TK - 3	3,362.28	3,368.17
Grades 4-6	2,629.40	2,624.61
Grades 7-8	1,711.57	1,702.49
Total Regular & Extended Year	7,703.25	7,695.27
Special Education-Nonpublic, Nonsectarian Schools:		
Grades TK - 3	1.07	1.07
Grades 4-6	5.18	5.45
Grades 7-8	1.91	2.90
Total Special Education-Nonpublic, Nonsectarian Schools	8.16	9.42
Total ADA	7,711.41	7,704.69

ADELANTO ELEMENTARY SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2019

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	56,975	180	Complied
Grade 1	50,400	52,555	180	Complied
Grade 2	50,400	52,555	180	Complied
Grade 3	50,400	52,555	180	Complied
Grade 4	54,000	54,450	180	Complied
Grade 5	54,000	54,450	180	Complied
Grade 6	54,000	54,595	180	Complied
Grade 7	54,000	54,595	180	Complied
Grade 8	54,000	54,595	180	Complied

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2019

General Fund	(Budget) 2020 ²	2019	2018	2017
Revenues and other financing sources	\$ 97,557,355	\$ 105,425,377	\$ 96,317,308	\$ 91,739,518
Expenditures	101,952,475	102,302,721	94,112,151	85,238,429
Other uses and transfers out	50,000	-	1,540,000	116,911
Total outgo	102,002,475	102,302,721	95,652,151	85,355,340
Change in fund balance (deficit)	(4,445,120)	3,122,656	665,157	6,384,178
Ending fund balance	\$ 22,882,052	\$ 27,327,172	\$ 24,204,516	\$ 23,539,359
Available reserves ¹	\$ 13,513,412	\$ 17,980,518	\$ 15,532,588	\$ 16,154,209
Available reserves as a percentage of total outgo	13.2%	17.6%	16.5%	18.9%
Total long-term debt	\$ 135,840,340	\$ 141,089,758	\$ 134,550,908	\$ 121,708,491
Average daily attendance at P-2	7,738	7,711	7,906	7,906

The General Fund balance has increased by \$3,787,813 over the past two years. The fiscal year 2019-20 adopted budget projects a decrease of \$4,445,120. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years, but anticipates incurring an operating deficit during the 2019-20 fiscal year. Long-term debt has increased by \$19,381,267 over the past two years from the pension liability and other postemployment benefits.

Average daily attendance has decreased by 195 over the past two years. ADA is expected to increase by 27 in fiscal year 2019-20.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Revised Budget September, 2019.

³ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and Self-Insurance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

ADELANTO ELEMENTARY SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2019*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 1,188,610	
School Breakfast Program - Basic	10.553	13390	21	
National School Lunch Program	10.555	13391	4,130,922	
USDA Donated Foods	10.555	N/A	<u>421,265</u>	
Subtotal Child Nutrition Cluster				\$ 5,740,818
Child and Adult Food Care Program Cluster:				
Child and Adult Food Care Program	10.558	13393	295,010	
Child and Adult Care Food Program- Cash in Lieu	10.558	13389	<u>20,945</u>	
Subtotal Child and Adult Care Food Program Cluster				315,955
Fresh Fruit and Vegetable Program	10.582	14968		<u>149,701</u>
Total U.S. Department of Agriculture				<u>6,206,474</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants:				
Title I, Part A, Basic Grants	84.010	14329	3,516,599	
ESSA School Improvement Funding	84.010	15438	<u>44,747</u>	
Subtotal Title I Grants				3,561,346
Title II, Part A, Supporting Effective Instruction	84.367	14341		462,275
Title III, Limited English Proficiency	84.365	14346		214,039
Title IV, 21st Century Community Learning Centers (CCLC) Technical Assistance	84.287	14681		64,875
Title IV Part A, Student Support and Academic Enrichment Grants	84.424	15396		157,347
Individuals with Disabilities Education Act (IDEA):				
Passed through the San Bernardino County				
Superintendent of Schools Desert Mountain SELPA:				
Local Assistance Entitlement	84.027	13379	1,440,961	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	<u>2,488</u>	
Total Special Education (IDEA) Cluster				<u>1,443,449</u>
Total U.S. Department of Education				<u>5,903,331</u>
U.S. Department of Health & Human Services:				
Passed through California Department of Education (CDE):				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	59,435	
Medi-Cal Administrative Activities (MAA)	93.778	10060	<u>218,364</u>	
Subtotal Medicaid Cluster				<u>277,799</u>
Total U.S. Department of Health & Human Services				<u>277,799</u>
Total Expenditures of Federal Awards				<u>\$ 12,387,604</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2019

<u>Name of Charter School</u>	<u>Included in District Audit</u>
Taylion High Desert Academy (No. 1520)	No

ADELANTO ELEMENTARY SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 12,398,953
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	<u>(11,349)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 12,387,604</u>

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

Other Independent Auditors' Reports

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

Board of Trustees
Adelanto Elementary School District
Adelanto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adelanto Elementary School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Adelanto Elementary School District's basic financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Murrieta, California
December 10, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Adelanto Elementary School District
Adelanto, California

Report on Compliance for Each Major Federal Program

We have audited Adelanto Elementary School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Adelanto Elementary School District's major federal programs for the year ended June 30, 2019. Adelanto Elementary School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Adelanto Elementary School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Adelanto Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Adelanto Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Murrieta, California
December 10, 2019

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Adelanto Elementary School District
Adelanto, California

Report on State Compliance

We have audited Adelanto Elementary School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Adelanto Elementary School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Adelanto Elementary School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Adelanto Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Adelanto Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2019-001. Our opinion on each state program is not modified with respect to this matter.

District's Responses to Finding

Adelanto Elementary School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Adelanto Elementary School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro + Nigro, PC.

Murrieta, California
December 10, 2019

Findings and Questioned Costs

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ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I

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

State Awards

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2018-19.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2018-19.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2019-001: Comprehensive School Safety Plan (40000)

Criteria: According to Education Code section 32281 “each school district and county office of education is responsible for the overall development of all comprehensive school safety plans for its schools operating kindergarten or any of grades 1 to 12, inclusive.” Furthermore, per section 32282, the comprehensive school safety plan “shall be evaluated at least once a year, to ensure that the comprehensive school safety plan is properly implemented.”

Condition: Exceptions were found at three sites in our representative sample. All three sites adopted a comprehensive school safety plan, but after March 1, 2019 as required by CDE.

Effect: There is no financial penalty associated with this finding.

Cause: The site administrators did not have a full understanding of the Comprehensive School Safety Plan (CSSP) timeline and procedures.

Recommendation: We recommend that the District implement a procedure to ensure that their plan is reviewed and updated annually by the March 1 deadline.

Views of Responsible Officials: Whereas all District CSSPs were completed prior to March 1, 2019, not all plans were approved by their Site Safety Councils prior to the deadline. Moving forward, the Risk Management Department will begin working with school sites in January of the corresponding year to ensure these plans are completed and approved prior to the March 1 deadline as required by the CDE.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2019

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2018-001: Instructional Materials</i>	<p>California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. The public hearing must be held on or before the 8th week of school.</p> <p>The District's sufficiency of instructional materials public hearing was held on October 10, 2017. This was after the 8th week of school which began on August 9, 2017. The hearing needed to be held on or prior to the week of October 2.</p>	70000	We recommend that the District ensure that the instructional material public hearing is completed on or before the 8 th week of school for the 2018-19 school year.	Implemented.
<i>Finding 2018-002: CALPADS Unduplicated Pupil Count</i>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)). 	40000	We recommend that the District implement a review procedure of the CALPADS information prior to the reports submission to the California Department of Education.	Implemented.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2019

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2018-002: CALPADS Unduplicated Pupil Count (continued)</i>	<ul style="list-style-type: none">• Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. <p>During our testing of the English Learner (EL) and Free and Reduced Price Meal (FRPM) eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted one student was classified as an EL student, but did not have a CELDT or other evidence as being an EL student in accordance with the District's policy.</p>			



To the Board of Trustees
Adelanto Elementary School District
Adelanto, California

In planning and performing our audit of the basic financial statements of Adelanto Elementary School District for the year ending June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 10, 2019 on the financial statements of Adelanto Elementary School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Mesa Linda Middle

Observation: During our testing of cash disbursements, we noted that some disbursements selected lacked evidence of receipt of goods or services.

Recommendation: We recommend that the site documents physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing "ok to pay" or "received" and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.

Observation: While support for a deposit was provided, the amount indicated on the supporting documentation did not reconcile to the amount deposited.

Recommendation: All cash receipts which are prepared for deposit should be evidenced by additional documentation showing an itemization of the item being included in the total bank deposit. This provides an audit trail from the initial cash receipt to the final deposit of the funds into the bank account and evidence that the funds have been deposited intact.

Observation: During cash receipts testing, we noted two cash receipts that were not deposited in a timely manner.

Recommendation: We recommend that the site emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis or more often as needed. Money should never be left over the weekend or holidays because many thefts often occur during these times.

We will review the status of the current year comments during our next audit engagement.

Murrieta, California
December 10, 2019