

ADELANTO ELEMENTARY SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2016

ADELANTO ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

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ADELANTO ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

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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, 2016, 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 *2015-16 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, 2016, 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

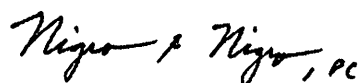
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 44, schedule of funding progress on page 45, schedule of proportionate share of the net pension liability on page 46, and schedule of contributions on page 47 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 51 to 54 and the schedule of expenditures of federal awards on page 55 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 50 and 56 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, 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 8, 2016

ADELANTO ELEMENTARY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

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, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial status improved from last year, as the net position increased by 2.3% to \$126.4 million
- Total governmental revenues were \$97.4 million, \$2.8 million more than expenses.
- The total cost of basic programs was \$94.6 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 \$79.5 million.
- Average daily attendance (ADA) in grades K-8 increased by 84, or 1.1%.

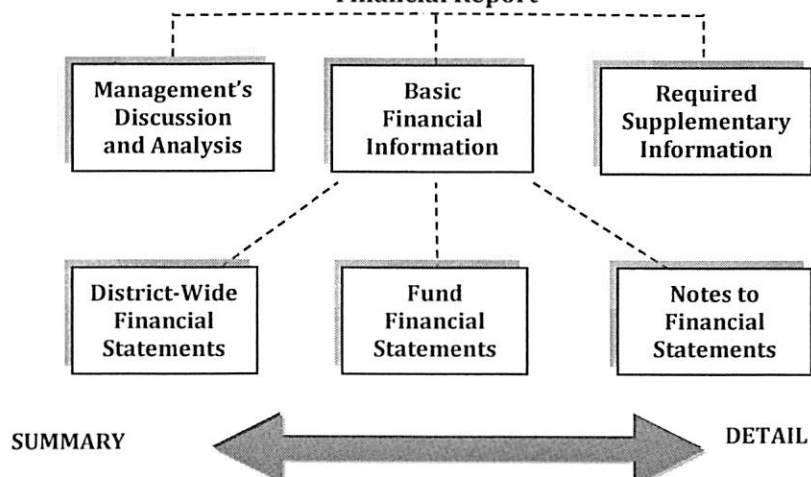
OVERVIEW OF THE FINANCIAL STATEMENTS

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.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
 - *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.

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

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.



ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

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>	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• 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, 2016

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, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2016, than it was the year before – increasing 2.3% to \$126.4 million (See Table A-1).

Table A-1

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2016	2015*	
Current assets	\$ 40.2	\$ 30.9	\$ 9.3
Capital assets	183.8	190.0	(6.2)
Total assets	224.0	220.9	3.1
Total deferred outflows	15.8	4.8	11.0
Current liabilities	6.9	8.0	(1.1)
Long-term liabilities	98.5	82.7	15.8
Total liabilities	105.4	90.7	14.7
Total deferred inflows	8.0	11.4	(3.4)
Net position			
Net investment in capital assets	166.2	171.3	(5.1)
Restricted	22.8	20.7	2.1
Unrestricted	(62.6)	(68.4)	5.8
Total net position	\$ 126.4	\$ 123.6	\$ 2.8

* As restated

Changes in net position, governmental activities. The District's total revenues increased 20.4% to \$97.4 million (See Table A-2). The increase is due primarily to increased state aid.

The total cost of all programs and services increased 8.6% to \$94.6 million. The District's expenses are predominantly related to educating and caring for students, 72.8%. The purely administrative activities of the District accounted for just 7.4% of total costs. A significant contributor to the increase in costs was from negotiated salary and benefit increases.

Table A-2

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2016	2015	
Total Revenues	\$ 97.4	\$ 80.9	\$ 16.5
Total Expenses	94.6	87.1	7.5
Increase (decrease) in net position	\$ 2.8	\$ (6.2)	\$ 9.0

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

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 \$33.6 million, which is above last year's ending fund balance of \$23.2 million. The primary cause of the increased fund balance is funding from state aid in the General Fund.

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 \$3.7 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased about \$4.3 million due to negotiated increases.
- Other non-capital expenditures – decreased \$0.7 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$6.2 million, the actual results for the year show that revenues exceeded expenditures by roughly \$10.1 million. Actual revenues were \$0.7 million less than anticipated, but expenditures were \$4.6 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2016, that will be carried over into the 2016-17 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$179,453 in new capital assets, related to equipment needs at a new site. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$6.3 million.

Table A-3: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities (In millions)		Variance
	2016	2015*	Increase (Decrease)
Land	\$ 17.8	\$ 17.8	\$ -
Improvement of sites	1.7	2.0	(0.3)
Buildings	160.9	166.3	(5.4)
Equipment	3.4	3.9	(0.5)
Total	<u>\$ 183.8</u>	<u>\$ 190.0</u>	<u>\$ (6.2)</u>

* As restated

Long-Term Debt

At year-end the District had \$98.5 million in general obligation bonds, net pension liability, certificates of participation, capital leases, and employment benefits – an increase of 19.1% from last year – as shown in Table A-4. (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, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2016	2015	
General obligation bonds	\$ 24.6	\$ 25.2	\$ (0.6)
Certificates of participation	8.7	8.8	(0.1)
Compensated absences	0.6	0.4	0.2
Capital leases	1.1	1.3	(0.2)
Early retirement incentives	1.3	0.7	0.6
Other postemployment benefits	5.5	4.2	1.3
Net pension liability	56.7	42.1	14.6
Total	<u>\$ 98.5</u>	<u>\$ 82.7</u>	<u>\$ 15.8</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

Evolution of the Budget

The Legislature passed the final budget package on June 15, 2016. Total reserves in the final budget package were lower by only \$36 million compared to the Governor's proposal in May. Various choices were made to shift spending priorities compared to the Governor's proposal. Budget savings resulted from (1) reduced spending on state office buildings, (2) shifting funding for the construction of local jails from General Fund to bond funds, and (3) reduced retiree health spending due to lower than expected healthcare costs. Correspondingly, the final budget deal reflected higher spending for affordable housing programs, repealing the MFG policy, and various public safety programs.

The Governor signed the *2016-17 Budget Act* and 14 budget-related bills on June 27, 2016 and July 1, 2016. The Governor did not veto any appropriations.

Proposition 98

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. Below, we provide an overview of Proposition 98 funding and spending changes under the enacted budget package. We then highlight Proposition 98 spending changes specifically for K-12 education.

Minimum Guarantee

Proposition 98 Funding Revised Upward Across Three-Year Period

Proposition 98 establishes a minimum funding requirement commonly called the minimum guarantee. Compared with the estimates from June 2015, the 2014-15 and 2015-16 guarantees have increased by \$843 million and \$641 million, respectively. These upward revisions are due primarily to increases in state revenue relative to the amounts assumed in last year's budget package. The estimate of the 2016-17 minimum guarantee is \$3.5 billion (5.1 percent) higher than the *2015-16 Budget Act* level.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Minimum Guarantee (continued)

Two Key Drivers of Increase in 2016-17

Total funding for all segments in 2016-17 is \$71.9 billion, a \$2.8 billion (4.1 percent) increase above the revised 2015-16 level. This change in the guarantee reflects 3.6 percent growth in the "Test 3 factor" combined with a supplemental appropriation of \$502 million. The Test 3 factor consists of 3.1 percent growth in per capita General Fund plus an additional 0.5 percent increase set forth in the State Constitution. The supplemental appropriation ensures that the minimum guarantee grows at least as quickly as the rest of the state budget.

Increase Covered About Evenly From Higher State General Fund and Local Property Tax Revenue

Of total Proposition 98 funding in 2016-17, \$51.1 billion is state General Fund and \$20.8 billion is local property tax revenue. From 2015-16 to 2016-17, state General Fund increases by \$1.3 billion (accounting for slightly less than half of the \$2.8 billion increase in the guarantee) and local property tax revenue increases by \$1.5 billion (accounting for slightly more than half of the increase in the guarantee). The primary factor explaining the growth in property tax revenue is the strong 6.2 percent increase in assessed property values. In addition, the budget plan assumes property tax revenue increases by \$419 million due to the triple flip ending, thereby completing the shift of revenue from cities, counties, and special districts to school districts and community colleges.

New Maintenance Factor Created in 2016-17

In 2014-15, General Fund tax revenue increased by 11 percent over the prior-year level, resulting in a maintenance factor payment of \$5.7 billion—the largest payment the state has ever made. In 2015-16, the budget assumes the state makes an additional maintenance factor payment of \$379 million, reducing the total outstanding obligation to \$155 million. In 2016-17, the budget assumes the state creates \$746 million in new maintenance factor. The amount of new maintenance factor created is based on the difference between the Proposition 98 Test 2 and Test 3 factors. In 2016-17, growth in the Test 2 factor (per capita personal income) is strong (5.4 percent) relative to growth in the Test 3 factor (3.6 percent).

K-12 Education

\$63.3 Billion Proposition 98 Funding for K-12 Education and Preschool Combined

This 2016-17 level is \$2.5 billion (4.1 percent) more than revised 2015-16 funding and \$3.7 billion (6.3 percent) more than the 2015-16 Budget Act level. The budget increases funding per student by \$440 (4.3 percent) over the 2015-16 Budget Act level, bringing Proposition 98 funding per student up to \$10,657.

New Spending

Large Increase for LCFF

The \$2.9 billion augmentation brings total funding for implementing LCFF for school districts and charter schools up to \$55.8 billion, a 5.7 percent increase over the revised 2015-16 level. The administration estimates this funding will close 54 percent of the gap between current funding levels and LCFF target rates, bringing LCFF to 96 percent of its full implementation cost. School districts and charter schools may use LCFF monies for any educational purpose.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

New Spending (continued)

Significant Discretionary One-Time Funding

The largest one-time augmentation for K-12 education is \$1.3 billion that LEAs may use for any locally determined purpose. Funding would be distributed based on average daily attendance. If an LEA has unpaid mandate claims, funding would pay all or a portion of those claims. As many LEAs do not have any unpaid claims, we estimate only about half (\$617 million) of the funding provided would reduce the K-12 mandates backlog. We estimate the outstanding K-12 mandates backlog will be \$987 million at the end of 2016-17.

All of these factors were considered in preparing the Adelanto Elementary School District budget for the 2016-17 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, 2016

	Total Governmental Activities
ASSETS	
Cash	\$ 35,038,307
Accounts receivable	4,281,233
Inventories	212,995
Prepaid expenses	685,695
Capital assets:	
Non-depreciable assets	17,806,485
Depreciable assets	225,501,924
Less accumulated depreciation	<u>(59,508,884)</u>
Total assets	<u>224,017,755</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>15,821,734</u>
 LIABILITIES	
Accounts payable	6,906,201
Unearned revenue	38,067
Long-term debt:	
Portion due or payable within one year	3,470,899
Portion due or payable after one year	<u>94,987,537</u>
Total liabilities	<u>105,402,704</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>7,977,326</u>
 NET POSITION	
Net investment in capital assets	166,212,982
Restricted for:	
Capital projects	8,125,291
Debt service	4,597,729
Categorical programs	10,085,075
Unrestricted	<u>(62,561,618)</u>
 Total net position	 <u><u>\$ 126,459,459</u></u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2016

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	\$ 48,903,456	\$ 256	\$ 6,994,194	\$ 43,386	\$ (41,865,620)	
Instruction-related services:						
Supervision of instruction	1,523,455	-	302,637	-	(1,220,818)	
Instructional library, media and technology	752,765	-	147,603	-	(605,162)	
School site administration	5,320,200	-	541,489	-	(4,778,711)	
Pupil support services:						
Home-to-school transportation	2,918,759	-	-	-	(2,918,759)	
Food services	5,317,672	88,204	5,914,807	-	685,339	
All other pupil services	4,128,657	-	242,189	-	(3,886,468)	
General administration services:						
Data processing services	869,113	-	-	-	(869,113)	
Other general administration	6,100,358	4,494	452,107	-	(5,643,757)	
Plant services	8,940,016	2,142	6,872	-	(8,931,002)	
Ancillary services	2,739	-	-	-	(2,739)	
Community services	68,356	1,249	49,184	-	(17,923)	
Interest on long-term debt	2,829,560	-	-	-	(2,829,560)	
Other outgo	585,347	336,514	37,650	-	(211,183)	
Depreciation (unallocated)	6,377,325	-	-	-	(6,377,325)	
Total Governmental Activities	\$ 94,637,778	\$ 432,859	\$ 14,688,732	\$ 43,386	(79,472,801)	
General Revenues:						
Property taxes					8,247,073	
Federal and state aid not restricted to specific purpose					72,495,830	
Interest and investment earnings					49,162	
Miscellaneous					1,538,365	
Total general revenues					82,330,430	
Change in net position					2,857,629	
Net position, July 1, 2015, as originally stated					125,050,137	
Adjustment for restatement (Note 13)					(1,448,307)	
Net position, July 1, 2015, as restated					123,601,830	
Net position, June 30, 2016					\$ 126,459,459	

ADELANTO ELEMENTARY SCHOOL DISTRICT**Balance Sheet – Governmental Funds****June 30, 2016**

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 19,067,389	\$ 7,445,865	\$ 8,525,053	\$ 35,038,307
Accounts receivable	3,509,035	13,076	759,122	4,281,233
Due from other funds	379,251	-	12,782	392,033
Inventories	78,675	-	134,320	212,995
Prepaid expenditures	685,695	-	-	685,695
Total Assets	\$ 23,720,045	\$ 7,458,941	\$ 9,431,277	\$ 40,610,263
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 6,532,372	\$ 1,131	\$ 51,973	\$ 6,585,476
Unearned revenue	17,745	-	20,322	38,067
Due to other funds	12,782	-	379,251	392,033
Total Liabilities	6,562,899	1,131	451,546	7,015,576
Fund Balances				
Nonspendable	824,370	-	135,240	959,610
Restricted	6,889,153	7,457,810	8,679,754	23,026,717
Committed	-	-	164,737	164,737
Assigned	3,123,823	-	-	3,123,823
Unassigned	6,319,800	-	-	6,319,800
Total Fund Balances	17,157,146	7,457,810	8,979,731	33,594,687
Total Liabilities and Fund Balances	\$ 23,720,045	\$ 7,458,941	\$ 9,431,277	\$ 40,610,263

ADELANTO ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position *June 30, 2016*

Total fund balances - governmental funds \$ 33,594,687

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 \$243,308,409 and the accumulated depreciation is (\$59,508,884). 183,799,525

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: (320,725)

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	24,579,521	
Certificates of participation payable	8,702,960	
Compensated absences payable	592,506	
Capital leases payable	1,106,835	
Early retirement incentive	1,304,340	
Other postemployment benefits	5,514,414	
Net pension liability	<u>56,657,860</u>	(98,458,436)

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	15,821,734	
Total deferred inflows	<u>(7,977,326)</u>	<u>7,844,408</u>

Total net position - governmental activities \$ 126,459,459

ADELANTO ELEMENTARY SCHOOL DISTRICT**Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Fiscal Year Ended June 30, 2016**

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 69,844,926	\$ -	\$ 1,100,000	\$ 70,944,926
Federal sources	3,942,702	-	5,754,232	9,696,934
Other state sources	9,907,783	-	455,485	10,363,268
Other local sources	2,752,187	43,386	3,857,029	6,652,602
Total Revenues	86,447,598	43,386	11,166,746	97,657,730
EXPENDITURES				
Current:				
Instruction	48,462,045	-	-	48,462,045
Instruction-related services:				
Supervision of instruction	1,536,440	-	-	1,536,440
Instructional library, media and technology	721,205	-	-	721,205
School site administration	5,252,593	-	-	5,252,593
Pupil support services:				
Home-to-school transportation	2,755,494	-	-	2,755,494
Food services	-	-	5,319,811	5,319,811
All other pupil services	4,127,249	-	-	4,127,249
Community services	68,298	-	-	68,298
General administration services:				
Data processing services	868,016	-	-	868,016
Other general administration	4,601,782	-	-	4,601,782
Plant services	7,367,801	-	1,022,200	8,390,001
Ancillary services	2,739	-	-	2,739
Transfers of indirect costs	(252,468)	-	252,468	-
Intergovernmental transfers	585,347	-	-	585,347
Capital outlay	-	705,484	8,542	714,026
Debt service:				
Principal	197,484	-	1,025,269	1,222,753
Interest	49,955	-	2,583,745	2,633,700
Total Expenditures	76,343,980	705,484	10,212,035	87,261,499
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,103,618	(662,098)	954,711	10,396,231
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	551,770	551,770
Interfund transfers out	(13,995)	-	(537,775)	(551,770)
Total Other Financing Sources and Uses	(13,995)	-	13,995	-
Net Change in Fund Balances	10,089,623	(662,098)	968,706	10,396,231
Fund Balances, July 1, 2015	7,067,523	8,119,908	8,011,025	23,198,456
Fund Balances, June 30, 2016	\$ 17,157,146	\$ 7,457,810	\$ 8,979,731	\$ 33,594,687

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, 2016***

Total net change in fund balances - governmental funds **\$ 10,396,231**

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	179,453	
Depreciation expense	<u>(6,377,326)</u>	(6,197,873)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (35,163)

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: 1,222,753

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: (250,658)

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, postemployment benefits costs are recognized as expenditures in the period that they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was: (1,329,986)

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 granted exceeded the amounts paid by: (642,213)

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: 4,841

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: (168,191)

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*). (131,525)

Change in net position of governmental activities **\$ 2,857,629**

ADELANTO ELEMENTARY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

	Agency Funds	
	Student Body Funds	Debt Service Fund for Special Tax Bonds
Assets		
Cash	\$ 17,431	\$ 4,480,706
Liabilities		
Due to bondholders	\$ -	\$ 4,480,706
Due to student groups	17,431	-
Total Liabilities	\$ 17,431	\$ 4,480,706

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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. 14, *The Financial Reporting Entity*, 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 governing board of the component units is essentially the same as the governing board 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:

Date of Formation	Name	Area
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

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

County School Facilities Fund: This fund is used primarily to account separately for state apportionments as provided by Ed. Code sections 17009.5 & 17070.10-17076.10.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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:

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Deferred Maintenance Fund: This fund is used to account for resources committed to major repair or replacement of District property.

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

Capital Projects Funds for Blended Component Units: This fund is used to account for the activity of the certificates of participation and of the Community Facilities Districts.

Debt Service Funds:

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Debt Service Fund for Blended Component Units: This fund is used to account for the debt service activity of the certificates of participation.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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 debt service activity of the Community Facilities Districts (CFDs).

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

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.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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.

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 fixed assets are recorded at their estimated fair value at the date of donation. 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.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Unearned Revenue (continued)

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.

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. The District has one item that qualifies for reporting in this category. That item is to recognize the District's proportionate share of the deferred outflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

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. The District has one item that is reported as deferred inflows of resources. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

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. 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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. 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.

9. 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.
- **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.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Net Position (continued)

- **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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

During the 2015-16 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 72, *Fair Value Measurement and Application* (Issued 02/15)

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

2. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (Issued 06/15)

The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

3. Statement No. 79, *Certain External Investment Pools and Pool Participants* (Issued 12/15)

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 2 – CASH

Cash and investments at June 30, 2016, are reported at fair value and consisted of the following:

	Governmental Activities/Funds	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	\$ 33,782,594	\$ -
Deposits:		
Cash on hand and in banks	92,628	17,431
Cash in revolving fund	60,920	-
Cash with fiscal agent	1,102,165	4,480,706
Total Deposits	1,255,713	4,498,137
Total Cash	\$ 35,038,307	\$ 4,498,137

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, 2016, 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 Depositary 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, 2016, 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, 2016*

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government:				
Categorical aid programs	\$ 1,806,132	\$ -	\$ 700,225	\$ 2,506,357
State Government:				
Lottery	905,138	-	-	905,138
Categorical aid programs	76,524	-	53,414	129,938
Local:				
Interest	22,287	13,076	5,483	40,846
Charter management fees	342,194	-	-	342,194
Special Education	223,195	-	-	223,195
Miscellaneous	133,565	-	-	133,565
Total	<u>\$ 3,509,035</u>	<u>\$ 13,076</u>	<u>\$ 759,122</u>	<u>\$ 4,281,233</u>

NOTE 4 – INTERFUND ACTIVITIES**A. Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2016, consisted of the following:

General Fund due to Cafeteria Fund for health and welfare	\$ 12,782
Cafeteria Fund Due to General Fund for benefits, taxes, fuel and indirect costs	<u>379,251</u>
	<u>\$ 392,033</u>

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2016, consisted of the following:

General Fund transfer to Cafeteria Fund for health and welfare	\$ 13,995
Capital Facilities Fund transfer to Debt Service Fund for COP payment	<u>537,775</u>
	<u>\$ 551,770</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016*

NOTE 5 – FUND BALANCES

At June 30, 2016, fund balances of the District's governmental funds were classified as follows:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 60,000	\$ -	\$ 920	\$ 60,920
Stores inventories	78,675	-	134,320	212,995
Prepaid expenditures	685,695	-	-	685,695
Total Nonspendable	824,370	-	135,240	959,610
Restricted:				
Categorical programs	6,889,153	-	-	6,889,153
Child nutrition program	-	-	3,060,682	3,060,682
Capital projects	-	7,457,810	1,021,343	8,479,153
Debt service	-	-	4,597,729	4,597,729
Total Restricted	6,889,153	7,457,810	8,679,754	23,026,717
Committed:				
Deferred maintenance program	-	-	164,737	164,737
Total Committed	-	-	164,737	164,737
Assigned:				
School sites carryover	221,946	-	-	221,946
S/C Gap closure at LCFF full impl.	2,901,877	-	-	2,901,877
Total Assigned	3,123,823	-	-	3,123,823
Unassigned:				
Reserve for economic uncertainties	2,276,500	-	-	2,276,500
Remaining unassigned balances	4,043,300	-	-	4,043,300
Total Unassigned	6,319,800	-	-	6,319,800
Total	\$ 17,157,146	\$ 7,457,810	\$ 8,979,731	\$ 33,594,687

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016, was as follows:

	Original Balance, July 1, 2015	Adjustment for Restatement	Restated Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016
Capital assets not being depreciated:						
Land	\$ 17,806,485	\$ -	\$ 17,806,485	\$ -	\$ -	\$ 17,806,485
Total capital assets not being depreciated	17,806,485	-	17,806,485	-	-	17,806,485
Capital assets being depreciated:						
Improvement of sites	5,591,319	-	5,591,319	23,400	-	5,614,719
Buildings	206,851,893	-	206,851,893	-	-	206,851,893
Equipment	14,668,627	(1,551,758)	13,116,869	156,053	237,610	13,035,312
Total capital assets being depreciated	227,111,839	(1,551,758)	225,560,081	179,453	237,610	225,501,924
Accumulated depreciation for:						
Improvement of sites	(3,588,109)	-	(3,588,109)	(319,132)	-	(3,907,241)
Buildings	(40,569,179)	-	(40,569,179)	(5,369,785)	-	(45,938,964)
Equipment	(9,280,168)	103,451	(9,176,717)	(688,409)	(202,447)	(9,662,679)
Total accumulated depreciation	(53,437,456)	103,451	(53,334,005)	(6,377,326)	(202,447)	(59,508,884)
Total capital assets being depreciated, net	173,674,383	(1,448,307)	172,226,076	(6,197,873)	35,163	165,993,040
Governmental activity capital assets, net	\$ 191,480,868	\$ (1,448,307)	\$ 190,032,561	\$ (6,197,873)	\$ 35,163	\$ 183,799,525

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 8,902,429	\$ -	\$ 875,269	\$ 8,027,160	\$ 902,131
Accreted interest component	16,301,703	1,890,312	1,639,654	16,552,361	1,841,213
Total - G.O. Bonds	25,204,132	1,890,312	2,514,923	24,579,521	2,743,344
Certificates of Participation:					
Principal repayments	9,070,000	-	150,000	8,920,000	170,000
Unamortized issuance discount	(227,627)	-	(10,587)	(217,040)	(10,587)
Total - COPs	8,842,373	-	139,413	8,702,960	159,413
Compensated Absences	460,981	131,525	-	592,506	-
Capital Lease	1,304,319	-	197,484	1,106,835	205,047
Early Retirement Incentives	662,127	948,750	306,537	1,304,340	363,095
Other Postemployment Benefits	4,184,428	1,329,986	-	5,514,414	-
Net Pension Liability	42,051,586	14,606,274	-	56,657,860	-
Totals	\$ 82,709,946	\$ 18,906,847	\$ 3,158,357	\$ 98,458,436	\$ 3,470,899

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, 2016

NOTE 7 – GENERAL LONG-TERM DEBT (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, 2015	Additions	Deductions	Balance, June 30, 2016
1993A	10/26/1993	9/1/2018	2.6%-5.6%	\$ 3,999,350	\$ 1,031,786	\$ -	\$ 235,764	\$ 796,022
1994B	6/9/1994	9/1/2018	5.35%-6.7%	5,997,952	1,654,996	-	384,884	1,270,112
1996A	11/13/1996	9/1/2021	3.7%-5.95%	4,498,721	745,070	-	125,681	619,389
1997A	9/9/1997	9/1/2022	3.9%-5.67%	7,499,622	5,470,577	-	128,940	5,341,637
				<u>\$ 21,995,645</u>	<u>\$ 8,902,429</u>	<u>\$ -</u>	<u>\$ 875,269</u>	<u>\$ 8,027,160</u>
Accreted Interest								
	1993			\$ 2,737,717	\$ 238,557	\$ -		\$ 2,976,274
	1994			3,095,379	708,750	1,174,276		2,629,853
	1996			1,427,478	119,522	249,319		1,297,681
	1997			9,041,130	823,483	216,060		9,648,553
					<u>\$ 16,301,704</u>	<u>\$ 1,890,312</u>	<u>\$ 1,639,655</u>	<u>\$ 16,552,361</u>

The amounts required to amortize general obligation bonds payable at June 30, 2016, were:

Fiscal Year	Principal	Interest	Total
2016-17	\$ 902,131	\$ 2,473,495	\$ 3,375,626
2017-18	931,942	2,793,599	3,725,541
2018-19	940,166	3,089,834	4,030,000
2019-20	1,265,527	3,089,473	4,355,000
2020-21	1,296,403	3,418,598	4,715,001
2021-23	2,690,991	7,934,009	10,625,000
Total	<u>\$ 8,027,160</u>	<u>\$ 22,799,008</u>	<u>\$ 30,826,168</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016*

NOTE 7 – GENERAL LONG-TERM DEBT (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, 2016, the principal balance outstanding was \$8,920,000.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ 170,000	\$ 381,577	\$ 551,577
2017-18	185,000	374,584	559,584
2018-19	205,000	366,784	571,784
2019-20	225,000	358,184	583,184
2020-21	245,000	348,631	593,631
2021-26	1,575,000	1,559,921	3,134,921
2026-31	2,295,000	1,144,461	3,439,461
2031-36	3,240,000	543,594	3,783,594
2036-37	780,000	17,062	797,062
Total	<u>\$ 8,920,000</u>	<u>\$ 5,094,798</u>	<u>\$ 14,014,798</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, 2016, for these obligations are shown below.

<u>Future Years</u>	<u>Amount</u>
2016-17	\$ 363,095
2017-18	363,095
2018-19	277,139
2019-20	189,750
2020-21	111,261
Total	<u>\$ 1,304,340</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT (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, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2016-17	\$ 205,047	\$ 42,392	\$ 247,439
2017-18	212,901	34,538	247,439
2018-19	221,054	26,385	247,439
2019-20	229,521	17,918	247,439
2020-21	238,312	9,127	247,439
Total	<u>\$ 1,106,835</u>	<u>\$ 130,360</u>	<u>\$ 1,237,195</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 \$18,050,000 as of June 30, 2016, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – 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.

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016*

NOTE 8 – JOINT VENTURES (continued)

Condensed audited financial information is as follows:

	SCSRM June 30, 2015	SCSEBA June 30, 2015
Total Assets	\$ 58,388,322	\$ 36,473,944
Total Liabilities	20,173,436	13,055,294
Total Net Position	<u>\$ 38,214,886</u>	<u>\$ 23,418,650</u>
Revenues	\$ 40,007,750	\$ 165,906,025
Expenses	39,220,037	159,696,063
Operating Income (Loss)	787,713	6,209,962
Non-Operating Revenue (Expense)	(294,435)	136,778
Change in Net Position	<u>\$ 493,278</u>	<u>\$ 6,346,740</u>

NOTE 9 – 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, 2016, 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.

Workers' Compensation

For fiscal year 2015-16, 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 10 – 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, 2016, 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, 2016.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – 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 California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

ADELANTO ELEMENTARY SCHOOL DISTRICT**Notes to Financial Statements****June 30, 2016**

NOTE 11 - PENSION PLANS (continued)**A. General Information about the Pension Plans (continued)****Benefits Provided (continued)**

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

Contributions

Active CalSTRS plan members under 2% at 60 were required to contribute 9.2% and plan members under 2% at 62 were required to contribute 8.56% of their salary in 2015-16. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. 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 required employer contribution for fiscal year 2015-16 was 11.847%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 3,372,275	\$ 1,409,241
Employer contributions paid by State	\$ 1,872,370	-
Employee contributions paid by employer	\$ -	-

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 41,740,880
CalPERS	14,916,980
Total Net Pension Liability	<u>\$ 56,657,860</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015, was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2014	0.0530%	0.0976%
Proportion - June 30, 2015	0.0620%	0.1012%
Change - Increase (Decrease)	0.0090%	0.0036%

For the year ended June 30, 2016, the District recognized pension expense of \$4,949,709. At June 30, 2016, 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	\$ 4,781,516	-
Differences between actual and expected experience	852,527	(697,500)
Changes in assumptions	-	(916,541)
Adjustment due to differences in proportions	7,737,736	-
Net differences between projected and actual earnings on plan investments	2,449,955	(6,363,285)
	<u>\$ 15,821,734</u>	<u>\$ (7,977,326)</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The total amount of \$4,781,516 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	
June 30,	Amount
2017	\$ 97,315
2018	(238,094)
2019	895,400
2020	(99,643)
2021	(99,643)
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2014, valuation were based on the results of an April, 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalSTRS (continued)

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65 percent. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

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

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	4.50%	5.71%
Global Debt Securities	N/A	19%	N/A	2.43%
Inflation Sensitive	5%	6%	3.20%	3.36%
Private Equity	12%	10%	6.20%	6.95%
Real Estate	15%	10%	4.35%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	20%	N/A	0.20%	N/A
Liquidity	1%	2%	0.00%	-1.05%
	100%	100%		

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016*

NOTE 11 – PENSION PLANS (continued)**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)*****Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 63,025,480	\$ 24,278,627
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 41,740,880	\$ 14,916,980
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 24,051,660	\$ 7,132,144

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plans

At June 30, 2016, the District reported a payable of \$296,198 and \$14,304 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2016.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

Adelanto Elementary School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	26
Active plan members*	622
Total	648

**As of December 1, 2015, actuarial valuation*

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016***NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)****Plan Descriptions and Contribution Information (continued)**

Following is a description of the current retiree benefit plan (some retirees may have retired under earlier, grandfathered plans):

	Certificated	Classified	Management
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	50
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

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2015-16, the District contributed \$321,424.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 1,670,043
Interest on net OPEB obligation	188,299
Adjustment to ARC	(206,932)
Annual OPEB cost	1,651,410
Contributions made:	(321,424)
Increase in net OPEB obligation	1,329,986
Net OPEB obligation - July 1, 2015	4,184,428
Net OPEB obligation - June 30, 2016	\$ 5,514,414

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015-16 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 972,216	17%	\$ 3,438,362
2015	\$ 974,793	23%	\$ 4,184,428
2016	\$ 1,651,410	19%	\$ 5,514,414

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans

As of December 1, 2015, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$12.0 million and the unfunded actuarial accrued liability (UAAL) was \$12.0 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	December 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	30 Years
Asset Valuation	N/A
Actuarial Assumptions:	
Investment rate of return	4.50%
Inflation	2.75%
Healthcare cost trend rate	4%

NOTE 13 – ADJUSTMENT FOR RESTATEMENT

The beginning net position on the statement of activities was restated because of an overstatement of bus equipment that the District began leasing in the 2014-15 fiscal year.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 14 – SUBSEQUENT EVENT

In the 2016-17 fiscal year, the District opened a new site, Melva Davis Academy of Excellence Steam Middle School.

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Required Supplementary Information

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ADELANTO ELEMENTARY SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF sources	\$ 69,731,752	\$ 69,628,015	\$ 69,844,926	\$ 216,911
Federal sources	4,485,952	5,841,893	3,942,702	(1,899,191)
Other state sources	7,576,116	9,927,773	9,907,783	(19,990)
Other local sources	1,624,059	1,746,159	2,752,177	1,006,018
Total Revenues	83,417,879	87,143,840	86,447,588	(696,252)
Expenditures				
Current:				
Certificated salaries	33,938,665	33,372,849	32,417,337	955,512
Classified salaries	11,339,160	12,196,674	11,983,010	213,664
Employee benefits	14,366,265	18,343,790	17,939,564	404,226
Books and supplies	4,602,124	4,767,738	4,322,877	444,861
Services and other operating expenditures	12,537,096	11,574,855	9,100,874	2,473,981
Transfers of indirect costs	(270,000)	(280,700)	(252,468)	(28,232)
Intergovernmental	521,566	595,366	585,347	10,019
Capital outlay	128,000	83,616	-	83,616
Debt service	248,190	248,190	247,439	751
Total Expenditures	77,411,066	80,902,378	76,343,980	4,558,398
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,006,813	6,241,462	10,103,608	3,862,146
Other Financing Sources and Uses				
Interfund transfers out	(40,000)	(40,000)	(13,995)	(26,005)
Total Other Financing Sources and Uses	(40,000)	(40,000)	(13,995)	(26,005)
Net Change in Fund Balance	5,966,813	6,201,462	10,089,613	3,836,141
Fund Balance, July 1, 2015	7,065,658	7,065,568	7,065,568	-
Fund Balance, June 30, 2016	\$ 13,032,471	\$ 13,267,030	\$ 17,155,181	\$ 3,836,141

- * 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***Schedule of Funding Progress******For the Fiscal Year Ended June 30, 2016***

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
11/1/2011	N/A	\$ 6,424,492	\$ 6,424,492	0.0%	\$ 34,143,198	19%
12/1/2013	N/A	6,768,898	6,768,898	0.0%	34,134,522	20%
12/1/2015	N/A	12,039,183	12,039,183	0.0%	39,577,807	30%

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2016

	Last Ten Fiscal Years*	
	2015	2014
District's proportion of the net pension liability (asset):		
CalSTRS	0.0620%	0.0530%
CalPERS	0.1012%	0.0976%
District's proportionate share of the net pension liability (asset):		
CalSTRS	\$ 41,740,880	\$ 30,971,610
CalPERS	\$ 14,916,980	\$ 11,079,976
District's covered-employee payroll:		
CalSTRS	\$ 30,042,489	\$ 26,275,442
CalPERS	\$ 11,210,492	\$ 10,210,863
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS	138.9%	117.9%
CalPERS	133.1%	108.5%
Plan fiduciary net position as a percentage of the total pension liability:		
CalSTRS	74.0%	76.5%
CalPERS	79.4%	83.4%

* 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 Contributions****For the Fiscal Year Ended June 30, 2016**

Last Ten Fiscal Years*			
		<u>2015</u>	<u>2014</u>
Actuarially determined contribution:			
CalSTRS	\$	2,667,773	\$ 2,167,724
CalPERS	\$	1,319,587	\$ 1,168,327
Contributions in relation to the actuarially determined contribution:			
CalSTRS	\$	2,667,773	\$ 2,167,724
CalPERS	\$	1,319,587	\$ 1,168,327
Contribution deficiency (excess):			
CalSTRS	\$	-	\$ -
CalPERS	\$	-	\$ -
District's covered-employee payroll:			
CalSTRS	\$	30,042,489	\$ 26,275,442
CalPERS	\$	11,210,492	\$ 10,210,863
Contributions as a percentage of covered-employee payroll:			
CalSTRS		8.88%	8.25%
CalPERS		11.771%	11.442%

* 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, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>General Fund</u>	<u>Amount</u>
Current:	
Transfers of indirect cost	\$ 28,232
Interfund transfers out	26,005

Supplementary Information

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ADELANTO ELEMENTARY SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2016

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
Debra S. Jones	President	November, 2018
Evelyn Glasper	Clerk	November, 2018
Teresa Rogers	Member	November, 2016
Holly Eckes	Member	November, 2016
Jason Hughes	Member	November, 2018

DISTRICT ADMINISTRATORS

Edwin Gomez, Ed.D.,
Superintendent

Amy Nguyen-Hernandez, Ed.D.,
Chief Academic Officer

Ajay Mohindra,
Chief Business Officer

Todd Beal,
Chief Personnel Officer

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2016*

	Second Period Report	Annual Report
	Certificate No. (0A605E29)	Certificate No. (E0797FD9)
Regular & Extended Year:		
Transitional Kindergarten through Third	3,610.98	3,621.94
Fourth through Sixth	2,721.34	2,729.29
Seventh through Eighth	1,598.65	1,595.38
Total Regular & Extended Year	7,930.97	7,946.61
Special Education-Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	-	0.28
Fourth through Sixth	4.56	4.45
Seventh through Eighth	4.59	5.23
Total Special Education-Nonpublic, Nonsectarian Schools	9.15	9.96
Total ADA	7,940.12	7,956.57

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2016

Grade Level	Required	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	57,843	180	Complied
Grade 1	50,400	52,608	180	Complied
Grade 2	50,400	52,608	180	Complied
Grade 3	50,400	52,608	180	Complied
Grade 4	54,000	56,048	180	Complied
Grade 5	54,000	56,048	180	Complied
Grade 6	54,000	56,220	180	Complied
Grade 7	54,000	56,040	176*	Complied
Grade 8	54,000	56,040	176*	Complied

* The District was not in compliance for number of instructional days for two sites,
Mesa Linda Middle and Columbia International Science, Math & Technology Magnet

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of Financial Trends and Analysis**For the Fiscal Year Ended June 30, 2016*

General Fund	(Budget) 2017 ²	2016 ³	2015	2014
Revenues and other financing sources	\$ 85,728,905	\$ 86,447,588	\$ 71,837,084	\$ 57,752,992
Expenditures	84,838,603	76,343,980	74,156,264	61,329,943
Other uses and transfers out	40,000	13,995	38,473	320,441
Total outgo	84,878,603	76,357,975	74,194,737	61,650,384
Change in fund balance (deficit)	850,302	10,089,613	(2,357,653)	(3,897,392)
Ending fund balance	\$ 18,005,483	\$ 17,155,181	\$ 7,065,568	\$ 9,423,221
Available reserves ¹	\$ 8,126,939	\$ 6,319,800	\$ 1,192,242	\$ 2,584,128
Available reserves as a percentage of total outgo	9.6%	8.3%	1.6%	4.2%
Total long-term debt	\$ 94,987,537	\$ 98,458,436	\$ 82,709,946	\$ 91,216,197
Average daily attendance at P-2	7,940	7,940	7,856	7,643

The General Fund balance has increased by \$7,731,960 over the past two years. The fiscal year 2016-17 adopted budget projects an increase of \$850,302. 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 incurred an operating deficit in two of the past three years, but anticipates incurring an operating surplus during the 2016-17 fiscal year. Long-term debt has increased by \$7,242,239 over the past two years.

Average daily attendance has increased by 297 over the past two years. ADA is expected to be unchanged in fiscal year 2016-17.

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

² Revised Final Budget September, 2016.

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, 2016***

	General Fund ¹
June 30, 2016, annual financial and budget report (SACS) fund balances	\$ 17,887,112
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts payable understated	(489,882)
Accounts receivable overstated	(242,049)
June 30, 2016, audited financial statement fund balances	\$ 17,155,181

¹ 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 and the Self-Insurance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

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	\$ 1,605,580	
School Breakfast Program - Basic	10.553	13390	3,851	
National School Lunch Program	10.555	13391	3,551,028	
USDA Donated Foods	10.555	N/A	365,633	
Subtotal Child Nutrition Cluster				\$ 5,526,092
Cafeteria Fresh Fruit and Vegetable Program	10.582	14968		228,140
Total U.S. Department of Agriculture				5,754,232
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind Act (NCLB):				
Title I, Part A, Basic Grants	84.010	14329		2,010,363
Title II, Part A, Teacher Quality Local	84.367	14341		133,204
Title III, Limited English Proficiency	84.365	14346		83,755
Individuals with Disabilities Education Act (IDEA):				
Passed through the San Bernardino County				
Superintendent of Schools Desert Mountain SELPA:				
Local Assistance Entitlement	84.027	13379		1,646,149
Total U.S. Department of Education				3,873,471
U.S. Department of Health & Human Services:				
Passed through California Department of Education (CDE):				
Medi-Cal Billing Option	93.778	10013		89,137
Total U.S. Department of Health & Human Services				89,137
Total Expenditures of Federal Awards				\$ 9,716,840

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2016

<u>Name of Charter School</u>	<u>Included in District Audit?</u>
Alta Vista Public Charter	No
Taylion High Desert Academy	No

ADELANTO ELEMENTARY SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2016

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 not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by Education Code Section 46201.

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.

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, 2016, 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 8, 2016.

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

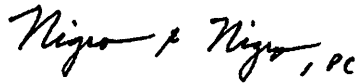
As part of obtaining reasonable assurance about whether Adelanto Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2016-001 through 2016-004.

Adelanto Elementary School District's Responses to Findings

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

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 8, 2016



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 *2015-16 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, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 below. 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 *2015-16 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 below 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 on the prior page, 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
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
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
Educator Effectiveness	No (see below)
California Clean Energy Jobs Act	No (see below)
After 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
Immunizations	Yes
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. We did not perform testing for Educator Effectiveness or Clean Energy Jobs because there were no expenditures from these grants.

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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which are required to be reported in accordance with *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as Findings 2016-002 through 2016-004.

District's Responses to Findings

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

Nigro & Nigro, PC

Murrieta, California
December 8, 2016



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, 2016. 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, 2016.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Adelanto Elementary School District's response to the noncompliance 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 applied in the audit of compliance and, accordingly, we express no opinion on the response.

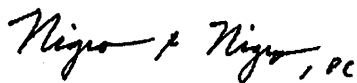
Report on Internal Control Over Compliance

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, as defined above. 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 8, 2016

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, 2016

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>Yes</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</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, 2016

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
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 2015-16.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

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).

Finding 2016-001: Cafeteria Fund Cash Reserves (50000)

Program Identification:

Federal Agency: U.S. Department of Agriculture
Pass-through Entity: California Department of Education
Program Names: Child Nutrition Cluster:
 School Breakfast Program (CFDA No. 10.553)
 National School Lunch Program (CFDA No. 10.555)

Criteria: The School Food Authority should limit its net cash resources to an amount that does not exceed three months average expenditures in accordance with 7 CFR Section 210.14(b).

Condition: At June 30, 2016, fund balance in the Cafeteria Fund was \$3,195,922, which exceeds the average of three months expenditures by \$1,336,598. This is not a repeat of a prior year finding.

Questioned Cost: None.

Cause: The District has an excessive fund balance in the Cafeteria Fund.

Effect: The cash reserves are excess of three months expenditures.

Recommendation: We recommend the District continue in accordance with the spending plan submitted to the California Department of Education (CDE).

Views of Responsible Officials: The District will re-evaluate the needs of the child nutrition services department and prepares a spending plan to ensure that the net cash resources will not exceed the three months average expenditures of the cafeteria fund.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2016-002: Unduplicated Pupil Count (40000)

Criteria: 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:

- 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 (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- 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.

Condition: During our testing of the free and reduced price meal eligible students (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted one student that was reported as qualifying for free or reduced priced meals did not have an application on file for the 2015-16 fiscal year. This is due to the fact that the District applied the local "grace period" to the CALPADS reporting and as a result, many students in the CALPADS system are reported based on 2014-15 application data instead of 2015-16 application data. Additionally, we noted one student who was classified as an English Learner (EL) student in CALPADS, but was reclassified in 2012.

Context: We noted one error for FRPM applications and one error in classification of EL students.

Cause: The District was unaware of the requirement to reclassify pupils who did not submit a qualifying free and reduced price meal application during 2015-16 since the CALPADS cutoff date was before the local "grace period" ended. The EL student was misclassified due to inconsistent information in CALPADS.

Questioned Costs: \$1,767. This was determined by calculating the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil count.

Effect: The District incorrectly claimed the number of students qualifying for FRPM and EL which counts are used in the calculation of unduplicated pupil count.

School Site	CALPADS Reported	Adjusted based on eligibility		Adjusted Total
		FRPM	English Learner	
Theodore Vick Elementary	712	-	(1)	711
Mesa Linda Middle	702	(1)	-	701
Aggregate remaining school sites	6,046	-	-	6,046
District-wide	7,460	(1)	(1)	7,458

The enrollment count of 8,350 was not impacted as a result of the procedures performed.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2016-002: Unduplicated Pupil Count (40000) (continued)

Recommendation: The students should be corrected in the CALPADS database so that they are not included as part of the unduplicated pupil count.

Views of Responsible Officials: The District has corrected the error and will ensure that the required applications for free and reduced price meal will be obtained and kept on file.

Finding 2016-003: Instructional Time, Instructional Day (40000)

Criteria: Pursuant to Education Code Section 46113 the minimum number of instructional minutes that must occur in an instructional day for 7th and 8th grades is 240 minutes. Education Code Section 46200 stipulates a penalty for fewer than 180 days of instruction.

Condition: The District did not meet the instructional minute requirements at two sites for four days, which reduced the number of instructional days to 176 for the 7-8 grade span. The District did comply with the minimum number of instructional minutes for the entire year in those grades.

Questioned Cost: \$302,579. The cost was calculated using the California Department of Education tool for Instructional Time Penalties.

Cause: The District held parent teacher conference days twice during the year, during which the instructional time was 180 minutes per day. Averaging as prescribed by Education Code 46142(a) was used, however there were four days determined to be less than the 240 minimum minutes.

Effect: The District did not meet the minimum number of instructional days as required by Education Code 46200.

School Name:	Grade Span	Number of days:	Required Days	Days Short
Columbia Middle School	7-8	176	180	(4)
Mesa Linda Middle School	7-8	176	180	(4)
Affected grade level ADA		1,597.39		
Derived Value of ADA by Grade Span	\$	8,456.30		
Affected LCFF Apportionment by Grade Span	\$	13,508,009		
Instructional Day Penalty by Grade Span	\$	302,579		

Recommendation: We recommend that the District review the annual school calendar and daily instructional minutes to ensure it meets the requirements of Education Code 46200 within the instructional day requirements of 46142(a).

Views of Responsible Officials: The District has revised the annual calendar and parent teacher conference days to meet the minimum required instructional days. The District will ensure that the daily instructional minutes and the minimum number of instructional days are met.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2016-004: School Accountability Report Card (72000). Teacher Misassignments (71000)

Criteria: In conjunction with Education Code Section 33126, schools are to provide an accountability report to include information regarding complaints related to teacher misassignment or vacancies included in the quarterly report of summarized complaint data compiled pursuant to Education Code section 35186.

Condition: The San Bernardino County Superintendent of Schools reported teacher misassignments in a letter dated July 20, 2015. This report disclosed 23 classes were taught without the appropriate English Learner authorization. However, the SARC reported only one misassignment at the school during the same period.

Context: One out of five sites tested inaccurately reported the number of misassignments of teachers of English Learners.

Questioned Cost: None

Recommendation: We recommend that the SARC report the number of misassignments consistently with the County quarterly report.

Views of Responsible Officials: The District will ensure that the number of misassignments of teachers of English Learners is reported accurately in SARC, consistently with the county quarterly report.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2015-1: Cafeteria Fund Internal Controls</i>	The school food service program represents one of the most active and largest investments of the District; control and accountability are of significant concern. During our test of cash controls, disbursements, and meal reimbursement claims, in the Cafeteria Fund we identified the following: • The information entered for one site's reimbursements for free, reduced and paid breakfasts was entered in error, resulting in a reimbursement excess of \$402.71. • Bank reconciliations were not completed during October 2014-January 2015. This resulted in an inaccurate bank balance on the general ledger, which in turn led to a check written for an amount in excess of the available balance when the attempt to transfer the funds to the County Treasury was made. • In order to reconcile the ending cash, it was necessary to adjust the beginning fund balance in the Cafeteria Fund in the amount of \$254,932. • We identified two disbursements that had no purchase order or evidence of pre-approval. • A lack of segregated duties exists as the Director has the ability to ○ Authorize expenditures ○ Record financial transactions ○ Hold custody over checks and signing authority on the account ○ Reconcile financial data	30000	We recognize that the District has taken steps to increase oversight in this area. As the District continues to refine the new processes and procedures, we make the following general recommendations: • Review of all site reimbursement source documents to ensure the correct information is entered so as to avoid making errors in submission for reimbursement. • Complete bank reconciliations no more than two weeks after receiving the bank statement. Reconciliations should not be performed by the same individual who records, authorizes or has custody over assets. Reconciliations should also be reviewed for accuracy. • Cash disbursements should be preapproved to ensure they are allowable and are within budgetary restrictions. • Duties should be segregated so that the same person cannot perform duties that include authorizing, recording, having custody of assets and reconciling. There are adequate staffing between the District Office and Nutrition Services to allow for such segregation.	Implemented.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2015-2: National School Lunch Program OPEB Cost Allocations</i>	Expenditures for other postemployment benefits (OPEB) relating to previously retired employees represent costs that were not funded during the employees' years of service and those that cannot be identified with any program objective currently. These costs represent an obligation for which the District is liable but from which current programs derive no direct benefit. Federal programs may absorb a share of OPEB costs relating to retirees only if the costs are allocated to all activities and only if the allocation base is as broad as possible. The District charged retirees who worked under the Food service program directly to the National School Lunch Program.	50000	We recommend the District allocate retiree OPEB costs across all activities broadly.	Implemented.
<i>Finding 2015-3: Title I Carryover Limitation</i>	An LEA that receives \$50,000 or more in Title I, Part A funds may not carry over beyond the initial 15 months of availability more than 15 percent of its Title I, Part A funds. The District carried over more than 15 percent of its Title I, Part A, funding.	50000	We recommend the District request a one-time waiver from this requirement to avoid losing the excess funds. In the future, the District should closely monitor these funds to ensure that no more than 15 percent of the grant award is carried over each year.	Implemented.
<i>Finding 2015-4: School Accountability Report Card</i>	In conjunction with Education Code section 33126, schools are to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Education Code 17002.	72000	We recommended that the Facilities Department retain copies of site visits where facilities are inspected and reported on the SARC.	Implemented.

ADELANTO ELEMENTARY SCHOOL DISTRICT*Summary Schedule of Prior Audit Findings**For the Fiscal Year Ended June 30, 2016*

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2015-4: School Accountability Report Card (continued)</i>	We noted that the District does not maintain records of Facilities Inspection Tools to support the school facilities inspection outcome reported on the School Accountability Report Card for all school sites that we selected; Donald F. Bradach Elementary, Eagle Ranch School, Gus Franklin STEM Academy, Mesa Linda Middle School, and West Creek School.			
<i>Finding 2015-5: Classroom Teacher Salaries</i>	Education Code 41372 states that elementary school districts shall expend an amount equal to or greater than 60 percent of the district's current expense of education on classroom teacher salaries. The District did not meet the minimum requirement, having spent only \$64,354,855 (54.56 percent) on classroom compensation when they were required to spend \$66,510,743.	61000	The District should seek a waiver from the County, and plan accordingly for future years to bring the District back into compliance.	Implemented.