

**ADELANTO ELEMENTARY SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2021**

**NIGRO
& NIGRO^{PC}**

ADELANTO ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2021

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ADELANTO ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2021

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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, 2021, 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 *2020-21 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, 2021, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the beginning net position on the Statement of Activities and the beginning fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balances have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 64 to 66 and the schedule of expenditures of federal awards on page 68 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 63 and 67 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC

Murrieta, California
January 20, 2022

ADELANTO ELEMENTARY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

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, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial status declined very slightly, as net position held at \$98.7 million.
- Total governmental revenues were \$128.7 million, about \$17,829 less than expenses.
- The total cost of basic programs was \$128.7 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 \$92.6 million.
- Governmental funds increased by \$9.2 million, or 19.7%.
- Reserves for the General Fund decreased by \$2.5 million, or 15.7%. Total revenues were \$117.6 million and expenditures were \$111.0 million.

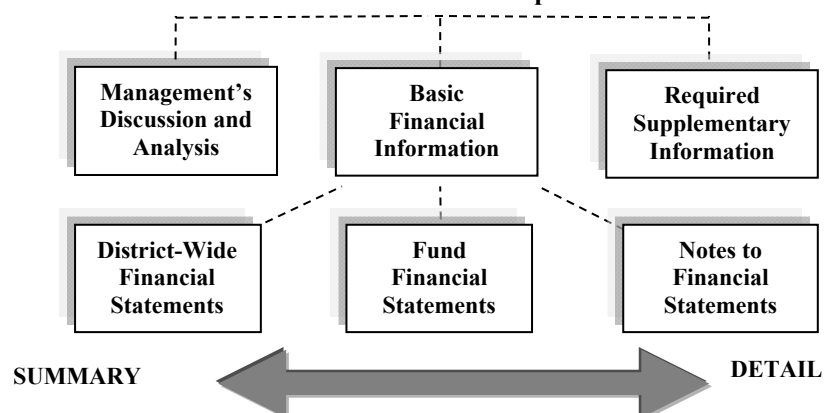
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



ADELANTO ELEMENTARY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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* – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds include CFD custodial funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was about the same on June 30, 2021, than it was the year before – holding at \$98.7 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2021	2020*	Increase (Decrease)
Assets			
Current assets	\$ 80,976,994	\$ 59,145,305	\$ 21,831,689
Capital assets	161,391,874	166,430,225	(5,038,351)
Total assets	<u>242,368,868</u>	<u>225,575,530</u>	<u>16,793,338</u>
Deferred outflows of resources	<u>35,631,988</u>	<u>35,469,379</u>	<u>162,609</u>
Liabilities			
Current liabilities	24,899,184	12,272,084	12,627,100
Long-term liabilities	42,924,175	45,882,235	(2,958,060)
Net pension liability	105,271,039	96,466,733	8,804,306
Total liabilities	<u>173,094,398</u>	<u>154,621,052</u>	<u>18,473,346</u>
Deferred inflows of resources	<u>6,157,283</u>	<u>7,656,853</u>	<u>(1,499,570)</u>
Net position			
Net investment in capital assets	157,075,465	158,935,568	(1,860,103)
Restricted	31,220,706	24,884,366	6,336,340
Unrestricted	(89,546,996)	(85,052,930)	(4,494,066)
Total net position	<u>\$ 98,749,175</u>	<u>\$ 98,767,004</u>	<u>\$ (17,829)</u>

**As restated*

Changes in net position, governmental activities. The District's total revenues increased 12.2% to \$128.7 million (See Table A-2). The increase is due primarily to grants from state and federal sources related to the CARES and CRRSA Acts.

The total cost of all programs and services increased 7.5% to \$128.7 million. The District's expenses are predominantly related to educating and caring for students, 76.9%. The purely administrative activities of the District accounted for just 6.5% of total costs. A significant contributor to the increase in costs was the District's response to the COVID-19 pandemic.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance
	2021	2020	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	\$ 2,445,227	\$ 944,430	\$ 1,500,797
Operating grants and contributions	33,562,068	15,313,431	18,248,637
Capital grants and contributions	72,512	(1,044,837)	1,117,349
General Revenues:			
Federal and state aid not restricted	77,361,168	81,186,093	(3,824,925)
Property taxes	13,208,467	10,510,170	2,698,297
Other general revenues	2,002,366	7,759,281	(5,756,915)
Total Revenues	128,651,808	114,668,568	13,983,240
Expenses			
Instruction-related	83,618,194	75,208,007	8,410,187
Pupil services	15,307,172	16,264,323	(957,151)
Administration	8,396,021	6,862,188	1,533,833
Plant services	11,715,980	11,106,649	609,331
All other activities	9,632,270	10,304,622	(672,352)
Total Expenses	128,669,637	119,745,789	8,923,848
Increase (decrease) in net position	\$ (17,829)	\$ (5,077,221)	\$ 5,059,392
Total net position	\$ 98,749,175	\$ 98,767,004	

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 \$56.2 million, which is above last year's ending fund balance of \$46.9 million. The primary cause of the increased fund balance is restricted amounts in the General Fund for the purpose of preparing, preventing, and responding to the pandemic.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2020*	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2021
General Fund	\$ 26,555,480	\$ 117,635,557	\$ 111,044,238	\$ -	\$ 33,146,799
Student Activity Fund	48,317	6,584	12,172	-	42,729
Cafeteria Fund	3,328,895	5,316,952	5,782,456	-	2,863,391
Deferred Maintenance Fund	430,664	4,837	254,678	-	180,823
Special Reserve Fund (Other Than Capital Outlay)	486	9	1	-	494
Capital Facilities Fund	1,732,772	2,482,597	63,566	(646,287)	3,505,516
County School Facilities Fund	3,897,010	72,512	-	-	3,969,522
Capital Outlay Fund for Blended Component Units	5,677,808	1,002,190	-	-	6,679,998
Bond Interest and Redemption Fund	5,242,983	5,252,370	4,723,913	-	5,771,440
Debt Service Fund for Blended Component Units	20,408	4	666,699	646,287	-
Self-Insurance Fund	1,601	30	-	-	1,631
	<u>\$ 46,936,424</u>	<u>\$ 131,773,642</u>	<u>\$ 122,547,723</u>	<u>\$ -</u>	<u>\$ 56,162,343</u>

*As restated

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 \$19.3 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased about \$0.4 million due to settled increases and projected STRS on-behalf amounts
- Other non-capital expenditures – increased \$9.7 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$4.8 million, the actual results for the year show that revenues exceeded expenditures by roughly \$6.6 million. Actual revenues were \$11.3 million less than anticipated. While expenditures were \$13.0 million less than budgeted.

That amount of the budget consists primarily of restricted program dollars that were not spent as of June 30, 2021, that will be carried over into the 2021-22 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020-21 the District had invested \$1.4 million in new capital assets, related to site improvements and capital lease acquisitions. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$6.5 million.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Variance
	2021	2020	Increase (Decrease)
Land	\$ 17,806,485	\$ 17,806,485	\$ -
Improvement of sites	4,490,266	4,322,844	167,422
Buildings	134,342,574	139,612,423	(5,269,849)
Equipment	4,752,549	4,688,473	64,076
Total	<u>\$ 161,391,874</u>	<u>\$ 166,430,225</u>	<u>\$ (5,038,351)</u>

Long-Term Debt Other Than Pensions

At year-end the District had \$42.9 million in long-term liabilities other than pensions – a decrease of 6.4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		Variance
	2021	2020	Increase (Decrease)
General obligation bonds	\$ 10,039,136	\$ 14,076,969	\$ (4,037,833)
Certificates of participation	7,060,372	7,511,847	(451,475)
Compensated absences	1,206,832	944,798	262,034
Capital leases	1,095,654	1,635,835	(540,181)
Early retirement incentives	913,442	406,176	507,266
Other postemployment benefits	22,608,739	21,306,610	1,302,129
Total	<u>\$ 42,924,175</u>	<u>\$ 45,882,235</u>	<u>\$ (2,958,060)</u>

Net pension liability increased during the year by \$8.8 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State Legislature Passed a Final Budget Package on June 28, 2021. The final budget package largely reflected the Legislature's approach on State Appropriations Limit (SAL)-related choices and choices to use funding from the American Rescue Plan (ARP) to offset General Fund costs. The budget package assumes that 2021-22 will end with nearly \$21 billion in total reserves. This consists of: (1) \$15.8 billion in the Budget Stabilization Account (BSA), (2) \$4 billion in Special Fund for Economic Uncertainties, and (3) \$900 million in the Safety Net Reserve, which is available for spending on the state's safety net programs, like Medi-Cal. In addition, the Proposition 98 Reserve (dedicated to school and community college spending) would reach \$4.5 billion under the spending plan.

Budget Also Commits \$27 Billion in ARP Fiscal Relief Funds

The ARP included \$350 billion in flexible funding to state and local governments for fiscal recovery in the Coronavirus State Fiscal Recovery Fund. Of this total, California's state government received about \$27 billion. The state has until December 31, 2024 to use the funds for any of the following purposes: (1) to respond to the public health emergency or negative economic impacts associated with the emergency; (2) to support essential work; (3) to backfill a reduction in total revenues that have occurred relative to the pre-pandemic trajectory; or (4) for water, sewer, or broadband infrastructure.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Significant Increase in School and Community College Funding

Proposition 98 (1988) established the minimum annual funding level for schools and community colleges. This funding requirement depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2020-21, the minimum requirement is up \$22.5 billion (31.8 percent) compared with the estimates made in June 2020. This increase represents the largest upward revision since the passage of Proposition 98 and is due to higher General Fund revenue estimates. For 2021-22, the minimum requirement increases by an additional \$309 million (0.3 percent) relative to the revised 2020-21 level.

Makes Required Reserve Deposit, Pays Down Deferrals, and Funds New Programs

When the minimum funding requirement is growing quickly, the Constitution requires the state to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the June 2021 budget plan, the total required deposit is \$4.5 billion—\$1.9 billion in 2020-21 and \$2.6 billion in 2021-22. The largest discretionary allocation of Proposition 98 funding is \$12.5 billion to pay down the deferrals the state adopted as part of the June 2020 budget plan. Beginning in 2021-22, schools and community colleges will receive all of their funding according to the regular monthly payment schedule. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, these augmentations focus on providing academic support for disadvantaged students, reopening schools and addressing learning loss, enhancing the education workforce, and implementing new curriculum or instructional practices in certain subjects. The community college augmentations focus on increasing the number of full-time faculty, addressing deferred maintenance at campus facilities, and funding basic student needs (including mental health services). The budget also provides a 5.07 percent baseline increase for the primary school and community college funding formulas.

Eliminates Supplemental Payments but Establishes Multiyear Plan to Fund Universal Transitional Kindergarten

Trailer legislation adopted in June 2020 would have required the state to make payments to schools and community colleges on top of the minimum funding requirement beginning in 2021-22. These supplemental payments were intended to accelerate the recovery of school funding from the decline the state anticipated last June. In recognition of the significant revenue increases (and ensuing increases in the guarantee) that have occurred since that time, the June 2021 budget plan repeals these payments. The budget, however, makes another commitment that will increase funding for schools—above the existing minimum requirement—on an ongoing basis. Specifically, it establishes a plan to make all four-year olds eligible for Transitional Kindergarten by 2025-26. (Currently, only children born between September 2 and December 2 are eligible.) The Legislature and the Governor have reached an agreement to cover the associated costs—approximately \$2.7 billion at full implementation—by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools.

Meanwhile, the new COVID variants continue to wreak havoc on school re-openings throughout California, as infection rates are on the rise. Complicating matters more is the new requirement that quarantined students no longer have the option of distance learning, but must instead be enrolled in independent study. All independent study programs have to demonstrate satisfactory educational progress, provide a plan for synchronous instruction, reflect grade-level standards, develop procedures for re-engaging students who are having trouble participating and provide a plan to transition students back to in-person instruction when their families wish to do so. The trailer bill language also addressed communication with students and families, the requirements of written independent study agreements and resources that must be provided to students. Districts can seek a waiver but only if certain conditions are met.

All of these factors were considered in preparing the Adelanto Elementary School District budget for the 2021-22 fiscal year.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

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, 2021*

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 56,283,519
Accounts receivable	24,472,774
Inventories	220,231
Prepaid expenses	470
Capital assets:	
Non-depreciable assets	17,806,485
Depreciable assets	234,041,410
Less accumulated depreciation	(90,456,021)
Total assets	<u>242,368,868</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	351,329
Deferred outflows related to OPEB	694,975
Deferred outflows related to pensions	<u>34,585,684</u>
Total deferred outflows of resources	<u>35,631,988</u>
LIABILITIES	
Accounts payable	23,889,648
Unearned revenue	1,009,536
Long-term debt other than pensions:	
Portion due or payable within one year	5,776,333
Portion due or payable after one year	37,147,842
Net pension liability	<u>105,271,039</u>
Total liabilities	<u>173,094,398</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	1,045,406
Deferred inflows related to pensions	<u>5,111,877</u>
Total deferred inflows of resources	<u>6,157,283</u>
NET POSITION	
Net investment in capital assets	157,075,465
Restricted for:	
Capital projects	7,475,038
Debt service	5,771,440
Categorical programs	17,931,499
Student activity	42,729
Unrestricted	<u>(89,546,996)</u>
Total net position	<u>\$ 98,749,175</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2021

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	\$ 70,433,722	\$ 2,206	\$ 17,307,563	\$ 72,512	\$ (53,051,441)	
Instruction-related services:						
Supervision of instruction	1,833,524	-	470,368	-	(1,363,156)	
Instructional library, media and technology	1,518,070	-	1,016,150	-	(501,920)	
School site administration	9,832,878	-	3,283,466	-	(6,549,412)	
Pupil support services:						
Home-to-school transportation	3,601,545	-	1,095,238	-	(2,506,307)	
Food services	6,136,961	314	5,385,771	-	(750,876)	
All other pupil services	5,568,666	48,879	1,114,184	-	(4,405,603)	
General administration services:						
Data processing services	1,518,440	-	893,274	-	(625,166)	
Other general administration	6,877,581	6,658	921,386	-	(5,949,537)	
Plant services	11,715,980	3	1,605,999	-	(10,109,978)	
Ancillary services	12,172	5,062	1,522	-	(5,588)	
Community services	264,257	-	65,010	-	(199,247)	
Interest on long-term debt	991,855	-	-	-	(991,855)	
Other outgo	1,881,705	2,382,105	402,137	-	902,537	
Depreciation (unallocated)	6,482,281	-	-	-	(6,482,281)	
Total Governmental Activities	\$ 128,669,637	\$ 2,445,227	\$ 33,562,068	\$ 72,512	(92,589,830)	
General Revenues:						
Property taxes					13,208,467	
Federal and state aid not restricted to specific purpose					77,361,168	
Interest and investment earnings					542,110	
Miscellaneous					1,460,256	
Total general revenues					92,572,001	
Change in net position					(17,829)	
Net position, July 1, 2020, as originally stated					98,718,687	
Adjustment for restatement (Note 12)					48,317	
Net position, July 1, 2020, as restated					98,767,004	
Net position, June 30, 2021					\$ 98,749,175	

ADELANTO ELEMENTARY SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2021*

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	\$ 33,710,691	\$ 22,572,828	\$ 56,283,519
Accounts receivable	23,437,821	1,034,953	24,472,774
Due from other funds	556,765	5,183	561,948
Inventories	135,951	84,280	220,231
Prepaid expenditures	470	-	470
Total Assets	<u>\$ 57,841,698</u>	<u>\$ 23,697,244</u>	<u>\$ 81,538,942</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 23,722,892	\$ 82,223	\$ 23,805,115
Unearned revenue	964,699	44,837	1,009,536
Due to other funds	5,183	556,765	561,948
Total Liabilities	<u>24,692,774</u>	<u>683,825</u>	<u>25,376,599</u>
Fund Balances			
Nonspendable	196,421	85,200	281,621
Restricted	15,066,478	22,747,396	37,813,874
Committed	-	180,823	180,823
Assigned	4,602,125	-	4,602,125
Unassigned	13,283,900	-	13,283,900
Total Fund Balances	<u>33,148,924</u>	<u>23,013,419</u>	<u>56,162,343</u>
Total Liabilities and Fund Balances	<u>\$ 57,841,698</u>	<u>\$ 23,697,244</u>	<u>\$ 81,538,942</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2021

Total fund balances - governmental funds \$ 56,162,343

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 \$251,847,895, and the accumulated depreciation is (\$90,456,021). 161,391,874

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: (84,533)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refundend debt. In government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 351,329

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	10,039,136	
Certificates of participation payable	7,060,372	
Compensated absences payable	1,206,832	
Capital leases payable	1,095,654	
Early retirement incentive	913,442	
Other postemployment benefits	<u>22,608,739</u>	(42,924,175)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (105,271,039)

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

Total deferred outflows	694,975	
Total deferred inflows	<u>(1,045,406)</u>	(350,431)

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

Total deferred outflows	34,585,684	
Total deferred inflows	<u>(5,111,877)</u>	<u>29,473,807</u>

Total net position - governmental activities \$ 98,749,175

ADELANTO ELEMENTARY SCHOOL DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2021*

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 82,583,639	\$ -	\$ 82,583,639
Federal sources	19,090,614	5,057,642	24,148,256
Other state sources	12,056,454	241,507	12,297,961
Other local sources	3,904,889	8,838,897	12,743,786
Total Revenues	117,635,596	14,138,046	131,773,642
EXPENDITURES			
Current:			
Instruction	69,277,291	-	69,277,291
Instruction-related services:			
Supervision of instruction	1,782,117	-	1,782,117
Instructional library, media and technology	1,316,625	-	1,316,625
School site administration	9,362,779	-	9,362,779
Pupil support services:			
Home-to-school transportation	3,293,723	-	3,293,723
Food services	229,314	5,560,311	5,789,625
All other pupil services	5,326,206	-	5,326,206
Community services	253,586	-	253,586
General administration services:			
Data processing services	1,461,816	-	1,461,816
Other general administration	5,590,888	15,091	5,605,979
Plant services	10,859,768	340,288	11,200,056
Ancillary services	-	12,172	12,172
Transfers of indirect costs	(185,010)	185,010	-
Intergovernmental transfers	1,881,705	-	1,881,705
Debt service:			
Principal	540,181	1,701,403	2,241,584
Interest	53,250	3,689,209	3,742,459
Total Expenditures	111,044,239	11,503,484	122,547,723
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,591,357	2,634,562	9,225,919
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	646,287	646,287
Interfund transfers out	-	(646,287)	(646,287)
Net Change in Fund Balances	6,591,357	2,634,562	9,225,919
Fund Balances, July 1, 2020, as originally stated	26,557,567	20,330,540	46,888,107
Adjustment for restatement (Note 12)	-	48,317	48,317
Fund Balances, July 1, 2020, as restated	26,557,567	20,378,857	46,936,424
Fund Balances, June 30, 2021	\$ 33,148,924	\$ 23,013,419	\$ 56,162,343

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, 2021

Total net change in fund balances - governmental funds \$ 9,225,919

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	1,443,930	
Depreciation expense	<u>(6,482,281)</u>	(5,038,351)

The amounts paid to the refunded escrow agent in excess of refunded debt at the time of payment are recorded as deferred amounts on refunding and are amortized over the life of the liability. The amount recognized as deferred amounts in the current year, less amortized amounts, was: (22,666)

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: 2,241,584

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: 2,741,430

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: 46,475

In governmental funds, OPEB costs are recognized when employer OPEB contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (1,206,316)

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 exceeded the amounts paid by: (507,266)

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: (21,330)

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: (7,215,274)

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*). (262,034)

Change in net position of governmental activities \$ (17,829)

ADELANTO ELEMENTARY SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2021*

	Debt Service Fund for Special Tax Bonds
ASSETS	
Deposits and investments	<u>\$ 2,621,773</u>
LIABILITIES	
Accounts Payable	<u>-</u>
NET POSITION	
Restricted for CFD debt service	<u><u>\$ 2,621,773</u></u>

ADELANTO ELEMENTARY SCHOOL DISTRICT*Statement of Changes in Fiduciary Net Position**June 30, 2021*

	Debt Service Fund for Special Tax Bonds
ADDITIONS	
Local Property Taxes	1,798,549
Interest	663
All other transfers in	1,633,035
Total Additions	\$ 3,432,247
DEDUCTIONS	
General administration	26,973
Debt service - interest	801,700
Debt service - principal	765,000
All other transfers out	2,739,431
Total Deductions	4,333,104
Change in fiduciary net position	(900,857)
Net position - July 1, 2020	\$ 3,522,630
Net position - June 30, 2021	\$ 2,621,773

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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 the District, this includes general operations, food service, and student-related activities of the District.

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

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

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

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

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

Major Governmental Funds

The District maintains the following major governmental funds:

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

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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 (continued)

Special Revenue Funds (continued)

Student Activity Fund: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

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

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

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

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

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

Capital Projects Fund for Blended Component Units: This fund is used to account for capital projects financed by certificates of participation and for capital projects financed by community facilities district bonds.

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

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

Debt Service Fund for Blended Component Units: This fund is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation issued by the District.

Fiduciary Funds

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fiduciary Funds (continued)

The District maintains the following fiduciary fund:

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

2. Measurement Focus, Basis of Accounting

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

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

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

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

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.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Revenues - Exchange and Non-Exchange Transactions (continued)

However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

D. Encumbrances

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

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.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Capital Assets

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

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

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

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

The liability for compensated absences reported in the District-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.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Postemployment Benefits Other Than Pensions (OPEB)

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

8. Pensions

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

9. Fund Balances

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

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

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

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

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

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Net Position

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.
- **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.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

I. New GASB Pronouncements

The following Statements have been implemented as of June 30, 2021:

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

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

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

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

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

2. (continued)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

J. Future Accounting Pronouncements

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

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

4. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:
 - The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
 - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
 - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
 - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
 - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
 - Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
 - Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
 - Terminology used to refer to derivative instruments

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. (continued)

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by topic.

5. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

6. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Governmental funds/Governmental activities	\$ 56,283,519
Governmental Activities	56,283,519
Fiduciary funds	2,621,773
Total deposits and investments	<u>\$ 58,905,292</u>

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

Cash on hand and in banks	\$ 135,498
Cash in revolving fund	60,920
Investments	58,708,874
Total deposits and investments	<u>\$ 58,905,292</u>

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, 2021, 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, 2021, 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, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2021, consist of the following:

	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
County Pool	\$ 49,457,876	\$ 49,457,876	\$ -	Uncategorized	N/A
Fidelity Funds Gov't Portfolio	9,250,998	9,250,998	-	Level 1	AAA-mf*
Total Investments	<u>\$ 58,708,874</u>	<u>\$ 58,708,874</u>	<u>\$ -</u>		

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2021, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2021, the District had the following investments that represents more than five percent of the District's net investments, other than the County pool.

U.S. Bank - First American Government Obligation Fund

100%

Fair Value Measurements

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

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

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

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Total
Federal Government:			
Categorical aid programs	\$ 5,951,107	\$ -	\$ 5,951,107
Child nutrition	-	690,955	690,955
State Government:			
LCFF	15,172,153	-	15,172,153
Lottery	532,245	-	532,245
Categorical aid programs	332,248	32,916	365,164
Interest and other local:			-
Special Education	1,019,216	-	1,019,216
Miscellaneous	430,852	311,082	741,934
Total	<u>\$ 23,437,821</u>	<u>\$ 1,034,953</u>	<u>\$ 24,472,774</u>

NOTE 4 – INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2021, consisted of the following:

General Fund due to Cafeteria Fund for reimbursement of direct costs	\$ 5,183
Cafeteria Fund due to General Fund for benefits, taxes, fuel and indirect costs	556,765
	<u>\$ 561,948</u>

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2021, consisted of the following:

Capital Facilities Fund transfer to Debt Service Fund for Blended Component Units for COP payment	<u>\$ 646,287</u>
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ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021*

NOTE 5 – FUND BALANCES

At June 30, 2021, fund balances of the District's governmental funds were classified as follows:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable:			
Revolving cash	\$ 60,000	\$ 920	\$ 60,920
Stores inventories	135,951	84,280	220,231
Prepaid expenditures	470	-	470
Total Nonspendable	196,421	85,200	281,621
Restricted:			
Categorical programs	15,066,478	-	15,066,478
Child nutrition program	-	2,778,191	2,778,191
Capital projects	-	14,155,036	14,155,036
Debt service	-	5,771,440	5,771,440
Student Activity	-	42,729	42,729
Total Restricted	15,066,478	22,747,396	37,813,874
Committed:			
Deferred maintenance program	-	180,823	180,823
Total Committed	-	180,823	180,823
Assigned:			
Other assignments	2,125	-	2,125
Electric buses	100,000	-	100,000
Textbook adoption	1,500,000	-	1,500,000
Additional payroll reserve	3,000,000	-	3,000,000
Total Assigned	4,602,125	-	4,602,125
Unassigned:			
Reserve for economic uncertainties	3,321,660	-	3,321,660
Remaining unassigned balances	9,962,240	-	9,962,240
Total Unassigned	13,283,900	-	13,283,900
Total	\$ 33,148,924	\$ 23,013,419	\$ 56,162,343

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021***NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance, July 1, 2020	Additions	Retirements	Balance, June 30, 2021
Capital assets not being depreciated:				
Land	\$ 17,806,485	\$ -	\$ -	\$ 17,806,485
Total capital assets not being depreciated	17,806,485	-	-	17,806,485
Capital assets being depreciated:				
Improvement of sites	9,690,939	728,060	-	10,418,999
Buildings	206,851,893	-	-	206,851,893
Equipment	16,060,648	715,870	6,000	16,770,518
Total capital assets being depreciated	232,603,480	1,443,930	6,000	234,041,410
Accumulated depreciation for:				
Improvement of sites	(5,368,095)	(560,638)	-	(5,928,733)
Buildings	(67,239,470)	(5,269,849)	-	(72,509,319)
Equipment	(11,372,175)	(651,794)	(6,000)	(12,017,969)
Total accumulated depreciation	(83,979,740)	(6,482,281)	(6,000)	(90,456,021)
Total capital assets being depreciated, net	148,623,740	(5,038,351)	-	143,585,389
Governmental activity capital assets, net	\$ 166,430,225	\$ (5,038,351)	\$ -	\$ 161,391,874

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2021, were as follows:

	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 3,987,394	\$ -	\$ 1,296,403	\$ 2,690,991	\$ 1,322,593
Accreted interest component	10,089,575	677,168	3,418,598	7,348,145	3,772,407
Total - G.O. Bonds	14,076,969	677,168	4,715,001	10,039,136	5,095,000
Certificates of Participation:					
Principal repayments	6,745,000	-	405,000	6,340,000	290,000
Unamortized issuance premium	766,847	-	46,475	720,372	46,476
Total - COPs	7,511,847	-	451,475	7,060,372	336,476
Compensated Absences	944,798	262,034	-	1,206,832	-
Capital Lease	1,635,835	-	540,181	1,095,654	124,603
Early Retirement Incentives	406,176	773,885	266,619	913,442	220,254
Other Postemployment Benefits	21,306,610	2,110,189	808,060	22,608,739	-
Totals	\$ 45,882,235	\$ 3,823,276	\$ 6,781,336	\$ 42,924,175	\$ 5,776,333

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, 2021

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

A. General Obligation Bonds

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

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

Below is a summary of bonds issued by the District:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021
1996A	11/13/1996	9/1/2021	3.7%-5.95%	\$ 4,498,721	\$ 182,906	\$ -	\$ 94,134	\$ 88,772
1997A	9/9/1997	9/1/2022	3.9%-5.67%	7,499,622	3,804,488	-	1,202,269	2,602,219
				<u>\$ 11,998,343</u>	<u>\$ 3,987,394</u>	<u>\$ -</u>	<u>\$ 1,296,403</u>	<u>\$ 2,690,991</u>
				Accreted Interest				
				1996	\$ 534,116	\$ 31,996	\$ 285,866	\$ 280,246
				1997	9,555,459	645,172	3,132,732	7,067,899
					<u>\$ 10,089,575</u>	<u>\$ 677,168</u>	<u>\$ 3,418,598</u>	<u>\$ 7,348,145</u>

The amounts required to amortize general obligation bonds payable at June 30, 2021, were:

Fiscal Year	Principal	Interest	Total
2021-22	\$ 1,322,593	\$ 3,772,407	\$ 5,095,000
2022-23	<u>1,368,398</u>	<u>4,161,601</u>	<u>5,529,999</u>
Total	<u>\$ 2,690,991</u>	<u>\$ 7,934,008</u>	<u>\$ 10,624,999</u>

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.

On December 18, 2019, the District issued \$6,745,000 certificates of participation to refund the 2007 certificates. The certificates were issued with stated interest rates of 4.00% having yields between 1.12% and 2.47% maturing between September 1, 2020 annually until September 1, 2036. At June 30, 2021, the principal balance outstanding was \$6,340,000.

Amounts paid in escrow in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position for \$351,329 and are amortized to interest expense over the life of the balance.

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021*

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**B. Certificates of Participation (continued)**

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>
2021-22	\$ 290,000	\$ 247,800	\$ 537,800
2022-23	300,000	236,000	536,000
2022-24	315,000	223,700	538,700
2024-25	325,000	210,900	535,900
2025-26	340,000	197,600	537,600
2026-31	1,915,000	768,300	2,683,300
2031-36	2,330,000	345,600	2,675,600
2036-37	525,000	10,500	535,500
Total	<u>\$ 6,340,000</u>	<u>\$ 2,240,400</u>	<u>\$ 8,580,400</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, 2021, for these obligations are shown below.

<u>Future Years</u>	<u>Amount</u>
2021-22	\$ 220,254
2022-23	220,254
2023-24	204,019
2024-25	204,019
2025-26	64,896
Total	<u>\$ 913,442</u>

D. Capital Leases

The District has entered into five separate capital lease agreements for buses valued at \$3,614,516. Lease agreements were on August 4, 2014 for \$1.5 million; on December 16, 2016 for \$395,595; on November 13, 2018 for \$299,217, and on March 20, 2020 two leases for \$769,464 and \$598,482, respectively.

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021***NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)****D. Capital Leases (continued)**

Total future payments at June 30, 2021, are as follows:

Fiscal Year	Principal	Interest	Total
2021-22	\$ 124,603	\$ 29,363	\$ 153,966
2022-23	127,943	26,024	153,967
2023-24	131,373	22,595	153,968
2024-25	134,892	19,075	153,967
2025-26	138,508	15,459	153,967
2026-29	438,335	23,565	461,900
	<u>\$ 1,095,654</u>	<u>\$ 136,081</u>	<u>\$ 1,231,735</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 \$17,225,000 as of June 30, 2021, does not represent debt of the District and, as such, does not appear in the financial statements.

F. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 22,117,673	\$ 694,975	\$ 1,045,406	\$ 1,947,392
MPP Program	491,066	-	-	66,981
Total	<u>\$ 22,608,739</u>	<u>\$ 694,975</u>	<u>\$ 1,045,406</u>	<u>\$ 2,014,373</u>

The details of each plan are as follows:

District Plan***Plan Description***

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

District Plan (continued)

Benefits Provided

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

	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	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	95% of the lowest supercomposite rate	100% of the lowest supercomposite rate	100% of the lowest supercomposite rate

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	50
Active employees	672
Total	722

Total OPEB Liability

The District's total OPEB liability of \$22,117,653 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent
Retirees' share of benefit-related costs	A percentage of the lowest supercomposite rate depending on the bargaining unit.

Discount Rate

The discount rate is 2.16% per year, net of expenses based on the Bond Buyer 20-Bond Index.

Mortality Rates

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

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021*

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**F. Other Postemployment Benefits (OPEB) Liability (continued)****District Plan (continued)****Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at July 1, 2020	\$ 20,882,525
Changes for the year:	
Service cost	1,512,036
Interest	467,159
Changes of assumptions	64,013
Benefit payments	(808,060)
Net changes	1,235,148
Balance at June 30, 2021	\$ 22,117,673

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

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

Discount Rate	OPEB Liability
1% decrease	\$ 23,564,909
Current discount rate	\$ 22,117,673
1% increase	\$ 20,717,520

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

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 19,554,574
Current trend rate	\$ 22,117,673
1% increase	\$ 25,153,915

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

District Plan (continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,947,392. In addition, at June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,045,406
Changes of assumptions	694,975	-
Total	<u>\$ 694,975</u>	<u>\$ 1,045,406</u>

The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the current and prior measurement periods is 12.6 years and 13.1 years for the 2018-19 measurement period.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 66,821	\$ 98,624
2023	66,821	98,624
2024	66,821	98,624
2025	66,821	98,624
2026	66,821	98,624
Thereafter	360,870	552,286
	<u>\$ 694,975</u>	<u>\$ 1,045,406</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2020, 5,443 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

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

Total OPEB Liability

At June 30, 2021, the District reported a liability of \$491,066 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2020, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2021</u>	<u>Fiscal Year Ending June 30, 2020</u>	
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Proportion of the Net OPEB Liability	0.115876%	0.113880%	0.001996%

For the year ended June 30, 2021, the District reported OPEB expense of \$66,981.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

Medicare Premium Payment (MPP) Program (continued)

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population of 159,339.

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

Discount Rate

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2020, was 2.21%, which is a decrease of 1.29% from 3.50% as of June 30, 2019.

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

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

Discount Rate	MPP OPEB Liability
1% decrease	\$ 543,010
Current discount rate	\$ 491,066
1% increase	\$ 446,865

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

Medicare Premium Payment (MPP) Program (continued)

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

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 445,266
Current trend rate	\$ 491,066
1% increase	\$ 543,790

NOTE 8 – PENSION PLANS

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 74,097,350	\$ 27,784,797	\$ 3,164,711	\$ 12,785,126
CalPERS	31,173,689	6,800,887	1,947,166	5,547,977
Total	<u>\$ 105,271,039</u>	<u>\$ 34,585,684</u>	<u>\$ 5,111,877</u>	<u>\$ 18,333,103</u>

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description (continued)

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

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

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.15%	16.15%
Required State Contribution Rate	10.328%	10.328%

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

The contribution rates for each program for the year ended June 30, 2021, are presented above, and the District's total contributions were \$6,924,983.

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

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

District's proportionate share of net pension liability	\$	74,097,350
State's proportionate share of the net pension liability associated with the District		<u>38,197,193</u>
Total	\$	<u><u>112,294,543</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.076461%	0.073682%	0.002779%

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021***NOTE 8 – PENSION PLANS (continued)****A. California State Teachers' Retirement System (CalSTRS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2021, the District recognized pension expense of \$12,785,126. In addition, the District recognized pension expense and revenue of \$1,194,284 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,924,983	\$ -
Net change in proportionate share of net pension liability	10,668,360	-
Difference between projected and actual earnings on pension plan investments	2,835,165	1,075,038
Changes of assumptions	7,225,541	-
Differences between expected and actual experience	130,748	2,089,673
Total	<u>\$ 27,784,797</u>	<u>\$ 3,164,711</u>

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 4,906,159	\$ 1,648,112
2023	5,505,612	426,269
2024	5,169,482	295,521
2025	2,613,946	341,397
2026	1,382,039	328,399
Thereafter	1,282,576	125,013
Total	<u>\$ 20,859,814</u>	<u>\$ 3,164,711</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

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

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study.

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	42%	4.8%
Fixed Income	15%	3.6%
Real Estate	13%	6.3%
Private Equity	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	3.3%
Cash/Liquidity	2%	(0.4%)

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses 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. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 111,950,775
Current discount rate (7.10%)	74,097,350
1% increase (8.10%)	42,844,018

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$4,322,789.

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	20.70%	20.70%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021 are presented above, and the total District contributions were \$2,998,558.

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2021***NOTE 8 – PENSION PLANS (continued)****B. California Public Employees Retirement System (CalPERS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$31,173,689. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.101599%	0.102663%	-0.001064%

For the year ended June 30, 2021, the District recognized pension expense of \$5,547,977. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,998,558	\$ -
Net change in proportionate share of net pension liability	713,716	1,167,924
Difference between projected and actual earnings on pension plan investments	1,428,180	779,242
Changes of assumptions	114,315	-
Differences between expected and actual experience	1,546,118	-
Total	<u>\$ 6,800,887</u>	<u>\$ 1,947,166</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 4.1 years.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 1,831,354	\$ 974,406
2023	1,137,808	514,951
2024	523,287	355,057
2025	309,880	96,027
2026	-	6,725
Thereafter	-	-
Total	<u>\$ 3,802,329</u>	<u>\$ 1,947,166</u>

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2019
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 44,817,862
Current discount rate (7.15%)	31,173,689
1% increase (8.15%)	19,849,710

C. Social Security

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

D. Payables to the Pension Plans

At June 30, 2021, the District reported payables of \$817,763 and \$34,554 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2021.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 – JOINT VENTURES

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

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

Audited financial information available directly through the JPA's.

NOTE 10 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, 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 2020-21, the District participated in the SCSRM JPA for workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

At June 30, 2021, 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, 2021.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 12 – ADJUSTMENT FOR RESTATEMENT

Beginning Net Position on the Statement of Activities and beginning Fund Balance on the Statement of Revenues, Expenditures and Changes in Fund Balance was restated by \$48,317 to account for the Student Activity Fund as a result of the implementation of GASB Statement No.84.

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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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF sources	\$ 84,000,653	\$ 82,576,732	\$ 82,583,639	\$ 6,907
Federal sources	17,086,369	29,831,860	19,090,614	(10,741,246)
Other state sources	7,233,086	15,058,024	12,056,454	(3,001,570)
Other local sources	1,240,482	1,428,455	3,904,850	2,476,395
Total Revenues	109,560,590	128,895,071	117,635,557	(11,259,514)
Expenditures				
Current:				
Certificated salaries	44,761,832	46,330,002	45,625,621	704,381
Classified salaries	16,350,701	15,485,614	14,952,368	533,246
Employee benefits	28,568,307	28,271,552	27,562,813	708,739
Books and supplies	5,860,733	12,775,023	7,999,846	4,775,177
Services and other operating expenditures	13,875,776	16,860,156	11,011,104	5,849,052
Transfers of indirect costs	(300,038)	(159,050)	(185,010)	25,960
Intergovernmental	2,120,888	1,757,343	1,881,706	(124,363)
Capital outlay	499,401	2,142,961	1,602,359	540,602
Debt service	588,223	597,255	593,431	3,824
Total Expenditures	112,325,823	124,060,856	111,044,238	13,016,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,765,233)	4,834,215	6,591,319	1,757,104
Other Financing Sources and Uses				
Interfund transfers out	(50,000)	(50,000)	-	50,000
Total Other Financing Sources and Uses	(50,000)	(50,000)	-	50,000
Net Change in Fund Balance	(2,815,233)	4,784,215	6,591,319	1,807,104
Fund Balance, July 1, 2020	22,882,052	20,082,325	26,555,480	6,473,155
Fund Balance, June 30, 2021	<u>\$ 20,066,819</u>	<u>\$ 24,866,540</u>	<u>33,146,799</u>	<u>\$ 8,280,259</u>
Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Other Than Capital Outlay Projects			494	
Self-insurance Fund			<u>1,631</u>	
Reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balance:			<u>\$ 33,148,924</u>	

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2021

	Last Ten Fiscal Years*						
	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS							
District's proportion of the net pension liability	0.0765%	0.0737%	0.0696%	0.0658%	0.0640%	0.0620%	0.0530%
District's proportionate share of the net pension liability	\$ 74,097,350	\$ 66,546,350	\$ 63,994,436	\$ 60,826,865	\$ 51,763,840	\$ 41,740,880	\$ 30,971,610
State's proportionate share of the net pension liability associated with the District	38,197,193	36,305,477	36,639,808	35,984,659	29,472,569	22,076,265	18,702,183
Totals	<u>\$ 112,294,543</u>	<u>\$ 102,851,827</u>	<u>\$ 100,634,244</u>	<u>\$ 96,811,524</u>	<u>\$ 81,236,409</u>	<u>\$ 63,817,145</u>	<u>\$ 49,673,793</u>
District's covered-employee payroll	<u>\$ 41,060,165</u>	<u>\$ 38,892,890</u>	<u>\$ 38,434,304</u>	<u>\$ 34,593,625</u>	<u>\$ 31,428,472</u>	<u>\$ 30,042,489</u>	<u>\$ 26,275,442</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	180.46%	171.10%	166.50%	175.83%	164.70%	138.94%	117.87%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
CalPERS							
District's proportion of the net pension liability	0.1016%	0.1027%	0.1080%	0.1016%	0.0990%	0.1012%	0.0976%
District's proportionate share of the net pension liability	\$ 31,173,689	\$ 29,920,383	\$ 28,801,123	\$ 24,265,105	\$ 19,552,561	\$ 14,916,980	\$ 11,079,976
District's covered-employee payroll	\$ 15,190,041	\$ 14,303,544	\$ 14,329,515	\$ 13,430,170	\$ 11,895,341	\$ 11,210,492	\$ 10,210,863
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.22%	209.18%	200.99%	180.68%	164.37%	133.06%	108.51%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%

Notes to Schedule:

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

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2021

	Last Ten Fiscal Years*						
	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS							
Contractually required contribution	\$ 6,924,983	\$ 7,021,288	\$ 6,331,763	\$ 5,546,070	\$ 4,351,878	\$ 3,372,275	\$ 2,667,773
Contributions in relation to the contractually required contribution	6,924,983	7,021,288	6,331,763	5,546,070	4,351,878	3,372,275	2,667,773
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	42,879,153	41,060,165	\$ 38,892,890	\$ 38,434,304	\$ 34,593,625	\$ 31,428,472	\$ 30,042,489
Contributions as a percentage of covered-employee payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS							
Contractually required contribution	\$ 2,998,558	\$ 2,995,628	\$ 2,583,506	\$ 2,225,517	\$ 1,865,182	\$ 1,409,241	\$ 1,319,587
Contributions in relation to the contractually required contribution	2,998,558	2,995,628	2,583,506	2,225,517	1,865,182	1,409,241	1,319,587
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	14,485,787	15,190,041	\$ 14,303,544	\$ 14,329,515	\$ 13,430,170	\$ 11,895,341	\$ 11,210,492
Contributions as a percentage of covered-employee payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios**For the Fiscal Year Ended June 30, 2021*

	Last 10 Fiscal Years*			
	2020-21	2019-20	2018-19	2017-18
Total OPEB liability				
Service cost	\$ 1,512,036	\$ 1,769,773	\$ 1,647,967	\$ 1,603,861
Interest	467,159	721,184	648,492	643,942
Differences between expected and actual experience	-	(1,242,654)	-	-
Changes of assumptions or other inputs	64,013	314,466	481,839	-
Benefit payments	(808,060)	(801,234)	(723,327)	(695,507)
Net change in total OPEB liability	1,235,148	761,535	2,054,971	1,552,296
Total OPEB liability - beginning	20,882,525	20,120,990	18,066,019	16,513,723
Total OPEB liability - ending	<u>\$ 22,117,673</u>	<u>\$ 20,882,525</u>	<u>\$ 20,120,990</u>	<u>\$ 18,066,019</u>
 Covered-employee payroll	 \$ 58,536,698	 \$ 56,970,022	 \$ 54,930,159	 \$ 53,148,586
 Total OPEB liability as a percentage of covered-employee payroll	 <u>37.8%</u>	 <u>36.66%</u>	 <u>36.6%</u>	 <u>33.99%</u>

Notes to Schedule:

The Discount rate was reduced from 2.20% to 2.16% in the most recent valuation

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

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**For the Fiscal Year Ended June 30, 2021*

Last 10 Fiscal Years*

	2020	2019	2018	2017
District's proportion of net OPEB liability	0.1159%	0.1139%	0.1095%	0.1047%
District's proportionate share of net OPEB liability	\$ 491,066	\$ 424,085	\$ 419,116	\$ 440,413
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	0.40%	0.01%

Notes to Schedule:

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

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

Change of assumptions - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions

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

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

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 2.20 percent to 2.16 percent since the previous valuation.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

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

Change of assumptions – The discount rate was changed from 3.50 percent to 2.21 percent since the previous valuation.

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Supplementary Information

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ADELANTO ELEMENTARY SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2021

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
Christina Bentz	President	November, 2022
Christine Turner	Clerk	November, 2024
Holly Eckes	Member	November, 2024
LaShawn Love-French	Member	November, 2022
Ammie Hunter	Member	November, 2022

DISTRICT ADMINISTRATORS

Dr. Kennon Mitchell,
Superintendent

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

Michael Krause,
Chief Business Officer

Andrea Credille,
Chief Personnel Officer

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2021*

Grade Level	Number of Instructional Days			Status
	Actual	Credited Days From J-13A Waivers	Total	
Kindergarten	180	0	180	Complied
Grade 1	180	0	180	Complied
Grade 2	180	0	180	Complied
Grade 3	180	0	180	Complied
Grade 4	180	0	180	Complied
Grade 5	180	0	180	Complied
Grade 6	180	0	180	Complied
Grade 7	180	0	180	Complied
Grade 8	180	0	180	Complied

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of Financial Trends and Analysis**For the Fiscal Year Ended June 30, 2021*

General Fund	(Budget) 2022 ²	2021	2020	2019
Revenues and other financing sources	\$ 120,527,543	\$ 117,635,557	\$ 103,970,050	\$ 105,425,377
Expenditures	112,639,124	111,044,238	104,741,742	102,302,721
Total outgo	112,639,124	111,044,238	104,741,742	102,302,721
Change in fund balance (deficit)	7,888,419	6,591,319	(771,692)	3,122,656
Ending fund balance	\$ 41,035,218	\$ 33,146,799	\$ 26,555,480	\$ 27,327,172
Available reserves ¹	\$ 17,002,284	\$ 13,283,900	\$ 15,766,020	\$ 17,980,518
Available reserves as a percentage of total outgo	15.1%	12.0%	15.1%	17.6%
Total long-term debt	\$ 142,418,881	\$ 148,195,214	\$ 142,348,968	\$ 141,089,758
Average daily attendance at P-2	7,309	N/A	7,671	7,711

The General Fund balance has increased by \$5,819,627 over the past two years. The fiscal year 2021-22 adopted budget projects a increase of \$7,888,419. 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 one of the past three years, and anticipates incurring an operating surplus during the 2021-22 fiscal year. Long-term debt has increased by \$7,105,436 over the past two years from the pension liability and other postemployment benefits.

No ADA is reported for 2020-21. ADA is projected to decrease by 362 in 2022 compared to 2020.

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

² Revised Budget September, 2021.

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, 2021*

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Schedule of Charter Schools

For the Fiscal Year Ended June 30, 2021

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

ADELANTO ELEMENTARY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing 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	\$ 953,711	
National School Lunch Program	10.555	13391	1,532,743	
USDA Donated Foods	10.555	N/A	373,939	
Subtotal Child Nutrition Cluster				\$ 2,860,393
Child and Adult Food Care Program Cluster:				
Child and Adult Food Care Program	10.558	13393	1,718,386	
Child and Adult Care Food Program- Cash in Lieu	10.558	13389	94,731	
Subtotal Child and Adult Care Food Program Cluster				1,813,117
Fresh Fruit and Vegetable Program	10.582	14968		134,665
Total U.S. Department of Agriculture				4,808,175
U.S. Department of Treasury:				
Passed through California Dept. of Education (CDE):				
COVID-19 Coronavirus Relief Fund	21.019	25516		7,984,483
Passed through San Bernardino County Superintendent of Schools:				
COVID-19 Coronavirus Relief Fund	21.019	25516		201,429
Total U.S. Department of Treasury				8,185,912
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants:				
Title I, Part A, Basic Grants	84.010	14329	2,617,348	
ESSA School Improvement Funding	84.010	15438	339,598	
Subtotal Title I Grants				2,956,946
Title II, Part A, Supporting Effective Instruction	84.367	14341		325,595
Title III, Limited English Proficiency	84.365	14346		24,719
Title IV, 21st Century Community Learning Centers (CCLC) Technical Assistance	84.287	14681		64,875
Title IV Part A, Student Support and Academic Enrichment Grants	84.424	15396		773
COVID-19 Education Stabilization Fund				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	1,298,142	
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	5,104,164	
COVID Cares Act Supplemental Meal Reimbursement	84.425	15535	249,467	
Total Education Stabilization Fund				6,651,773
Individuals with Disabilities Education Act (IDEA):				
Passed through the San Bernardino County				
Superintendent of Schools Desert Mountain SELPA:				
Local Assistance Entitlement	84.027	13379	1,116,570	
IDEA Local Assistance Part B, Section 611, Early Intervening Services	84.027	13430	12,918	
Total Special Education (IDEA) Cluster				1,129,488
Total U.S. Department of Education				11,154,169
Total Expenditures of Federal Awards				\$ 24,148,256

ADELANTO ELEMENTARY SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2021

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of 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.

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.

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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, 2021, 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 January 20, 2022.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
January 20, 2022



**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, 2021. 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, 2021.

Other Matters

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 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2021-001 that we consider to be a significant deficiency.

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

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.

Nigro + Nigro, PC.

Murrieta, California
January 20, 2022



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 *2020-21 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, 2021.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Adelanto Elementary School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Adelanto Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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

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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2020-21 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 2021-002 and 2021-003. Our opinion on each state program is not modified with respect to these matters.

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
January 20, 2022

Schedule of Findings and Questioned Costs

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ADELANTO ELEMENTARY SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2021

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a)?	Yes

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.027	IDEA Cluster
21.019	COVID-19: Coronavirus Relief Fund
10.558	Child and Adult Food Care Program
84.425, 84.425D	COVID-19: Education Stabilization Fund

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

State Awards

Type of auditor's report issued on compliance for state programs:	Unmodified
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ADELANTO ELEMENTARY SCHOOL DISTRICT

Financial Statement Findings

For the Fiscal Year Ended June 30, 2021

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:

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

There were no financial statement findings in 2020-21.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Federal Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2021

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 2021-001: EDUCATION STABILIZATION FUND-PARTICIPATION OF PRIVATE SCHOOL CHILDREN (50000)

Program Identification:

Federal Agency: U.S. Department of Education

Pass-through Entity: California Department of Education

Program Names: Elementary and Secondary School Emergency Relief (ESSER) (AL No. 84.425D)

Governor's Emergency Education Relief (GEER) Fund (AL No. 84.425C)

Criteria: For programs under ESSER I and GEER I, an LEA that receives funds under one or both programs must provide equitable services in the same manner as provided under section 1117 of Title I, Part A of the ESEA (20 USC 6320) to students and teachers in private schools as determined in consultation with private school officials (section 18005(a) of the CARES Act. To meet this requirement, an LEA must determine the proportional share of funds available for equitable services.

Condition: The District did not offer equitable services from ESSER I and GEER I to private schools in the same manner as provided under Title I as determined in consultation with private school officials.

Cause: The District was unaware of the necessity to offer the funding in the same manner to private schools in the same manner.

Questioned Cost: Based on 2019-20 Title I proportional share allocations, minimum questioned cost is estimated to be \$4,263.58

Context: This finding is limited to the 2020-21 fiscal year. Subsequent ESSER and GEER funding to the LEA does not have this requirement as private schools are directly funded.

Effect: The District did not offer funding from ESSER I and GEER I to private schools.

Recommendation: Consistent with sections 8501 and 8503 of ESEA, a private school may file a complaint directly with the California Department of Education (CDE).

Views of Responsible Officials: Staff will ensure equitable services are offered to private schools based on proportional shares of funds.

ADELANTO ELEMENTARY SCHOOL DISTRICT
State Award Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2021

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

FINDING 2021-002: KINDERGARTEN CONTINUANCE (40000)

Criteria: California law provides that after a child has been lawfully admitted to a kindergarten and has attended for a year, the child shall be promoted to the first grade unless the school district and the child's parent/guardian agree to having the child continue to attend kindergarten for not longer than one additional year. This rule applies whether a child begins kindergarten at the beginning of a school year or at some later date, so that a child who begins kindergarten in January, for example, shall be promoted the following January unless there is formal agreement to have him or her continue in kindergarten. Because kindergarten-age children often do not develop at steady or predictable rates, the California Department of Education recommends that approval for a child to continue not be given until near the anniversary of a child's admittance to kindergarten. (Education Code 46300(g)(1)).

Condition: One site had two students retained from the prior year but did not have the required signed forms on file to support the retention.

Cost/ Effect: There is no financial impact on apportionment this year as a result of this finding.

Cause: The school site administration noted continuance approval by teacher and parent in the SIS but did not obtain signed kindergarten retention forms.

Context: We found exceptions in both agreements tested at Donald F. Bradach Elementary.

Recommendation: Kindergarten retention forms should be signed on or near the student's anniversary date, as recommended by the CDE. For students whose anniversary date is at the beginning of the school year, the forms may be signed near the end of the same school year. For example, for a student who begins kindergarten in September, the forms may be signed in May or June of the following year (same school year).

Views of Responsible Officials: Staff will ensure that kindergarten retention forms are signed for any kindergarten students who are to be retained.

FINDING 2021-003: INSTRUCTIONAL MATERIALS (70000)

This is a repeat finding from 2019-20 (see finding 2020-002)

Criteria: California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. The public hearing must be held on or before the 8th week of school.

Condition: The District's sufficiency of instructional materials public hearing was held on October 6, 2020. This was after the 8th week of school which began on August 12, 2020. The hearing needed to be held on or prior to October 5, 2020. This is a repeat finding from the 2019-20 school year.

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

Cause: Due to a scheduling error, the District failed to hold the public hearing for instructional materials on or before the 8th week of school.

Recommendation: We recommend that the District ensure that the instructional material public hearing is completed on or before the 8th week of school per EC 60119.

Views of Responsible Officials: Staff will ensure that a public hearing will be held within the first eight weeks of school at a regularly scheduled Board meeting as required.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2020-001: Year-End Closing</i>	Good internal controls and prudent business practices require the District to record all transactions that occur during the fiscal year in accordance with Generally Accepted Accounting Principles (GAAP). At year end closing the District should verify that ending balances are properly recorded through a process of reconciliation and review. The District failed to record cash transactions in connection with certificates of participation in the Capital Project Fund for Blended Component Units (F49) and in the Debt Service Fund for Blended Component Units (F52). The District also failed to record a receivable in the Cafeteria Fund (F13).	30000	We recommend the District reconcile ending Zion bank account statements with the ending balances in the component unit funds to ensure correct and timely recording in these funds. Also, we recommend the food service accounts are reviewed to ensure revenue is recorded in the correct period according to GAAP	Implemented
<i>Finding 2020-002: Instructional Materials</i>	California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. The public hearing must be held on or before the 8th week of school. The District's sufficiency of instructional materials public hearing was held on October 15, 2019. This was after the 8th week of school which began on August 12, 2019. The hearing needed to be held on or prior to the week of October 7. The exception is limited to the 2019-20 school year.	70000	We recommend that the District ensure that the instructional material public hearing is completed on or before the 8 th week of school per EC 60119.	Not Implemented; See Finding 2021-003

ADELANTO ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2020-003: School Accountability Report Card</i>	In accordance with Education Code §33126, the school is 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 Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year. It was noted that the School Facility Repair Status on the SARC for Westside Park and Eagle Ranch did not match the FIT form. Eagle Ranch reported 'Good' as the status on all categories of the SARC while the FIT reported 'Poor' on Interior and Restrooms/Fountains categories and 'Fair' on the Electrical category. At Westside Park, the SARC reported 'Good' for the structural category despite being rated 'Fair' on the FIT. This exception is limited to the 2019-20 school year.	72000	We recommend that an employee verify the information presented in the SARC. This information is essential to present the image of the school fairly to the public. In addition, the SARCs should be published on an annual basis by February 1st.	Implemented

ADELANTO ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2020-004: After School and Safety Program</i>	The After School Education and Safety Program (ASES) was established to serve pupils in kindergarten through grade nine. In accordance with Education Code Section 8483 (a)(1), there are stringent regulations in operating and reporting attendance for the program. Students in the program are to participate in the full day of the program except as consistent with the established early release policy. Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program as consistent with the early release policy. One student was recorded as present at one site but should have been recorded as absent based on supporting records. Additionally, seven students at two sites on twenty-nine different days were released early without the appropriate early release code as is consistent with the established early release policy. Finally, four students at one site on seven different days did not indicate the time they left the program on that day. The errors occurred at two of four sites tested, George Magnet and Westside Park. This exception is limited to the 2019-20 school year.	40000	Each site should reconcile the attendance information with the daily attendance sign-out sheets to ensure accuracy. The District should implement procedures requiring site personnel to document on the daily attendance records the reason for a student's early release.	Compliance Not Applicable in 2020-21

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

In planning and performing our audit of the basic financial statements of Adelanto Elementary School District for the year ending June 30, 2021, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 20, 2022 on the financial statements of Adelanto Elementary School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: In our test of cash disbursements at Melva Davis Middle School, we noted that 3 of the 7 disbursements selected in our sample were not approved by the District representative, the ASB advisor, and/or the student representative until after the expenditure had already been incurred.

Recommendation: As a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

Observation: During our testing, we identified that bank reconciliations were not prepared timely. Of the nine bank reconciliations, four were completed more than a month after receiving the statement. These were October, December, January, and February statements.

Recommendation: Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit. We recommend the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives. Furthermore, the Principal or ASB Advisor should review the bank reconciliation and initial and date the bank statement and reconciliation as evidence they were reviewed. Review of the bank reconciliations by someone other than the ASB Bookkeeper is an important internal control to detect errors and possible questionable or suspicious activity.

DISTRICT OFFICE

Observation: During our discussion with the Maintenance & Operations Supervisor, we noted that there is no check in/out process to track equipment and tools used for jobs.

Recommendation: We recommend the district adopt a procedure or implement a program to track tools and equipment removed from their central location.

Observation: During our testing of District Office cash disbursements, we noted 9 of 33 expenditures with exceptions. Nine expenditures were not approved prior to incurring the expenditure. Five of these were paid from payment vouchers instead of purchase orders. One credit card payment was made to pay off a beginning balance with no supporting documents.

Recommendation: We recommend that for all purchases the purchaser obtain approval prior to incurring the expenditure. Credit card purchases should be supported by original receipts for approved purchases.

Observation: Several reconciling items found on the District revolving and Child Nutrition Services bank accounts were older than one year.

Recommendation: Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit. We recommend the District stale date checks that are outstanding longer than one year and return the amount to the cash balance.

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

Nigro + Nigro, PC

Murrieta, California
January 20, 2022