

**ADELANTO ELEMENTARY SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2022**

NIGRO & NIGRO^{PC}

ADELANTO ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2022

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ADELANTO ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2022

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Adelanto Elementary School District
Adelanto, California

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 87, *Leases*. Accordingly, the beginning assets and deferred inflows on the Statement of Net Position has been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the LEA Organization Structure and the Schedule of Charter Schools, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents, except for the LEA Organization Structure and the Schedule of Charter Schools, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The LEA Organization Structure and the Schedule of Charter Schools has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Murrieta, California
December 8, 2022

ADELANTO ELEMENTARY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2022

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, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$15.1 million, or 15.3%.
- Total governmental revenues were \$141.6 million.
- The total cost of basic programs was \$126.5 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 \$83.2 million.
- Governmental funds increased by \$10.9 million, or 19.4%.
- Reserves for the General Fund increased by \$4.2 million, or 31.7%. Total revenues were \$134.4 million and expenditures were \$126.2 million.

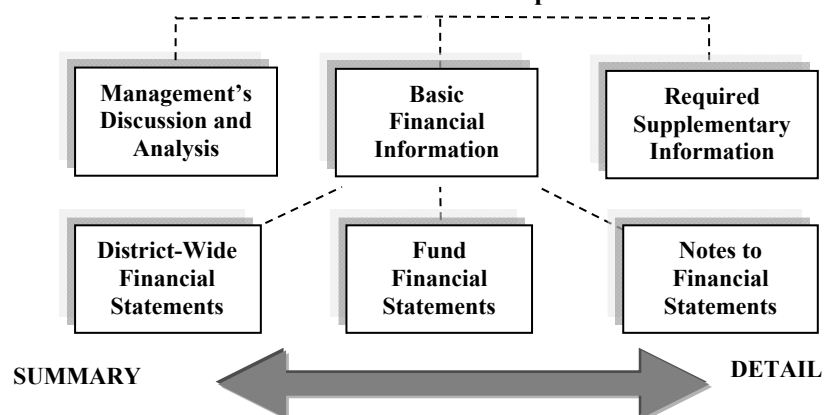
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2022

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, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2022, than it was the year before – increasing 15.2% to \$113.8 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2022	2021*	Increase (Decrease)
Assets			
Current assets	\$ 96,030,566	\$ 81,644,545	\$ 14,386,021
Capital assets	155,534,644	161,391,874	(5,857,230)
Total assets	251,565,210	243,036,419	8,528,791
Total Deferred outflows of resources	26,973,722	35,631,988	(8,658,266)
Liabilities			
Current liabilities	28,618,196	24,899,184	3,719,012
Long-term liabilities	89,933,809	148,195,214	(58,261,405)
Total liabilities	118,552,005	173,094,398	(54,542,393)
Total Deferred inflows of resources	46,144,085	6,824,834	39,319,251
Net position			
Net investment in capital assets	153,658,860	157,075,465	(3,416,605)
Restricted	41,284,904	31,220,706	10,064,198
Unrestricted	(81,100,922)	(89,546,996)	8,446,074
Total net position	\$ 113,842,842	\$ 98,749,175	\$ 15,093,667

*As restated

Changes in net position, governmental activities. The District's total revenues increased 10.1% to \$141.6 million (See Table A-2). The increase is due primarily to higher Federal and State grants and entitlements.

The total cost of all programs and services decreased 1.6% to \$126.5 million. The District's expenses are predominantly related to educating and caring for students, 75.5%. The purely administrative activities of the District accounted for just 7.8% of total costs. A significant contributor to the decrease in costs was the reduction of expenses related to the net pension liability.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2022	2021	
Revenues			
Program Revenues:			
Charges for services	\$ 2,152,951	\$ 2,445,227	\$ (292,276)
Operating grants and contributions	41,268,579	33,562,068	7,706,511
Capital grants and contributions	(59,470)	72,512	(131,982)
General Revenues:			
Federal and state aid not restricted	83,650,053	77,361,168	6,288,885
Property taxes	13,762,058	13,208,467	553,591
Other general revenues	866,968	2,002,366	(1,135,398)
Total Revenues	141,641,139	128,651,808	12,989,331
Expenses			
Instruction-related	79,881,694	83,618,194	(3,736,500)
Pupil services	15,668,250	15,307,172	361,078
Administration	9,893,392	8,396,021	1,497,371
Plant services	12,186,875	11,715,980	470,895
All other activities	8,917,261	9,632,270	(715,009)
Total Expenses	126,547,472	128,669,637	(2,122,165)
Increase (decrease) in net position	\$ 15,093,667	\$ (17,829)	\$ 15,111,496
Total net position	\$ 113,842,842	\$ 98,749,175	

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 \$67.1 million, which is above last year's ending fund balance of \$56.2 million. The primary cause of the increased fund balance is from state learning recovery grants.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2021	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2022
General Fund	\$ 33,146,799	\$ 134,430,627	\$ 126,217,334	\$ (7,102,243)	\$ 34,257,849
Student Activity Fund	42,729	145,574	108,467	-	79,836
Cafeteria Fund	2,863,391	6,850,644	6,175,038	-	3,538,997
Deferred Maintenance Fund	180,823	18,749	-	-	199,572
Special Reserve Fund (Other Than Capital Outlay)	494	(7)	-	-	487
Capital Facilities Fund	3,505,516	1,928,311	33,460	-	5,400,367
County School Facilities Fund	3,969,522	(59,470)	-	-	3,910,052
Special Reserve Fund (Capital Outlay)	-	(104,569)	340,688	7,102,243	6,656,986
Capital Outlay Fund for Blended Component Units	6,679,998	303,503	-	-	6,983,501
Bond Interest and Redemption Fund	5,771,440	5,371,830	5,097,215	-	6,046,055
Debt Service Fund for Blended Component Units	-	537,801	537,800	-	1
Self-Insurance Fund	1,631	(24)	-	-	1,607
	<u>\$ 56,162,343</u>	<u>\$ 149,422,969</u>	<u>\$ 138,510,002</u>	<u>\$ -</u>	<u>\$ 67,075,310</u>

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 \$33.4 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased about \$7.1 million due to settled increases and projected STRS on-behalf amounts
- Other non-capital expenditures – increased \$15.4 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$18.6 million, the actual results for the year show that revenues exceeded expenditures by roughly \$8.2 million. Actual revenues were \$19.5 million less than anticipated, and expenditures were \$9.1 million less than budgeted.

The excess amount consists primarily of restricted program dollars that were not spent as of June 30, 2022, that will be carried over into the 2022-23 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021-22 the District had invested \$0.7 million in new capital assets, related to site improvements and capital lease acquisitions. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$6.5 million.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Variance
	2022	2021	Increase (Decrease)
Land	\$ 17,806,485	\$ 17,806,485	\$ -
Improvement of sites	4,111,962	4,490,266	(378,304)
Buildings	129,292,697	134,342,574	(5,049,877)
Equipment	4,288,324	4,752,549	(464,225)
Construction in progress	35,176	-	35,176
Total	<u>\$ 155,534,644</u>	<u>\$ 161,391,874</u>	<u>\$ (5,857,230)</u>

Long-Term Debt Other Than Pensions

At year-end the District had \$89.9 million in long-term liabilities – a decrease of 39.3% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

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

	Governmental Activities		Variance
	2022	2021	Increase (Decrease)
General obligation bonds	\$ 5,377,537	\$ 10,039,136	\$ (4,661,599)
Certificates of participation	6,723,896	7,060,372	(336,476)
Compensated absences	1,076,087	1,206,832	(130,745)
Financed purchases	971,051	1,095,654	(124,603)
Early retirement incentives	693,188	913,442	(220,254)
Other postemployment benefits	20,668,223	22,608,739	(1,940,516)
Net pension liability	54,423,827	105,271,039	(50,847,212)
Total	<u>\$ 89,933,809</u>	<u>\$ 148,195,214</u>	<u>\$ (58,261,405)</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

The Legislature passed a final budget package on June 29, 2022. The budget package assumes that 2022-23 will end with nearly \$28 billion in total reserves. This consists of: (1) \$23.3 billion in the Budget Stabilization Account; (2) \$3.5 billion in the Special Fund for Economic Uncertainties (SFEU); 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 to the general-purpose reserves described above, the Proposition 98 Reserve (dedicated to school and community college spending) would reach \$9.5 billion under the spending plan.

Federal Funds Expected to Decline Significantly Between 2021-22 and 2022-23

In the budget federal funds decline \$175 billion, or 55 percent, between 2021-22 and 2022-23. This decline is the result of several significant federal programs enacted in response to COVID-19 expiring in 2022-23. For example, the enhanced Federal Medical Assistance Percentage for the State's Medicaid program (which the administration assumes will expire in December 2022) and \$27 billion in fiscal relief funding from the American Rescue Plan. However, there are also some increases in federal funds in 2022-23 related to the Infrastructure Investment and Jobs Act.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2022

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Significant Increase in School and Community College Funding

The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in State General Fund revenue. For 2021-22, the guarantee is up \$16.5 billion (17.6 percent) compared with the estimates made in June 2021. This increase represents one of the largest upward revisions since the adoption of Proposition 98 and is due to higher General Fund revenue estimates. For 2022-23, the guarantee increases by an additional \$117 million (0.1 percent) relative to the revised 2021-22 level.

Makes Required Reserve Deposit 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 adopted budget plan, the State deposits a total of \$9.5 billion into this account across the 2020-21 through 2022-23 period—an increase of \$4.5 billion compared with the estimates made in June 2021. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, the largest ongoing augmentation is \$7.9 billion to provide a 13 percent increase to the Local Control Funding Formula and provide greater fiscal stability to school districts experiencing declining attendance. The budget plan also includes \$12.1 billion in one-time funding for two K-12 block grants—\$7.9 billion focused on learning recovery and \$3.6 billion intended for arts, music, and instructional materials. In addition, the budget plan includes \$841 million one time for facilities maintenance and instructional equipment and \$650 million one time for a COVID-19 block grant.

Adjusts Guarantee Upwards for Expansion of Transitional Kindergarten

The June 2021 budget plan established a plan to expand eligibility for transitional kindergarten beginning in 2022-23. Under the plan, all four-year old children will be eligible by 2025-26. (Previously, only children born between September 2 and December 2 were eligible.) The Legislature and Governor also agreed the State would cover the associated costs by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools. Consistent with this agreement, the budget plan includes an increase in the 2022-23 guarantee of \$614 million related to the first-year costs of the expansion.

School Facilities Grants

The budget allocates \$1.4 billion (non-Proposition 98 General Fund) attributable to 2021-22 for school facilities grants. Of this total, \$1.3 billion is to cover the State share for new construction and modernization projects under the School Facilities Program. These funds supplement existing funds from Proposition 51, the State school bond approved by voters in 2016. (Funding from Proposition 51 will likely be exhausted in 2022-23.) The remaining \$100 million is for schools to construct or renovate State Preschool, transitional kindergarten, and full-day kindergarten classrooms.

Reserve Cap Triggered

As a result of the balance in the Public School System Stabilization Account, the statutory limitation on school district reserves has been triggered for the 2022-23 budget period, pursuant to Education Code (EC) Section 42127.01(e). Beginning with the 2022-23 fiscal year, the district reserve cap requires that a school district's adopted or revised budget pursuant to EC Section 42127 shall not contain a combined assigned or unassigned ending general fund balance of more than 10 percent of those funds. Assigned and unassigned balances within the Special Fund for Other than Capital Outlay shall also be included within the 10 percent reserve cap. The reserve cap requirement does not apply to small school districts or basic aid school districts pursuant to EC Section 42127.01(c).

All of these factors were considered in preparing the Adelanto Elementary School District budget for the 2022-23 fiscal year.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2022

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, 2022*

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 75,909,590
Accounts receivable	19,160,229
Inventories	489,957
Prepaid expenses	51,379
Leases receivable	419,411
Capital assets:	
Non-depreciable assets	17,841,661
Depreciable assets	234,639,675
Less accumulated depreciation	(96,946,692)
Total assets	<u>251,565,210</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	328,663
Deferred outflows related to OPEB	628,154
Deferred outflows related to pensions	<u>26,016,905</u>
Total deferred outflows of resources	<u>26,973,722</u>
LIABILITIES	
Accounts payable	28,537,529
Accrued interest payable	80,667
Noncurrent liabilities	
Due or payable within one year	6,224,673
Due in more than one year	
Other than OPEB and pensions	8,617,086
Total OPEB liability	20,668,223
Net pension liability	<u>54,423,827</u>
Total liabilities	<u>118,552,005</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	417,727
Deferred inflows related to OPEB	3,608,794
Deferred inflows related to pensions	<u>42,117,564</u>
Total deferred inflows of resources	<u>46,144,085</u>
NET POSITION	
Net investment in capital assets	153,658,860
Restricted for:	
Capital projects	15,967,405
Debt service	6,046,056
Categorical programs	19,191,607
Student activity	79,836
Unrestricted	<u>(81,100,922)</u>
Total net position	<u>\$ 113,842,842</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2022

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	\$ 68,999,748	\$ 24,374	\$ 24,850,586	\$ (59,470)	\$ (44,184,258)	
Instruction-related services:						
Supervision of instruction	1,886,232	-	384,070	-	(1,502,162)	
Instructional library, media and technology	1,360,358	-	274,858	-	(1,085,500)	
School site administration	7,635,356	-	1,934,730	-	(5,700,626)	
Pupil support services:						
Home-to-school transportation	3,569,556	-	610,135	-	(2,959,421)	
Food services	6,163,176	8,184	7,409,616	-	1,254,624	
All other pupil services	5,935,518	8,745	947,760	-	(4,979,013)	
General administration services:						
Data processing services	1,490,197	-	316,108	-	(1,174,089)	
Other general administration	8,403,195	309	3,924,678	-	(4,478,208)	
Plant services	12,186,875	34,600	635,502	-	(11,516,773)	
Ancillary services	108,467	143,465	2,109	-	37,107	
Community services	130,261	-	(2,917)	-	(133,178)	
Interest on long-term debt	685,103	-	-	-	(685,103)	
Other outgo	1,476,586	1,933,274	(18,656)	-	438,032	
Depreciation (unallocated)	6,516,844	-	-	-	(6,516,844)	
Total Governmental Activities	\$ 126,547,472	\$ 2,152,951	\$ 41,268,579	\$ (59,470)	(83,185,412)	
General Revenues:						
Property taxes					13,762,058	
Federal and state aid not restricted to specific purpose					83,650,053	
Interest and investment earnings					(776,059)	
Miscellaneous					1,643,027	
Total general revenues					98,279,079	
Change in net position					15,093,667	
Net position, July 1, 2021					98,749,175	
Net position, June 30, 2022					\$ 113,842,842	

ADELANTO ELEMENTARY SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2022*

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	\$ 43,327,620	\$ 32,581,970	\$ 75,909,590
Accounts receivable	18,230,305	929,924	19,160,229
Leases receivable	419,411	-	419,411
Due from other funds	573,570	62,815	636,385
Inventories	303,836	186,121	489,957
Prepaid expenditures	44,434	6,945	51,379
Total Assets	<u>\$ 62,899,176</u>	<u>\$ 33,767,775</u>	<u>\$ 96,666,951</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 28,158,691	\$ 378,838	\$ 28,537,529
Due to other funds	62,815	573,570	636,385
Total Liabilities	<u>28,221,506</u>	<u>952,408</u>	<u>29,173,914</u>
Deferred inflows of resources	<u>417,727</u>	<u>-</u>	<u>417,727</u>
Fund Balances			
Nonspendable	408,270	193,986	602,256
Restricted	16,228,197	32,421,809	48,650,006
Committed	-	199,572	199,572
Assigned	125,487	-	125,487
Unassigned	17,497,989	-	17,497,989
Total Fund Balances	<u>34,259,943</u>	<u>32,815,367</u>	<u>67,075,310</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 62,899,176</u>	<u>\$ 33,767,775</u>	<u>\$ 96,666,951</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2022

Total fund balances - governmental funds \$ 67,075,310

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation

Capital assets at historical cost:	252,481,336	
Accumulated depreciation:	<u>(96,946,692)</u>	
Net:		155,534,644

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: (80,667)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunding 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: 328,663

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	5,377,537	
Certificates of participation payable	6,723,896	
Compensated absences payable	1,076,087	
Financed purchases	971,051	
Early retirement incentive	693,188	
Other postemployment benefits	20,668,223	
Net pension liability	<u>54,423,827</u>	(89,933,809)

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	628,154	
Total deferred inflows	<u>(3,608,794)</u>	(2,980,640)

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	26,016,905	
Total deferred inflows	<u>(42,117,564)</u>	(16,100,659)

Total net position - governmental activities \$ 113,842,842

ADELANTO ELEMENTARY SCHOOL DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2022*

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 89,342,444	\$ -	\$ 89,342,444
Federal sources	24,983,725	6,572,199	31,555,924
Other state sources	18,465,735	354,480	18,820,215
Other local sources	1,638,692	8,065,694	9,704,386
Total Revenues	134,430,596	14,992,373	149,422,969
EXPENDITURES			
Current:			
Instruction	79,164,860	-	79,164,860
Instruction-related services:			
Supervision of instruction	2,093,625	-	2,093,625
Instructional library, media and technology	1,389,976	-	1,389,976
School site administration	8,724,804	-	8,724,804
Pupil support services:			
Home-to-school transportation	3,610,081	-	3,610,081
Food services	351,639	5,968,004	6,319,643
All other pupil services	6,564,064	-	6,564,064
Community services	149,287	-	149,287
General administration services:			
Data processing services	1,485,864	-	1,485,864
Other general administration	8,911,243	-	8,911,243
Plant services	12,328,722	393,797	12,722,519
Ancillary services	-	108,467	108,467
Transfers of indirect costs	(187,385)	187,385	-
Intergovernmental transfers	1,476,586	-	1,476,586
Debt service:			
Principal	124,603	1,612,593	1,737,196
Interest	29,365	4,022,422	4,051,787
Total Expenditures	126,217,334	12,292,668	138,510,002
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,213,262	2,699,705	10,912,967
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	14,204,486	14,204,486
Interfund transfers out	(7,102,243)	(7,102,243)	(14,204,486)
Total Other Financing Sources and Uses	(7,102,243)	7,102,243	-
Net Change in Fund Balances	1,111,019	9,801,948	10,912,967
Fund Balances, July 1, 2021	33,148,924	23,013,419	56,162,343
Fund Balances, June 30, 2022	\$ 34,259,943	\$ 32,815,367	\$ 67,075,310

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, 2022

Total net change in fund balances - governmental funds \$ 10,912,967

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	662,522	
Depreciation expense	(6,516,844)	(5,854,322)

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

(2,908)

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:

1,737,196

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:

3,339,006

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:

46,476

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:

(689,693)

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:

220,254

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:

(3,866)

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

5,280,478

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*).

130,745

Change in net position of governmental activities \$ 15,093,667

ADELANTO ELEMENTARY SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2022*

	Debt Service Fund for Special Tax Bonds
ASSETS	
Deposits and investments	<u>\$ 2,152,344</u>
LIABILITIES	
Accounts Payable	<u>-</u>
NET POSITION	
Restricted for CFD debt service	<u><u>\$ 2,152,344</u></u>

ADELANTO ELEMENTARY SCHOOL DISTRICT*Statement of Changes in Fiduciary Net Position**June 30, 2022*

	Debt Service Fund for Special Tax Bonds
ADDITIONS	
Local Property Taxes	1,758,769
Interest	664
All other transfers in	1,383,299
Total Additions	\$ 3,142,732
DEDUCTIONS	
General administration	52,895
Debt service - interest	777,050
Debt service - principal	560,000
All other transfers out	2,222,216
Total Deductions	3,612,161
Change in fiduciary net position	(469,429)
Net position - July 1, 2021	\$ 2,621,773
Net position - June 30, 2022	\$ 2,152,344

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

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, 2022

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, 2022

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.).

Special Reserve Fund for Capital Outlay Projects

This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

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.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee or 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.

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, 2022

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, 2022

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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases

Lessee:

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. 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.

9. 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.

10. 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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. 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, 2022

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Governmental funds/Governmental activities	\$ 75,909,590
Governmental Activities	75,909,590
Fiduciary funds	2,152,344
Total deposits and investments	<u>\$ 78,061,934</u>

Deposits and investments as of June 30, 2022 consist of the following:

Cash on hand and in banks	\$ 172,682
Cash in revolving fund	60,920
Investments	77,828,332
Total deposits and investments	<u>\$ 78,061,934</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, 2022, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2022, \$37,285 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

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, 2022, consist of the following:

	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
County Pool	\$ 68,743,335	\$ 68,743,335	\$ -	Uncategorized	N/A
Fidelity Funds Gov't Portfolio	9,084,997	9,084,997	-	Level 1	AAA-mf*
Total Investments	<u>\$ 77,828,332</u>	<u>\$ 77,828,332</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, 2022, 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, 2022, 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%

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements

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

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

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

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

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

NOTE 3 – RECEIVABLES

A. Accounts Receivable

Accounts receivable as of June 30, 2022, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal Government:			
Categorical aid programs	\$ 16,111,461	\$ -	\$ 16,111,461
Child nutrition	-	608,373	608,373
State Government:			
LCFF	36,634	-	36,634
Lottery	202,730	-	202,730
Categorical aid programs	913,894	209,087	1,122,981
Local:			
Interest and other local:			
Special Education	901,185	-	901,185
Miscellaneous	64,401	112,464	176,865
Total	<u>\$ 18,230,305</u>	<u>\$ 929,924</u>	<u>\$ 19,160,229</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 3 – ACCOUNTS RECEIVABLES

B. Leases Receivable

In accordance with GASB No. 87, the District recognizes a lease receivable and deferred inflow of resources for leases the District maintains with Excelsior and Desert Trails Charter Schools. For these leases, the District is reporting lease receivables of \$419,417 and deferred inflows of \$417,727 at June 30, 2022. For the fiscal year ended June 30, 2022, the District reported lease revenue of \$248,440 and interest revenue of \$3,809 related to lease payments received.

The lease held by the District does not have an implicit rate of return, therefore, the District used the State's incremental borrowing rate of 0.2% to discount the lease revenue to the net present value. The leases reported under GASB 87 contains a termination clause, which requires the lessee or lessor to show cause to terminate the lease. Measure policies and key estimates related to leases can be found in Note 1.E.

The GASB No. 87 included lease is summarized as follows:

Fiscal Year	Principal	Interest	Total
2022-23	\$ 248,998	\$ 2,951	\$ 251,949
2022-24	55,955	2,100	58,055
2024-25	56,800	1,255	58,055
2025-26	57,658	397	58,055
Total	<u>\$ 419,411</u>	<u>\$ 6,703</u>	<u>\$ 426,114</u>

NOTE 4 – INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2022, consisted of the following:

General Fund Due to Cafeteria Fund for Summer enrichment camp meal charges	\$ 62,815
Cafeteria Fund Due to General Fund for benefits, taxes, fuel and indirect costs	<u>573,570</u>
	<u>\$ 636,385</u>

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2022, consisted of the following:

General Fund transfer to Deferred Maintenance for moving RDA funds	\$ 7,102,243
Deferred Maintenance Fund transfer to Special Reserve fund for moving RDA Funds	<u>7,102,243</u>
	<u>\$ 14,204,486</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 5 – FUND BALANCES

At June 30, 2022, 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	303,836	186,121	489,957
Prepaid expenditures	44,434	6,945	51,379
Total Nonspendable	408,270	193,986	602,256
Restricted:			
Categorical programs	16,228,197	-	16,228,197
Child nutrition program	-	3,345,011	3,345,011
Capital projects	-	22,950,906	22,950,906
Debt service	-	6,046,056	6,046,056
Student activity	-	79,836	79,836
Total Restricted	16,228,197	32,421,809	48,650,006
Committed:			
Deferred maintenance program	-	199,572	199,572
Total Committed	-	199,572	199,572
Assigned:			
Other assignments	487	-	487
Electric buses	125,000	-	125,000
Total Assigned	125,487	-	125,487
Unassigned:			
Remaining unassigned balances	17,497,989	-	17,497,989
Total Unassigned	17,497,989	-	17,497,989
Total	\$ 34,259,943	\$ 32,815,367	\$ 67,075,310

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance, July 1, 2021	Additions	Retirements	Balance, June 30, 2022
Capital assets not being depreciated:				
Land	\$ 17,806,485	\$ -	\$ -	\$ 17,806,485
Construction in progress	-	35,176	-	35,176
Total capital assets not being depreciated	17,806,485	35,176	-	17,841,661
Capital assets being depreciated:				
Improvement of sites	10,418,999	171,192	-	10,590,191
Buildings	206,851,893	182,776	-	207,034,669
Equipment	16,770,518	273,378	29,081	17,014,815
Total capital assets being depreciated	234,041,410	627,346	29,081	234,639,675
Accumulated depreciation for:				
Improvement of sites	(5,928,733)	(549,496)	-	(6,478,229)
Buildings	(72,509,319)	(5,232,653)	-	(77,741,972)
Equipment	(12,017,969)	(734,695)	(26,173)	(12,726,491)
Total accumulated depreciation	(90,456,021)	(6,516,844)	(26,173)	(96,946,692)
Total capital assets being depreciated, net	143,585,389	(5,889,498)	2,908	137,692,983
Governmental activity capital assets, net	\$ 161,391,874	\$ (5,854,322)	\$ 2,908	\$ 155,534,644

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term debt for the year ended June 30, 2022, were as follows:

	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 2,690,991	\$ -	\$ 1,322,593	\$ 1,368,398	\$ 1,368,398
Accreted interest component	7,348,145	433,401	3,772,407	4,009,139	4,161,602
Total - G.O. Bonds	10,039,136	433,401	5,095,000	5,377,537	5,530,000
Certificates of Participation:					
Principal repayments	6,340,000	-	290,000	6,050,000	300,000
Unamortized issuance premium	720,372	-	46,476	673,896	46,476
Total - COPs	7,060,372	-	336,476	6,723,896	346,476
Compensated Absences	1,206,832	-	130,745	1,076,087	-
Financed purchases	1,095,654	-	124,603	971,051	127,943
Early Retirement Incentives	913,442	-	220,254	693,188	220,254
Totals	\$ 20,315,436	\$ 433,401	\$ 5,907,078	\$ 14,841,759	\$ 6,224,673

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. Financed purchase 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.

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, 2021	Additions	Deductions	Balance, June 30, 2022
1996A	11/13/1996	9/1/2021	3.7%-5.95%	\$ 4,498,721	\$ 88,772	\$ -	\$ 88,772	\$ -
1997A	9/9/1997	9/1/2022	3.9%-5.67%	7,499,622	2,602,219	-	1,233,821	1,368,398
				\$ 11,998,343	\$ 2,690,991	\$ -	\$ 1,322,593	\$ 1,368,398
				Accreted Interest				
				1996	\$ 280,246	\$ 10,982	\$ 291,228	\$ -
				1997	7,067,899	422,419	3,481,179	4,009,139
					\$ 7,348,145	\$ 433,401	\$ 3,772,407	\$ 4,009,139

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2022*

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**A. General Obligation Bonds**

The amounts required to amortize general obligation bonds payable at June 30, 2022, were:

Fiscal Year	Principal	Interest	Total
2022-23	<u>\$ 1,368,398</u>	<u>\$ 4,161,602</u>	<u>\$ 5,530,000</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. The leases do not qualify as a lease under GASB 87.

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, 2022, the principal balance outstanding was \$6,050,000.

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 \$328,663 and are amortized to interest expense over the life of the balance.

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

Fiscal Year	Principal	Interest	Total
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
2026-27	355,000	183,700	538,700
2027-32	1,990,000	690,200	2,680,200
2032-37	<u>2,425,000</u>	<u>250,500</u>	<u>2,675,500</u>
Total	<u>\$ 6,050,000</u>	<u>\$ 1,992,600</u>	<u>\$ 8,042,600</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

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

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, 2022, for these obligations are shown below.

Future Years	Amount
2022-23	\$ 220,254
2023-24	204,019
2024-25	204,019
2025-26	64,896
Total	<u>\$ 693,188</u>

D. Financed Purchases

The District has entered into five separate capital purchase agreements for buses valued at \$3,614,516. 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.

Total future payments at June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
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
2026-27	142,220	11,747	153,967
2027-29	296,115	11,818	307,933
	<u>\$ 971,051</u>	<u>\$ 106,718</u>	<u>\$ 1,077,769</u>

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

E. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$16,665,000 as of June 30, 2022, does not represent debt of the District and, as such, does not appear in the financial statements.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2022, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 20,220,732	\$ 628,154	\$ 3,608,794	\$ 1,765,386
MPP Program	447,491	-	-	(43,575)
Totals	<u>\$ 20,668,223</u>	<u>\$ 628,154</u>	<u>\$ 3,608,794</u>	<u>\$ 1,721,811</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.

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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	51
Active employees	647
Total	<u>698</u>

Total OPEB Liability

The District's total OPEB liability of \$20,220,732 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2022 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, 2022
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

Discount Rate

The discount rate is 3.54% 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.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	\$ 22,117,673
Changes for the year:	
Service cost	1,562,506
Interest	483,470
Differences between expected and actual experience	(925,146)
Changes of assumptions	(1,985,653)
Benefit payments	(1,032,118)
Net changes	(1,896,941)
Balance at June 30, 2022	\$ 20,220,732

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	\$ 18,059,660
Current discount rate	\$ 20,220,732
1% increase	\$ 22,760,743

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2022***NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)(continued)****District Plan (continued)*****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	\$ 21,646,111
Current trend rate	\$ 20,220,732
1% increase	\$ 18,874,584

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$1,765,386. In addition, at June 30, 2022, 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	\$ -	\$ 1,792,855
Changes of assumptions	628,154	1,815,939
Totals	<u>\$ 628,154</u>	<u>\$ 3,608,794</u>

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
2023	\$ 66,821	\$ 347,411
2024	66,821	347,411
2025	66,821	347,411
2026	66,821	347,411
2027	66,821	347,411
Thereafter	294,049	1,871,739
Totals	<u>\$ 628,154</u>	<u>\$ 3,608,794</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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, 2020 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>.

Benefits Provided

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

As of June 30, 2021, 5,096 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, 2022, the District reported a liability of \$447,191 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, 2021, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. 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, 2022</u>	<u>Fiscal Year Ending June 30, 2021</u>	
Measurement Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
Proportion of the Net OPEB Liability	0.112191%	0.115876%	-0.003685%

For the year ended June 30, 2022, the District reported OPEB expense of \$(43,575).

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

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:

Measurement Date	June 30, 2021
Valuation Date	June 30, 2020
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.16%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

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 245 or an average of 0.16% of the potentially eligible population of 152,062.

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, 2021, 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, 2021, 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, 2021, was 2.16%, which is a decrease from 2.21% as of June 30, 2020.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the 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	\$ 493,258
Current discount rate	\$ 447,491
1% increase	\$ 408,388

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	\$ 406,941
Current trend rate	\$ 447,491
1% increase	\$ 493,981

NOTE 9 – 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, 2022, 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	\$ 33,965,788	\$ 20,563,787	\$ 32,082,293	\$ (1,054,866)
CalPERS	20,458,039	5,453,118	10,035,271	2,218,641
Totals	<u>\$ 54,423,827</u>	<u>\$ 26,016,905</u>	<u>\$ 42,117,564</u>	<u>\$ 1,163,775</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, 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, 2022, 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	16.92%	16.92%
Required State Contribution Rate	10.828%	10.828%

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 9 – PENSION PLANS (continued)

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

Contributions

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation)—signed into law in June 2019 and June 2020, respectively—provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

The contribution rates for each program for the year ended June 30, 2022, are presented above, and the District's total contributions were \$7,590,766.

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

At June 30, 2022, 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	\$	33,965,788
State's proportionate share of the net pension liability associated with the District		<u>17,090,267</u>
Total	\$	<u><u>51,056,055</u></u>

The net pension liability was measured as of June 30, 2021. 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, 2022	Fiscal Year Ending June 30, 2021	
Measurement Date	June 30, 2021	June 30, 2020	
Proportion of the Net Pension Liability	0.074637%	0.076461%	-0.001824%

ADELANTO ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2022***NOTE 9 – 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, 2022, the District recognized pension expense of \$(1,054,866). In addition, the District recognized pension expense and revenue of \$(2,978,858) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 7,590,766	\$ -
Net change in proportionate share of net pension liability	8,075,344	1,599,813
Difference between projected and actual earnings on pension plan investments	-	26,867,813
Changes of assumptions	4,812,591	-
Differences between expected and actual experience	85,086	3,614,667
Totals	<u>\$ 20,563,787</u>	<u>\$ 32,082,293</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 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
2023	\$ 4,842,799	\$ 7,820,616
2024	3,908,691	7,110,072
2025	1,564,318	7,308,607
2026	1,370,748	8,308,742
2027	936,061	702,489
Thereafter	350,404	831,767
Totals	<u>\$ 12,973,021</u>	<u>\$ 32,082,293</u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 9 – 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, 2020 and rolling forward the total pension liability to June 30, 2021. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
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, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	42.0%	4.8%
Real Estate	15.0%	3.6%
Private Equity	13.0%	6.3%
Fixed Income	12.0%	1.3%
Risk Mitigating Strategies	10.0%	1.8%
Inflation Sensitive	6.0%	3.3%
Cash/Liquidity	2.0%	(0.4%)

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 9 – 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%)	\$ 69,142,187
Current discount rate (7.10%)	33,965,788
1% increase (8.10%)	4,770,048

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. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. 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 \$4,800,088.

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, 2020 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, 2022

NOTE 9 – 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, 2022, 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
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	22.91%	22.91%

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, 2022 are presented above, and the total District contributions were \$3,498,417.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 9 – 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, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,458,039. The net pension liability was measured as of June 30, 2021. 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, 2022	Fiscal Year Ending June 30, 2021	
Measurement Date	June 30, 2021	June 30, 2020	
Proportion of the Net Pension Liability	0.100608%	0.101599%	-0.000991%

For the year ended June 30, 2022, the District recognized pension expense of \$2,218,641. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 3,498,417	\$ -
Net change in proportionate share of net pension liability	302,559	1,094,439
Difference between projected and actual earnings on pension plan investments	1,041,417	8,892,604
Changes of assumptions	-	-
Differences between expected and actual experience	610,725	48,228
Totals	\$ 5,453,118	\$ 10,035,271

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

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
2023	\$ 1,129,660	\$ 2,783,428
2024	518,182	2,625,094
2025	306,859	2,366,064
2026	-	2,260,685
2027	-	-
Thereafter	-	-
Totals	<u>\$ 1,954,701</u>	<u>\$ 10,035,271</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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	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, 2022

NOTE 9 – 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+
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	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%)	\$ 34,495,126
Current discount rate (7.15%)	20,458,039
1% increase (8.15%)	8,804,244

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, 2022, the District reported payables of \$755,247 and \$38,798 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2022.

NOTE 10 – 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.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 10 – JOINT VENTURES (continued)

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 JPAs.

NOTE 11 – 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, 2022, 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 2021-22, 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 12 – 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, 2022, 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, 2022.

NOTE 12 – ADJUSTMENT FOR RESTATEMENT

The balance as of July 1, 2021 of both lease receivables and deferred inflows has been restated by \$667,551 to account for leases which were required to be reported in government funds with the implementation of GASB87 in the 2021-22 fiscal year.

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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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF sources	\$ 86,873,497	\$ 89,183,575	\$ 89,342,444	\$ 158,869
Federal sources	24,091,669	44,339,768	24,983,725	(19,356,043)
Other state sources	8,978,192	18,315,805	18,465,735	149,930
Other local sources	584,185	2,088,263	1,638,723	(449,540)
Total Revenues	120,527,543	153,927,411	134,430,627	(19,496,784)
Expenditures				
Current:				
Certificated salaries	43,183,086	47,919,394	47,222,497	696,897
Classified salaries	15,322,499	17,781,573	17,277,729	503,844
Employee benefits	30,208,677	30,153,110	30,057,281	95,829
Books and supplies	7,273,518	15,688,744	11,517,288	4,171,456
Services and other operating expenditures	13,864,538	21,131,917	18,306,978	2,824,939
Transfers of indirect costs	(159,050)	(92,109)	(187,385)	95,276
Intergovernmental	2,430,455	1,833,200	1,476,588	356,612
Capital outlay	515,401	637,019	392,390	244,629
Debt service	-	312,557	153,968	158,589
Total Expenditures	112,639,124	135,365,405	126,217,334	9,148,071
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,888,419	18,562,006	8,213,293	(10,348,713)
Other Financing Sources and Uses				
Interfund transfers in	-	180	-	(180)
Interfund transfers out	-	(7,102,243)	(7,102,243)	-
Total Other Financing Sources and Uses	-	(7,102,063)	(7,102,243)	(180)
Net Change in Fund Balance	7,888,419	11,459,943	1,111,050	(10,348,893)
Fund Balance, July 1, 2021	33,146,799	33,146,799	33,146,799	6,473,155
Fund Balance, June 30, 2022	\$ 41,035,218	\$ 44,606,742	34,257,849	\$ (3,875,738)
Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Other Than Capital Outlay Projects			487	
Self-insurance Fund			1,607	
Reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balance:			<u>\$ 34,259,943</u>	

ADELANTO ELEMENTARY SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS

For the Fiscal Year Ended June 30, 2022

	Last Ten Fiscal Years*			
	2020-21	2019-20	2018-19	2017-18
CalSTRS				
District's proportion of the net pension liability	0.0746%	0.0765%	0.0737%	0.0696%
District's proportionate share of the net pension liability	\$ 33,965,788	\$ 74,097,350	\$ 66,546,350	\$ 63,994,436
State's proportionate share of the net pension liability associated with the District	17,090,267	38,197,193	36,305,477	36,639,808
Totals	\$ 51,056,055	\$ 112,294,543	\$ 102,851,827	\$ 100,634,244
District's covered-employee payroll	\$ 42,879,153	\$ 41,060,165	\$ 38,892,890	\$ 38,434,304
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	83.87%	180.46%	171.10%	166.50%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%
	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability	0.0658%	0.0640%	0.0620%	0.0530%
District's proportionate share of the net pension liability	\$ 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	35,984,659	29,472,569	22,076,265	18,702,183
Totals	\$ 96,811,524	\$ 81,236,409	\$ 63,817,145	\$ 49,673,793
District's covered-employee payroll	\$ 34,593,625	\$ 31,428,472	\$ 30,042,489	\$ 26,275,442
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.83%	164.70%	138.94%	117.87%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

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 Proportionate Share of the Net Pension Liability-CalPERS**For the Fiscal Year Ended June 30, 2022*

	Last Ten Fiscal Years*			
	2020-21	2019-20	2018-19	2017-18
District's proportion of the net pension liability	0.1006%	0.1016%	0.1027%	0.1080%
District's proportionate share of the net pension liability	\$ 20,458,039	\$ 31,173,689	\$ 29,920,383	\$ 28,801,123
District's covered-employee payroll	\$ 14,485,787	\$ 15,190,041	\$ 14,303,543	\$ 14,329,515
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.55%	205.22%	209.18%	200.99%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%
	2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability				
District's proportionate share of the net pension liability	0.1016%	0.0990%	0.1012%	0.0976%
District's covered-employee payroll	\$ 24,265,105	\$ 19,552,561	\$ 14,916,980	\$ 11,079,976
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	\$ 13,430,170	\$ 11,895,341	\$ 11,210,492	\$ 10,210,863
Plan fiduciary net position as a percentage of the total pension liability	180.68%	164.37%	133.06%	108.51%
	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-CalSTRS
For the Fiscal Year Ended June 30, 2022

	Last Ten Fiscal Years*			
	2021-22	2020-21	2019-20	2018-19
Contractually required contribution	\$ 7,590,766	\$ 6,924,983	\$ 7,021,288	\$ 6,331,763
Contributions in relation to the contractually required contribution	7,590,766	6,924,983	7,021,288	6,331,763
Contribution deficiency (excess):		\$ -	\$ -	\$ -
District's covered-employee payroll	44,862,683	42,879,153	41,060,165	\$ 38,892,890
Contributions as a percentage of covered-employee payroll	16.92%	16.15%	17.10%	16.28%
	2017-18	2016-17	2015-16	2014-15
Contractually required contribution				
Contributions in relation to the contractually required contribution	\$ 5,546,070	\$ 4,351,878	\$ 3,372,275	\$ 2,667,773
Contribution deficiency (excess):	5,546,070	4,351,878	3,372,275	2,667,773
District's covered-employee payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	\$ 38,434,304	\$ 34,593,625	\$ 31,428,472	\$ 30,042,489
	14.43%	12.58%	10.73%	8.88%

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-CalPERS
For the Fiscal Year Ended June 30, 2022

	Last Ten Fiscal Years*			
	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Contractually required contribution	\$ 3,498,417	\$ 2,998,558	\$ 2,995,628	\$ 2,583,506
Contributions in relation to the contractually required contribution	<u>3,498,417</u>	<u>2,998,558</u>	<u>2,995,628</u>	<u>2,583,506</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>15,270,262</u>	<u>14,485,787</u>	<u>15,190,041</u>	<u>\$ 14,303,543</u>
Contributions as a percentage of covered payroll	<u>22.91%</u>	<u>20.70%</u>	<u>19.72%</u>	<u>18.06%</u>
	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Contractually required contribution	\$ 2,225,517	\$ 1,865,182	\$ 1,409,241	\$ 1,319,587
Contributions in relation to the contractually required contribution	<u>2,225,517</u>	<u>1,865,182</u>	<u>1,409,241</u>	<u>1,319,587</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 14,329,515</u>	<u>\$ 13,430,170</u>	<u>\$ 11,895,341</u>	<u>\$ 11,210,492</u>
Contributions as a percentage of covered payroll	<u>15.53%</u>	<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2022

Employer Fiscal Year End Measurement Period	Last 10 Fiscal Years*				
	2021-22 2021-22	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
Total OPEB liability					
Service cost	\$ 1,562,506	\$ 1,512,036	\$ 1,769,773	\$ 1,647,967	\$ 1,603,861
Interest	483,470	467,159	721,184	648,492	643,942
Differences between expected and actual experience	(925,146)	-	(1,242,654)	-	-
Changes of assumptions or other inputs	(1,985,653)	64,013	314,466	481,839	-
Benefit payments	(1,032,118)	(808,060)	(801,234)	(723,327)	(695,507)
Net change in total OPEB liability	(1,896,941)	1,235,148	761,535	2,054,971	1,552,296
Total OPEB liability - beginning	22,117,673	20,882,525	20,120,990	18,066,019	16,513,723
Total OPEB liability - ending	\$ 20,220,732	\$ 22,117,673	\$ 20,882,525	\$ 20,120,990	\$ 18,066,019
 Covered payroll	 \$ 60,146,457	 \$ 58,536,698	 \$ 56,970,022	 \$ 54,930,159	 \$ 53,148,586
 Total OPEB liability as a percentage of covered-payroll	 33.6%	 37.8%	 36.66%	 36.6%	 33.99%

Notes to Schedule:

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

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**For the Fiscal Year Ended June 30, 2022*

Employer Fiscal Year End Measurement Period	Last 10 Fiscal Years*				
	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
District's proportion of net OPEB liability	0.1122%	0.1159%	0.1139%	0.1095%	0.1047%
District's proportionate share of net OPEB liability	\$ 447,491	\$ 491,066	\$ 424,085	\$ 419,116	\$ 440,413
Covered-employee payroll	N/A	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	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

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

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

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 either 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 2.16 percent to 3.54 percent since the previous valuation.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

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. 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.

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

Change of assumptions – The discount rate was changed from 2.21 percent to 2.16 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, 2022

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
Stephanie Webster	Member	November, 2022

DISTRICT ADMINISTRATORS

Dr. Kennon Mitchell,¹
Superintendent

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

Michael Krause,
Chief Business Officer

Andrea Credille,
Chief Personnel Officer

¹ Effective July of 2022, Michael Krause became interim Superintendent.

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2022*

As Reported to CDE		
	Second Period Report	Annual Report
Regular & Extended Year:		
Grades TK - 3	2,824.39	2,838.33
Grades 4-6	2,274.43	2,276.35
Grades 7-8	1,627.66	1,619.91
Total Regular & Extended Year	6,726.48	6,734.59
Special Education-Nonpublic, Nonsectarian Schools:		
Grades 4-6	1.24	1.49
Grades 7-8	0.91	0.93
Total Special Education-Nonpublic, Nonsectarian Schools	2.15	2.42
Total ADA	6,728.63	6,737.01

As Audited		
	Second Period Report	Annual Report
Regular & Extended Year:		
Grades TK - 3	2,694.24	2,714.26
Grades 4-6	2,178.34	2,173.91
Grades 7-8	1,544.24	1,549.01
Total Regular & Extended Year	6,416.82	6,437.18
Special Education-Nonpublic, Nonsectarian Schools:		
Grades 4-6	1.24	1.49
Grades 7-8	0.91	0.93
Total ADA	6,418.97	6,439.60

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2022*

Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	57,835	180	Complied
Grade 1	50,400	52,555	180	Complied
Grade 2	50,400	52,555	180	Complied
Grade 3	50,400	52,555	180	Complied
Grade 4	54,000	55,995	180	Complied
Grade 5	54,000	55,995	180	Complied
Grade 6	54,000	55,995	180	Complied
Grade 7	54,000	55,995	180	Complied
Grade 8	54,000	55,995	180	Complied

ADELANTO ELEMENTARY SCHOOL DISTRICT*Schedule of Financial Trends and Analysis**For the Fiscal Year Ended June 30, 2022*

General Fund	(Budget) 2023 ²	2022	2021	2020
Revenues and other financing sources	\$ 125,828,136	\$ 134,430,627	\$ 117,635,557	\$ 103,970,050
Expenditures	119,060,331	126,217,334	111,044,238	104,741,742
Other uses and transfers out	-	7,102,243	-	-
Total outgo	119,060,331	133,319,577	111,044,238	104,741,742
Change in fund balance (deficit)	6,767,805	1,111,050	6,591,319	(771,692)
Ending fund balance	\$ 40,485,521	\$ 34,257,849	\$ 33,146,799	\$ 26,555,480
Available reserves ¹	\$ 12,172,053	\$ 17,497,989	\$ 13,283,900	\$ 15,766,020
Available reserves as a percentage of total outgo	10.2%	13.9%	12.0%	15.1%
Total long-term debt	\$ 83,709,136	\$ 89,933,809	\$ 148,195,214	\$ 142,348,968
Average daily attendance at P-2	6,729	6,729	N/A	7,671

The General Fund balance has increased by \$7.7 million over the past two years. The fiscal year 2022-23 adopted budget projects a increase of \$6,767,805. 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 2022-23 fiscal year. Long-term debt has decreased by \$52.4 million over the past two years from actuarial changes in pension liability and other postemployment benefits.

ADA is projected to be consistent with 2021-22 in 2022-23. ADA decreased by 942 from 2019-20.

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

² Revised Budget September, 2022.

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, 2022*

	General Fund
June 30, 2022, annual financial and budget report (SACS) fund balances	<u>\$ 33,717,716</u>
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts payable overstated	155,241
Accounts receivable understated	383,208
Revenues from implenting GASB 87	<u>1,684</u>
June 30, 2022, audited financial statement fund balances	<u><u>\$ 34,257,849</u></u>

ADELANTO ELEMENTARY SCHOOL DISTRICT

Schedule of Charter Schools

For the Fiscal Year Ended June 30, 2022

<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, 2022

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			\$ 319,593	
School Breakfast Program - Especially Needy	10.553	13526	695,455	
National School Lunch Program	10.555	13523	4,028,367	
Covid-19 SNP Emergency Operational Cost Reimbursements	10.555	15637	457,842	
USDA Donated Foods	10.555	N/A	168,139	
Subtotal Child Nutrition Cluster				\$ 5,669,396
Child and Adult Food Care Program Cluster:				
Child and Adult Food Care Program	10.558	13393	509,725	
Child and Adult Care Food Program- Cash in Lieu	10.558	13389	33,523	
Covid-19 CACFP Emergency Cost Reimbursements	10.558		73,790	
Subtotal Child and Adult Care Food Program Cluster				617,038
Fresh Fruit and Vegetable Program	10.582	14968		279,951
COVID-19 Pandemic EBT Local Administrative Grant	10.649	15644		5,814
Total U.S. Department of Agriculture				6,572,199
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants:				
Title I, Part A, Basic Grants	84.010	14329	3,402,776	
ESSA School Improvement Funding	84.010	15438	1,043,137	
Subtotal Title I Grants				4,445,913
Title II, Part A, Supporting Effective Instruction	84.367	14341		292,046
Title III, Limited English Proficiency	84.365	14346		31,348
Title IV Part A, Student Support and Academic Enrichment Grants	84.424	15396		17,382
COVID-19 Education Stabilization Fund				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	1,471,381	
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	5,129,901	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	11,578,619	
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	510,152	
Total Education Stabilization Fund				18,690,053
Individuals with Disabilities Education Act (IDEA):				
Passed through the San Bernardino County				
Superintendent of Schools Desert Mountain SELPA:				
Local Assistance Entitlement	84.027	13379	1,242,669	
IDEA Local Assistance Part B, Section 611, Early Intervening Services	84.027	13430	264,314	
Total Special Education (IDEA) Cluster				1,506,983
Total U.S. Department of Education				24,983,725
Total Expenditures of Federal Awards				\$ 31,555,924

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

ADELANTO ELEMENTARY SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2022

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2022-004 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2022-001, 2022-002, 2022-003 and 2022-006 to be significant deficiencies.

Report on Compliance and Other Matters

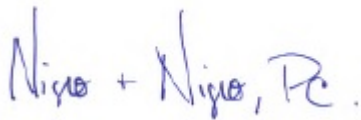
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2022-001 through 2022-004 and 2022-006.

Adelanto Elementary School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Murrieta, California
December 8, 2022



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

Qualified Opinions

We have audited the Adelanto Elementary School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Adelanto Elementary School District's major federal programs for the year ended June 30, 2022. The Adelanto Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Title I (AL 84.010) and Education Stabilization Fund (84.425D,U)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section of our report, the Adelanto Elementary School District compiled, 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Adelanto Elementary School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Adelanto Elementary School District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Title I and Education Stabilization Fund.

As described in the accompanying schedule of findings and questioned costs, the Adelanto School District did not comply with requirements regarding Assistance Listing 84.010 Title I, as described in finding number 2022-002 and Assistance Listing 84.425 Education Stabilization Fund, as described in finding numbers 2022-002 and 2022-003.

Compliance with such requirements is necessary, in our opinion, for the Adelanto School District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Adelanto Elementary School District's federal program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Adelanto Elementary School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Adelanto Elementary School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Adelanto Elementary School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Adelanto Elementary School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Adelanto Elementary School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Adelanto Elementary School District's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Adelanto Elementary School District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above 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 deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2022-002 and 2022-003 that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Murrieta, California
December 8, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Adelanto Elementary School District
Adelanto, California

Report on Compliance

Qualified and Unmodified Opinions

We have audited the Adelanto Elementary School District's (District) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2022.

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Adelanto Elementary School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinion on compliance with State Laws and Regulations

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion

As described in finding 2022-004 through 2022-010 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the California Education Code and California Code of Regulations that are applicable to Independent Study, Classroom Teacher Salaries, Instructional Materials, Clean Energy Act, Comprehensive School Safety Plan and After School Education and Safety. Compliance with such requirements is necessary, in our opinion, for the District to comply with the state laws and regulations applicable to these programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Adelanto Elementary School District's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2021-22 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the 2021-22 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 2021-22 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Areas marked as Not Applicable were not operated by the District.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify in the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The 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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Nigro + Nigro, PC.

Murrieta, California
December 8, 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, 2022

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>Yes</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>Yes</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a)?	<u>Yes</u>
Identification of major programs:	
<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	<u>Title I</u>
84.425 C, D, U	<u>Education Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 946,678</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditor's report issued on compliance for state programs:	<u>Qualified and Unmodified</u>
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ADELANTO ELEMENTARY SCHOOL DISTRICT

Financial Statement Findings

For the Fiscal Year Ended June 30, 2022

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

FINDING 2022-001 INTERNAL CONTROLS OVER EXPENDITURES (30000)

Criteria: The accounts payable function in an LEA is intended to ensure that invoices for purchases of goods and services are preapproved and for appropriate business purposes. Credit cards should be used in accordance with District policies.

Condition: During a test of expenditures, we noted 12 exceptions out of 45 disbursements as follows:

- 8 expenditures were approved after the expenditure had already been incurred
- 2 Credit card charges included costs for non-district employees such as an employee spouse
- 1 credit card charge was a purchase of Amazon gift cards
- 1 credit card charge was not supported by original receipts

Context: Out of 45 expenditures sampled, we identified 12 exceptions.

Cause: The District did not have sufficient internal controls in place.

Effect: Approval of expenditures are a control to ensure that the purchase is reasonable and necessary and for the purpose intended. It is also a control to ensure that the planned expenditure is budgeted appropriately, and a funding source exists to pay for the cost.

Credit card use should be limited for appropriate District business purposes only and not for personal use under any circumstances. Original receipts should be provided for all credit card purchases.

Recommendations: We recommend the District preapprove all purchases prior to committing to a purchase or use of a credit card. We recommend the District clarify or emphasize the credit card policy with all employees to ensure that they are used appropriately.

Views of Responsible Officials: Staff and management will ensure that purchases of all goods and services are preapproved and credit cards are used in accordance with District's policies and guidelines.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Federal Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2022

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 2022-002 EDUCATION STABILIZATION FUND (50000)

Federal Agency: U.S. Department of Education

Pass through Entity: California Department of Education

Program Names: Elementary and Secondary School Emergency Relief I, II, III (ESSER, ESSER II, ESSER III) (Assistance Listing 84.425, D, U)

Criteria: Consistent with 2CFR Section 200.311 (real property), Section 200.313 (equipment), and Section 200.439 (equipment and other capital expenditures) Education Stabilization Funds may be used to purchase equipment. Capital expenditures for general and special purpose equipment purchases are subject to prior approval by the Department of Education or the pass-through entity.

Condition: The District purchased numerous equipment items above the capital threshold for federal purchases but did not obtain approval from the California Department of Education.

Questioned Costs: Purchases totaling \$329,699.90 were made for equipment above the capital threshold without CDE approval.

Context: The finding is limited to purchases above the capital threshold requiring approval. This is not a repeat finding.

Cause: The District was unaware of the requirement.

Effect: The funds spent on this purchase may be subject to review or return to the awarding agency.

Recommendation: We recommend the District submit requests for approval for the equipment or find another allowable funding source for the purchases. CDE has stated that it will accept requests after the fact.

Views of responsible officials: Staff and management will ensure that the District submits requests for approval for capital expenditures from the California Department of Education prior to purchases.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Federal Award Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2022

FINDING 2022-003 INADEQUATE SUPPORT FOR SALARIES AND WAGES- TIME CERTIFICATIONS NOT MAINTAINED (50000)

Federal Agency: U.S. Department of Education

Pass through Entity: California Department of Education

Program Names: Elementary and Secondary School Emergency Relief I, II, III (ESSER, ESSER II, ESSER III) (Assistance Listing 84.425, D, U). Title I (Assistance Listing 84.010)

Criteria: 2 CFR 200.430 requires that an LEA must maintain time and effort distribution records that support the distribution of the employee's salary or wages among specific activities or cost objectives.

2CFR, section 225, appendix B, Section 8(h) states in part:

Support of salaries and wages—These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

CSAM Procedure 905 states, in part:

Periodic (Semiannual) Certification

Employees who work solely on a single federal award or cost objective need only complete a periodic certification. The periodic certification must:

- Be prepared at least semiannually.
- Be signed by the employee or the supervisory official having firsthand knowledge of the work performed by the employee.
- State the employee worked solely on that single federal program or cost objective during the period covered by the certification.

Where multiple employees work on the same cost objective, a blanket certification may be used as the documentation for all employees who worked on the cost objective....

Personnel Activity Report

Except as provided in "Substitute Systems for Time Accounting," employees who work on multiple activities or cost objectives of which at least one is federal must complete a personnel activity report (PAR) or equivalent documentation.

ADELANTO ELEMENTARY SCHOOL DISTRICT
Federal Award Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2022

FINDING 2022-003 INADEQUATE SUPPORT FOR SALARIES AND WAGES- TIME CERTIFICATIONS NOT MAINTAINED (50000) (continued)

A PAR may be as detailed as a document that identifies the employee's activity daily by hours, or it may be as simple as a report of the total hours or percentage of hours spent in each categorical program or cost objective. The level of detail can generally be determined by the diversity and variation of the employee's work activities. The safest approach is to provide more documentation rather than less.

Condition: The District provided approved time sheets for only 3 employees out of 20 selected that were paid from ESSER funding.

The District provided 9 of 10 time accounting records that included PARS for Title I.

Context/Questioned Cost/Effect: The District did not provide time certification records for 17 of the 20 employees selected for review, who were paid with Education Stabilization Funds. As a result, the amount of \$736,116.27 is in question. This finding occurred in the 2021-22 fiscal year and is not a repeat finding.

The District did not provide time certification records for 1 of 8 employees selected for review, who was paid with Title I funds, as a result, the amount of \$ 91,794 is in question.

Cause: The District does not have adequate controls in place to ensure that time certification documentation is prepared and maintained to support all employees who are paid with federal funds.

Recommendations: We recommend the District comply with Title 2, CFR 200.303, and CSAM Procedure 905 which require that employee time certification forms be maintained for employees who charge time to federal programs.

Views of Responsible Officials: Management will ensure that the District does have adequate controls in place and comply with Federal rules and guidelines.

ADELANTO ELEMENTARY SCHOOL DISTRICT

State Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2022

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

FINDING 2022-004: ATTENDANCE-Independent Study (10000)

Criteria: Assembly Bill (AB) 130 and Amendments in AB 167 impacted independent study programs for the fiscal year 2021-22. Pursuant to Education Code 51744-51749.6 written independent study agreements are required to contain specific elements which must include:

1. The manner, time, frequency, and place for submitting a pupil's assignments and for reporting his or her progress, and for communicating with a pupil's parent or guardian regarding a pupil's academic progress.
2. The objectives and methods of study (pupil activities selected by the supervising teacher as the means to reach the educational objectives set forth in the written agreement) for the pupil's work
3. The methods utilized used to evaluate that work (any specified procedure through which a certificated teacher personally assesses the extent to which the pupils achieved the objectives set forth in the written assignment)
4. The specific resources, including materials and personnel, to be made available to the pupils (resources reasonably necessary to the achievement of the objectives in the written agreement, not to exclude resources normally available to all pupils on the same terms as the terms on which they are normally available to all pupils). These resources shall include confirming or providing access to all pupils to the connectivity and devices adequate to participate in the educational program and complete assigned work.
5. A statement of the policies adopted pursuant to subdivisions (a) and (b) of Education Code section 51747:
 - A. The maximum length of time allowed between the assignment and the completion of a pupil's assigned work; and
 - B. The level of satisfactory educational progress as defined in Education Code Section 51747(b)(2)(A)-(D); and
 - C. The number of assignments a pupil may miss before there must be an evaluation of whether it is in the pupil's best interests to continue in independent study.
6. The duration of the independent study agreement, including the beginning and ending dates for the pupil's participation in independent study under the agreement, with no agreement being for longer than one school year.

ADELANTO ELEMENTARY SCHOOL DISTRICT
State Award Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2022

FINDING 2022-004: ATTENDANCE-Independent Study (10000) (continued)

7. A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion
8. A statement detailing the academic and other supports that will be provided to address the needs of pupils who are not performing at grade level, or need support in other areas, such as English learners, individuals with exceptional needs in order to be consistent with the pupil's individualized education program or plan pursuant to Education Code Section 504 of the federal Rehabilitation Act of 1973 (29 U.S.C. Sec. 794), pupils in foster care or experiencing homelessness, and pupils requiring mental health supports.
9. A statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate.

Signatures must be affixed prior to the commencement no later than 30 days after the first day of independent study instruction or October 15, whichever date comes later, by the pupil; the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years old; the certificated employee who has been designated as having responsibility for the general supervision of independent study; and all other persons, if any, who had direct responsibility for providing assistance to the pupil.

10. Verify that no days of attendance were reported without meeting the requirements of Education Code Section 51747(g)(9)(F) for dates prior to the signing of the agreement by all parties.

Attendance records must be supported by the teacher's register, record of the pupil's work completed, and the corresponding work assignment record. Pupil work samples must be retained in the file.

The LEA must document each pupil's participation in live interaction and synchronous instruction pursuant to Education Code section 51747.5(c) and maintain written or computer-based evidence of each pupil's engagement, that includes, but is not limited to, a grade book or summary document that, for each class, list all assignments, assessment, and associated grades.

Both 'short term' and 'long term' independent study are subject to Education Code 51745 (g) 'a requirement that a current written agreement for each independent study pupil shall be maintained on file...'

Signed written agreements, supplemental agreements, assignment records, work samples, and attendance records assessing time value of work or evidence that an instructional activity occurred may be maintained as an electronic file.

Condition: The District could produce only 2 (partial) written agreements from the sample of 25 agreements selected for 'long term' independent study. The District only provided work samples for 9 students. The long-term agreements provided consisted of two pages that cut off mid-sentence indicating we did not receive a complete agreement.

At four sites, George Magnet School, Theodore Vick Elementary, West Creek Elementary and Mesa Linda Middle Schools we noted students on short term agreements had contracts that did not include the following elements:

- Specific resources, including materials and personnel, to be made available by the District and shall include confirming or providing access to the connectivity and devices adequate to participate in the program and complete work.
- The number of assignments a pupil may miss before there must be an evaluation of whether Independent Study is in the pupils' best interest

ADELANTO ELEMENTARY SCHOOL DISTRICT
State Award Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2022

FINDING 2022-004: ATTENDANCE-Independent Study (10000) (continued)

- A statement detailing the academic and other supports that will be provided to address the needs of pupils who are not performing at grade level, or need support in other areas, such as English learners, individuals with exceptional needs in order to be consistent with the pupil's individualized education program or plan pursuant to Section 504 of the Federal Rehabilitation Act of 1973, pupils in foster care or experiencing homelessness, and pupils requiring mental health supports.

The total ADA by grade span for non-compliant independent study is summarized below:

<u>Grade Span</u>	<u>P2 ADA</u>	<u>Annual ADA</u>	<u>Amount*</u>
Independent Study			
Short Term:			
TK-3	(10.93)	(8.64)	\$ 130,450
4-6	(7.24)	(10.72)	77,910
7-8	(7.75)	12.33	86,542
Long Term:			
TK-3	(119.22)	(115.43)	\$ 1,422,893
4-6	(88.85)	(91.72)	974,975
7-8	(75.67)	(83.23)	854,909

*District Funded by P-2 ADA

Derived Value of ADA

TK-3	\$ 11,935.02
4-6	10,973.27
7-8	11,297.86

Context: 'Short term' master agreements were lacking the required elements at each of the four sites tested - George Magnet School, Theodore Vick Elementary, West Creek Elementary and Mesa Linda Middle Schools.

We selected 25 master agreements for testing of 'long term' independent study. The District was unable to provide a contract for 23 of the 25 selections, with 2 of the contracts missing after page two. We inquired and determined the District had no records for the long term independent study program to support P2 or annual ADA claimed.

This is not a repeat finding.

Cause: The District did not revise independent study contracts in accordance with AB130 and amendments under AB167 and did not maintain records.

Effect: The calculation based on derived value of ADA totals a questioned cost of \$3,547,679. However, based on ADA yield flexibilities enacted for the 2021-22 fiscal year, impact of funding is uncertain.

ADELANTO ELEMENTARY SCHOOL DISTRICT
State Award Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2022

FINDING 2022-004: ATTENDANCE-Independent Study (10000) (continued)

Recommendation: We recommend that all independent study contracts be updated to reflect all required elements annually to adjust for any changes in law. We further recommend the District retain all attendance records as required.

Views of Responsible Officials: Staff and management will ensure that independent study contracts have been revised and maintain records for the independent study program.

FINDING 2022-005: IN PERSON INSTRUCTION GRANT (40000)

Criteria: If the LEA did not provide in-person instruction on or before May 15, 2021, for the specified subgroups pursuant to Education Code section 43521(c)(3), subparagraphs (A) to (C), or did not provide continuous in-person instruction pursuant to Education Code section 43521(c)(2)(B)(iii), the full amount of the In-Person Instruction Grant received is disallowed.

Condition: The District elected not to re-open instruction during the 2020-21 school year and knew it would have to return the funds.

Context: The requirement applied for the 2020-21 school year only but is part of 2021-22 audit procedures.

Cause: The District elected not to re-open for in-person instruction during the 2021-22 school year.

Effect: The full amount of the in-person instruction grant, \$1,346,916, is disallowed. The District already accounted for this in its' financial statements.

Recommendation: Not applicable

Views of Responsible Officials: No further action is needed.

ADELANTO ELEMENTARY SCHOOL DISTRICT

State Award Findings and Questioned Costs (continued)

For the Fiscal Year Ended June 30, 2022

FINDING 2022-006 CLASSROOM TEACHER SALARIES (61000)

Criteria: Education Code 41372 states that elementary school districts shall expend an amount equal to or greater than 60 percent of the district's current expense of education on classroom teacher salaries.

Condition: The District did not meet the minimum requirement, having spent \$64,343,794.70 on total salaries and benefits (54.29%). The deficiency amount was determined to be \$6,767,223.92.

Context: The deficiency is for the 2021-22 fiscal year.

Cause: Increased spending from COVID related funds created larger education expenses without proportional salary and benefit costs.

Effect: The District did not meet the required percentage of classroom compensation required for elementary school districts under E.C. 41372.

Recommendation: The District should comply with Education Code 41372.

Views of Responsible Officials: Staff and management will ensure that the District meets the required percentage of classroom compensation and complies with Education Code.

FINDING 2022-007 INSTRUCTIONAL MATERIALS (70000)

This is a repeat finding from 2020-21 (See finding 2021-003)

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 12, 2020. This was after the 8th week of school which began on August 9, 2021. The 8th week of school occurred between September 27 and October 1st. This is a repeat finding from the 2020-21 school year.

Context: This is a repeat finding from 2020-21 that occurred in the 2021-22 school year.

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.

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

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 and management will ensure that the District conducts a public hearing for instructional materials and complies with the timeline in accordance with Education Code.

ADELANTO ELEMENTARY SCHOOL DISTRICT

State Award Findings and Questioned Costs (continued)

For the Fiscal Year Ended June 30, 2022

FINDING 2022-008: CALIFORNIA CLEAN ENERGY (40000)

Criteria: Local Educational Agencies (LEAs) are required to submit a final project completion report to the California Clean Energy Commission 12-15 months after the energy expenditure plan is completely installed. An energy expenditure plan is considered complete when the LEA has completed all measures in the approved energy expenditure plan. A final project completion report is required for each approved energy expenditure plan.

Condition: The District completed their project March 3, 2019 but did not submit a final report until October 16, 2020. Additionally, the District has \$38,329 in restricted ending balance (resource 6230). These funds were required to be spent by June 30, 2021.

Question Costs: \$38,329

Context: This is not a repeat finding

Cause: The District was behind schedule in preparing and submitting this report.

Effect: The California Energy Commission was not informed as to the most up to date status of projects.

Recommendation: We recommend the District file reports timely to the California Energy Commission. We also recommend the District return the unused funds now that the program has ended.

Views of Responsible Officials: Staff and management will ensure that the required reports are filed timely and any unused funds are returned to the funding agency since the program has ended.

FINDING 2022-009: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

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

Condition: During our testing of the comprehensive school safety plan, it was noted that several sites did not update their plans by March 1, as required by the Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. George Magnet was not reviewed and updated; Theodore Vick and Mesa Linda Middle were not reviewed and approved by the due date.

Context: The District did not prepare an annual update for its site safety plans for any of the three sites tested. This is not a repeat finding.

Cause: The district was unaware of the update requirements for compressive school safety plans until after the passing of the deadline, and therefore did not complete an update.

ADELANTO ELEMENTARY SCHOOL DISTRICT

State Award Findings and Questioned Costs (continued)

For the Fiscal Year Ended June 30, 2022

FINDING 2022-009: COMPREHENSIVE SCHOOL SAFETY PLAN (40000) (continued)

Effect: Without timely review and update, the District's safety plan may become outdate and ineffective.

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

Views of Responsible Officials: Management will ensure that the District establishes a procedure to review and update the comprehensive school safety plans annually by the deadline.

Finding 2022-010: AFTERSCHOOL EDUCATION AND SAFETY (40000)

Criteria: 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.

Condition: The semi-annual report of attendance was not consistent with the supporting summary reports. The semi-annual report claimed 5,104 total student days of attendance. At the three sites selected, the District reported 365, 543 and 338 student days of attendance on the semiannual report. However, the supporting attendance report from an attendance system provided totaled 4,356; 5,104 and 4,706 respectively for the three sites for the period of July-December 2021. The discrepancy could not be resolved.

Context: The exceptions were noted at the representative sample of three sites, but we believe the issue occurred at all sites that offer the program. This is not a repeat finding.

Questioned Cost: Unknown.

Effect: The District is revising the report, we believe the District has underreported the number of students that attended the program.

Cause: Controls over reporting need to be strengthened.

Recommendation: We recommend the District reconcile the attendance report with records and submit an amendment to the semi annual report filed with CDE.

Views of Responsible Officials: Management will ensure that the District strengthens the controls over reporting and files the report correctly in accordance with Education Code.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2022

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2021-001: Education Stabilization Fund-Participation Of Private School Children</i>	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) 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. 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.	50000	Consistent with Sections 8501 and 8503 of ESEA, a private school may file a complaint directly with the California Department of Education (CDE).	Implemented.
<i>Finding 2021-002: Kindergarten Continuance</i>	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	40000	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	Implemented.

ADELANTO ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2022

Original Finding No.	Finding	Code	Recommendation	Current Status
	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)). One site had two students retained from the prior year but did not have the required signed forms on file to support the retention.		school year).	
<i>Finding 2021-003: Instructional Materials This is a repeat finding from 2019-20 (see finding 2020-002)</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 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.	70000	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.	Not Implemented. See Finding 2022-007.

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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, 2022, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 8, 2022 on the financial statements of Adelanto Elementary School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our cash receipts testing at **Mesa Linda Middle School**, we noted collections from 10/6 through 12/1 were deposited on 12/2. Collections from 2/17 were deposited on 3/10.

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

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

Murrieta, California
December 8, 2022