

**CITY OF ADELANTO, CALIFORNIA**

**ANNUAL AUDIT REPORT**

Year Ended June 30, 2015



**City of Adelanto, California**  
**Annual Audit Report**  
Year Ended June 30, 2015

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## INDEPENDENT AUDITORS' REPORT

Members of the City Council of the  
City of Adelanto  
Adelanto, California

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 68-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard 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. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Teaman Ramirez & Smith, Inc.*

Riverside, California  
June 20, 2019

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## **BASIC FINANCIAL STATEMENTS**



**City of Adelanto, California**  
**Statement of Net Position**  
June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 27,477,685	\$ 8,218,609	\$ 35,696,294
Cash and Investments with Fiscal Agents		18,620,622	18,620,622
Accounts Receivable, Net	1,528,696	2,237,478	3,766,174
Interest Receivable		3,094	3,094
Internal Balances	14,353,467	(14,353,467)	0
Due from Fiduciary Funds	699,180		699,180
Prepaid Items		137,007	137,007
Deposits	351,266		351,266
Advances to Fiduciary Funds	2,524,243		2,524,243
Successor Agency Loans Receivable		13,534,569	13,534,569
Net Pension Asset	478,586	34,480	513,066
Capital Assets, Not Being Depreciated	19,087,852	4,033,099	23,120,951
Capital Assets, Net of Depreciation	32,392,351	55,086,981	87,479,332
Total Assets	98,893,326	87,552,472	186,445,798
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Items	8,331	477	8,808
Deferred Loss on Bond Refunding		6,182,367	6,182,367
Total Deferred Outflows of Resources	8,331	6,182,844	6,191,175
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	487,346	358,096	845,442
Interest Payable		2,694,966	2,694,966
Due to Fiduciary Funds	236,537		236,537
Deposits	4,509,935	716,022	5,225,957
Long-term Liabilities:			
Due Within One Year	103,504	1,981,554	2,085,058
Due in More Than One Year	396,003	84,772,077	85,168,080
Total Liabilities	5,733,325	90,522,715	96,256,040
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related Items	700,104	41,332	741,436
Total Deferred Inflows of Resources	700,104	41,332	741,436
<b>NET POSITION</b>			
Net Investment in Capital Assets	51,480,203	483,446	51,963,649
Restricted for:			
Development	6,245,397		6,245,397
Streets and Roads	10,148,502		10,148,502
Community Development	392,707		392,707
Other Purposes	504,886	25,959	530,845
Unrestricted	23,696,533	2,661,864	26,358,397
Total Net Position	\$ 92,468,228	\$ 3,171,269	\$ 95,639,497

The accompanying notes are an integral part of this statement.

**City of Adelanto, California**  
**Statement of Activities**  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 4,256,509	\$ 688,152	\$ 756,205	\$
Public Safety	7,389,014	292,158	430,609	45,547
Public Works	4,846,125	765,349	2,460,925	1,469,868
Community Development	963,983	162,086	99,062	
Parks and Recreation	237,935	1,528		335,240
Total Governmental Activities	17,693,566	1,909,273	3,746,801	1,850,655
Business-type Activities:				
Adelanto Community Benefit Corporation	23,625		27,250	
Public Utility Authority	12,133,835	15,582,315		
Total Business-type Activities	12,157,460	15,582,315	27,250	0
Total Primary Government	\$ 29,851,026	\$ 17,491,588	\$ 3,774,051	\$ 1,850,655

General Revenues:

Sales Taxes  
Property Taxes  
Franchise Taxes  
Real Property Transfer Tax  
Transient Occupancy Taxes  
Motor Vehicle in Lieu Tax, Unrestricted  
Investments Earnings  
Miscellaneous  
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning, As Previously Reported

Prior Period Adjustment

Net Position - Beginning, As Restated

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,812,152)	\$	\$ (2,812,152)
(6,620,700)		(6,620,700)
(149,983)		(149,983)
(702,835)		(702,835)
98,833		98,833
<u>(10,186,837)</u>	<u>0</u>	<u>(10,186,837)</u>
	3,625	3,625
	<u>3,448,480</u>	<u>3,448,480</u>
<u>0</u>	<u>3,452,105</u>	<u>3,452,105</u>
<u>(10,186,837)</u>	<u>3,452,105</u>	<u>(6,734,732)</u>
1,624,605		1,624,605
271,720		271,720
1,342,422		1,342,422
53,202		53,202
15,301		15,301
2,167,413		2,167,413
(61,450)	1,028,141	966,691
181,513	104,874	286,387
924,718	(924,718)	0
<u>6,519,444</u>	<u>208,297</u>	<u>6,727,741</u>
<u>(3,667,393)</u>	<u>3,660,402</u>	<u>(6,991)</u>
83,252,399	15,770,259	99,022,658
<u>12,883,222</u>	<u>(16,259,392)</u>	<u>(3,376,170)</u>
<u>96,135,621</u>	<u>(489,133)</u>	<u>95,646,488</u>
<u>\$ 92,468,228</u>	<u>\$ 3,171,269</u>	<u>\$ 95,639,497</u>

The accompanying notes are an integral part of this statement.

**City of Adelanto, California**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 10,950,320	\$ 16,527,365	\$ 27,477,685
Accounts Receivable, Net	557,956	970,740	1,528,696
Due from Other Funds	565,307	32,499	597,806
Due from Fiduciary Funds	699,180		699,180
Deposits with Other Agencies	351,266		351,266
Advances to Other Funds	18,355,981	285,367	18,641,348
Advances to Fiduciary Funds	2,524,243		2,524,243
	<u>34,004,253</u>	<u>17,815,971</u>	<u>51,820,224</u>
Total Assets	<u>\$ 34,004,253</u>	<u>\$ 17,815,971</u>	<u>\$ 51,820,224</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 379,917	\$ 9,031	\$ 388,948
Accrued Liabilities	98,398		98,398
Due to Other Funds	140,430	450,000	590,430
Due to Fiduciary Funds	236,537		236,537
Deposits	4,444,615	65,320	4,509,935
Advances from Other Funds	1,200,404	3,094,853	4,295,257
	<u>6,500,301</u>	<u>3,619,204</u>	<u>10,119,505</u>
Total Liabilities	<u>6,500,301</u>	<u>3,619,204</u>	<u>10,119,505</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Taxes	121,876	24,705	146,581
Unavailable Revenue - Intergovernmental	68,399	81,489	149,888
	<u>190,275</u>	<u>106,194</u>	<u>296,469</u>
Total Deferred Inflows of Resources	<u>190,275</u>	<u>106,194</u>	<u>296,469</u>
<b>FUND BALANCES</b>			
Nonspendable	21,231,490		21,231,490
Restricted For:			
Development		6,245,397	6,245,397
Streets and Roads		10,123,797	10,123,797
Air Quality Management		181,761	181,761
Law Enforcement		169,792	169,792
Public Safety		53,392	53,392
Community Development		322,591	322,591
Lighting and Landscape Maintenance		88,568	88,568
Unassigned	6,082,187	(3,094,725)	2,987,462
	<u>27,313,677</u>	<u>14,090,573</u>	<u>41,404,250</u>
Total Fund Balances	<u>27,313,677</u>	<u>14,090,573</u>	<u>41,404,250</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 34,004,253</u>	<u>\$ 17,815,971</u>	<u>\$ 51,820,224</u>

The accompanying notes are an integral part of this statement.

**City of Adelanto, California**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2015

Fund Balances of Governmental Funds	\$ 41,404,250
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	51,480,203
Net Pension Asset has not been included as financial resources in governmental fund activity.	478,586
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	296,469
Deferred outflows and inflows of resources related to pensions that are required to be recognized over a defined closed period.	
Pension Related Deferred Outflows of Resources	8,331
Pension Related Deferred Inflows of Resources	(700,104)
Liabilities that are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(200,619)
Net OPEB Obligation	(148,166)
Claims Payable	(150,722)
	<hr/>
Net Position of Governmental Activities	<u><u>\$ 92,468,228</u></u>

The accompanying notes are an integral part of this statement.

**City of Adelanto, California**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 5,463,552	\$ 1,128,096	\$ 6,591,648
Licenses and Permits	432,949		432,949
Fines, Forfeitures and Penalties	92,985	17,889	110,874
Investment Earnings	(61,450)	4,643	(56,807)
Charges for Current Services	1,105,072	1,528	1,106,600
Developer Fees		1,850,655	1,850,655
Intergovernmental Revenues	506,538	1,795,789	2,302,327
Miscellaneous	816,120	24,650	840,770
	<hr/>	<hr/>	<hr/>
Total Revenues	8,355,766	4,823,250	13,179,016
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
General Government	3,037,953		3,037,953
Public Safety	7,274,301	54,128	7,328,429
Public Works	1,746,380	170,533	1,916,913
Community Development	449,779	18,930	468,709
Parks and Recreation	82,434	25,242	107,676
Capital Outlay	67,331	939,517	1,006,848
	<hr/>	<hr/>	<hr/>
Total Expenditures	12,658,178	1,208,350	13,866,528
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,302,412)	3,614,900	(687,512)
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	3,056,015	111,959	3,167,974
Transfers Out	(56,467)	(2,701,039)	(2,757,506)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	2,999,548	(2,589,080)	410,468
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	(1,302,864)	1,025,820	(277,044)
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning, As Previously Reported	13,502,824	12,947,379	26,450,203
Prior Period Adjustment	15,113,717	117,374	15,231,091
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning, As Restated	28,616,541	13,064,753	41,681,294
	<hr/>	<hr/>	<hr/>
Fund Balances - Ending	<u>\$ 27,313,677</u>	<u>\$ 14,090,573</u>	<u>\$ 41,404,250</u>

The accompanying notes are an integral part of this statement.



**City of Adelanto, California**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (277,044)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlay as an expenditure in the full amount as current financial resources are used. However, in the Statement of Activities the cost of these assets is allocated over the estimated useful life as depreciation expense.

Capital Outlay	35,776
Depreciation	(2,560,196)

Internal service fund transfers of Capital Assets	280,285
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In the Statement of Activities, only the loss on the sale of capital assets is reported.	(1,282,500)
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Governmental funds report activity of long-term liabilities as revenues and expenditures, but they are included as increases and reductions on the long-term liabilities in the Statement of Net Position.

Compensated Absences	32,917
Net Change in the Net Pension Liability (Asset)	253,008
Net Change in the Net OPEB Obligation	(68,181)
Net Change in the Net Claims Payable	276,388

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Unavailable Revenues	(77,561)
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The internal service fund is used by management to charge the costs of equipment repair and maintenance to individual funds. The net revenues (expenses) of the internal service fund is reported with governmental activities.

(280,285)

Change in Net Position of Governmental Activities	\$ (3,667,393)
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**City of Adelanto, California**  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2015

	Enterprise Funds			Governmental Activities
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals	Internal Service Fund
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 33,366	\$ 8,185,243	\$ 8,218,609	\$
Cash and Investments with Fiscal Agent		18,620,622	18,620,622	
Accounts Receivable, Net		2,237,478	2,237,478	
Interest Receivable		3,094	3,094	
Prepaid Items		137,007	137,007	
Total Current Assets	33,366	29,183,444	29,216,810	0
Noncurrent Assets:				
Advances to Other Funds		1,091,964	1,091,964	
Successor Agency Loans Receivable		13,534,569	13,534,569	
Net Pension Asset		34,480	34,480	
Land and Water Rights, Not Being Depreciated		4,033,099	4,033,099	
Capital Assets, Net of Depreciation		55,086,981	55,086,981	
Total Noncurrent Assets	0	73,781,093	73,781,093	0
Total Assets	33,366	102,964,537	102,997,903	0
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Items		477	477	
Deferred Loss on Bond Refunding		6,182,367	6,182,367	
Total Deferred Outflows of Resources	0	6,182,844	6,182,844	0
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	31	358,065	358,096	
Due to Other Funds	7,376		7,376	
Interest Payable		2,694,966	2,694,966	
Deposits		716,022	716,022	
Current Portion of Advances from Other Funds		1,545,707	1,545,707	
Current Portion of Compensated Absences and Bonds Payable		1,981,554	1,981,554	
Total Current Liabilities	7,407	7,296,314	7,303,721	0
Noncurrent Liabilities:				
Advances from Other Funds		13,892,348	13,892,348	
Compensated Absences		8,249	8,249	
Bonds Payable		84,763,828	84,763,828	
Total Noncurrent Liabilities	0	98,664,425	98,664,425	0
Total Liabilities	7,407	105,960,739	105,968,146	0
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related Items		41,332	41,332	
Total Deferred Inflows of Resources	0	41,332	41,332	0
<b>NET POSITION</b>				
Net Investment in Capital Assets		483,446	483,446	
Restricted for Community Benefits	25,959		25,959	
Unrestricted		2,661,864	2,661,864	
Total Net Position	\$ 25,959	\$ 3,145,310	\$ 3,171,269	\$ 0

The accompanying notes are an integral part of this statement.

**City of Adelanto, California**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
Year Ended June 30, 2015

	Enterprise Funds			Governmental Activities
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals	Internal Service Fund
<b>OPERATING REVENUES</b>				
Service Charges	\$	\$ 12,726,349	\$ 12,726,349	\$
Availability Charges		900,024	900,024	
Acquisition Fees		760,380	760,380	
Connection Fees		751,803	751,803	
Other Revenue	27,250	443,759	471,009	
Total Operating Revenues	27,250	15,582,315	15,609,565	0
<b>OPERATING EXPENSES</b>				
Salaries and Benefits		222,564	222,564	
Contractual Services		85,952	85,952	
Sewer Operations		974,556	974,556	
Water Operations		2,318,206	2,318,206	
Utilities		978,193	978,193	
Community Events	731		731	
Administration	22,894	241,267	264,161	
Depreciation		1,423,759	1,423,759	
Total Operating Expenses	23,625	6,244,497	6,268,122	0
Operating Income (Loss)	3,625	9,337,818	9,341,443	0
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Earnings		1,028,141	1,028,141	
Gain (Loss) on Capital Assets Disposal				(280,285)
Amortization Expense		(360,970)	(360,970)	
Interest Expense and Fiscal Charges		(5,528,368)	(5,528,368)	
Other Revenue		104,874	104,874	
Total Nonoperating Revenues (Expenses)	0	(4,756,323)	(4,756,323)	(280,285)
Income (Loss) before Transfers	3,625	4,581,495	4,585,120	(280,285)
Transfers In	22,334		22,334	
Transfers Out		(947,052)	(947,052)	
Change in Net Position	25,959	3,634,443	3,660,402	(280,285)
Total Net Position - Beginning, As Previously Reported	0	15,770,259	15,770,259	280,285
Prior Period Adjustment		(16,259,392)	(16,259,392)	
Total Net Position - Beginning, As Restated	0	(489,133)	(489,133)	280,285
Total Net Position - Ending	\$ 25,959	\$ 3,145,310	\$ 3,171,269	\$ 0

The accompanying notes are an integral part of this statement.

**City of Adelanto, California**  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year Ended June 30, 2015

	Enterprise Funds			Governmental Activities
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$	\$ 15,861,991	\$ 15,861,991	\$
Other Receipts	27,250	104,874	132,124	
Payments to Suppliers for Goods and Services	(23,594)	(5,038,260)	(5,061,854)	
Payments to Employees for Services		(227,746)	(227,746)	
Net Cash Provided by (Used for) Operating Activities	3,656	10,700,859	10,704,515	0
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from Other Funds	22,334		22,334	
Transfers to Other Funds		(228,379)	(228,379)	
Advances from Other Funds	7,376		7,376	
Advances to and Payments on Interfund Advances		(1,320,108)	(1,320,108)	
Net Cash Provided by (Used for) Noncapital Financing Activities	29,710	(1,548,487)	(1,518,777)	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of Capital Assets		(136,241)	(136,241)	
Proceeds from Revenue Bonds		14,473,789	14,473,789	
Payment on Interfund Advances		(2,127,232)	(2,127,232)	
Payment to Ambac		(7,760,459)	(7,760,459)	
Principal Payments on Capital Debt		(1,260,000)	(1,260,000)	
Interest Paid on Capital Debt		(5,253,319)	(5,253,319)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	0	(2,063,462)	(2,063,462)	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Earnings		1,398,379	1,398,379	
Net Cash Provided by (Used for) from Investing Activities	0	1,398,379	1,398,379	0
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	33,366	8,487,289	8,520,655	0
Cash and Cash Equivalents - Beginning of the Year	0	18,318,576	18,318,576	0
Cash and Cash Equivalents - End of the Year	<u>\$ 33,366</u>	<u>\$ 26,805,865</u>	<u>\$ 26,839,231</u>	<u>\$ 0</u>
<b>Reconciliation to Statement of Net Position:</b>				
Cash and Investments	\$ 33,366	\$ 8,185,243	\$ 8,218,609	\$
Cash and Investments with Fiscal Agent		18,620,622	18,620,622	
Cash and Cash Equivalents	<u>\$ 33,366</u>	<u>\$ 26,805,865</u>	<u>\$ 26,839,231</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

**City of Adelanto, California**  
**Statement of Cash Flows - Continued**  
**Proprietary Funds**  
Year Ended June 30, 2015

	Enterprise Funds			Governmental Activities
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals	Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating Income (Loss)	\$ 3,625	\$ 9,337,818	\$ 9,341,443	\$ 0
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation		1,423,759	1,423,759	
Other Receipts		104,874	104,874	
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable		176,723	176,723	
(Increase) Decrease in Prepaids		1,666	1,666	
(Increase) Decrease in Net Pension Asset		(57,624)	(57,624)	
(Increase) Decrease in Pension Related Deferred Outflows of Resources		11,327	11,327	
Increase (Decrease) in Accounts Payable	31	(455,857)	(455,826)	
Increase (Decrease) in Accrued Liabilities		2,494	2,494	
Increase (Decrease) in Deposit Payables		112,265	112,265	
Increase (Decrease) in Compensated Absences		2,082	2,082	
Increase (Decrease) in Pension Related Deferred Inflows of Resources		41,332	41,332	
Total Adjustments	31	1,363,041	1,363,072	0
<b>TOTAL CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 3,656</u>	<u>\$ 10,700,859</u>	<u>\$ 10,704,515</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

**City of Adelanto, California**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2015

	Private-Purpose Trust Funds		Agency Fund
	Luetke Foundation	Successor Agency	Assessment District 1A
<b>ASSETS</b>			
Cash and Investments	\$ 33,693	\$ 4,833,775	\$ 918,183
Cash and Investments with Fiscal Agent		7,071,126	2,021
Accounts Receivable			11,387
Due from Other Funds		236,537	
Notes Receivable		944,770	
Land Held for Development		1,514,300	
Total Assets	33,693	14,600,508	931,591
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Debt Refunding		611,673	
Total Deferred Outflows of Resources	0	611,673	0
<b>LIABILITIES</b>			
Accounts Payable		6,542	
Due to Other Funds	10,565	688,615	
Due to Bondholders			931,591
Bonds and Other Loans Interest Payable		746,495	
San Bernardino County Loan Interest Payable		15,707,463	
Advances from Other Funds		2,524,243	
Bonds Payable		11,127,910	
Loans Payable		29,154,527	
Other Long-term Liabilities		15,346,076	
Total Liabilities	10,565	75,301,871	\$ 931,591
<b>NET POSITION</b>			
Net Position (Deficit) Held in Trust for Redevelopment & Other Purposes	23,128	(60,089,690)	
Total Net Position	\$ 23,128	\$ (60,089,690)	

The accompanying notes are an integral part of this statement.

**City of Adelanto, California**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
Year Ended June 30, 2015

	Private-Purpose Trust Funds	
	Luetke Foundation	Successor Agency
<b>ADDITIONS</b>		
Taxes	\$	\$ 4,687,084
Investment Earnings	1,194	117,685
Other Revenues		1,095,579
Total Additions	1,194	5,900,348
<b>DEDUCTIONS</b>		
Administration	847	537,270
Interest Expense		4,680,550
Total Deductions	847	5,217,820
Net Increase (Decrease) before Transfers	347	682,528
Transfers In		514,250
Change in Net Position	347	1,196,778
Net Position - Beginning, As Previously Reported	22,781	(56,439,869)
Prior Period Adjustment		(4,846,599)
Net Position - Beginning, As Restated	22,781	(61,286,468)
Net Position - Ending	\$ 23,128	\$ (60,089,690)

The accompanying notes are an integral part of this statement.

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**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

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**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Reporting Entity**

The City of Adelanto, California, was incorporated on December 22, 1970, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. It is governed by an elected five member City Council.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

The City's component units are considered to be blended component units because the City Council serves as the governing body. The blended components units, although legally separate are, in substance, part of the City's operations, therefore data from the units are reported with the interfund data of the primary government.

The Adelanto Public Utility Authority issues separate component unit financial statements. The other component units do not have separately issued financial statements. The financial statements of the component units can be obtained at City Hall.

The City of Adelanto is a reporting entity which includes the following components units:

**Adelanto Public Financing Authority**

The Adelanto Public Financing Authority was established pursuant to a Joint Powers Agreement dated September 12, 1989, by and between the City of Adelanto and the now dissolved Adelanto Redevelopment Agency in accordance with the provisions of the laws of the State of California. The Authority was created for the purpose of providing financing for public capital improvements for the City and the Agency through the acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of local obligations.

**Adelanto Public Utility Authority**

The Adelanto Public Utility Authority was formed by action of the City Council on October 22, 1996. The Utility Authority was formed for the purpose of purchasing and operating the City's wastewater operations. In conjunction with that purchase, the Utility Authority issued bonds to finance the down payment to the City and the construction of a wastewater treatment plant. The Utility Authority also issued a note payable to the City to finance the purchase of the existing wastewater assets. During February of 2000, the Adelanto Public Utility Authority entered into a purchase agreement with the Adelanto Water Authority to purchase the Adelanto Water Authority's water system. The purchase price consisted of amounts sufficient to refund all the outstanding prior water bonds and assumptions of the Adelanto Water Authority's obligations under the original agreement dated January 9, 1996, under which the Water Authority was formed by the City of Adelanto.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**A) Reporting Entity - Continued**

**The Adelanto Community Benefit Corporation**

The Adelanto Community Benefit Corporation (the "Corporation") was incorporated on April 13, 2009. The Corporation was formed as a nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code. The specific and primary purpose of this corporation is to coordinate beautification and other community enhancement opportunities in the City of Adelanto, California. The governing body of the Corporation is comprised of the City Council. Upon dissolution, any assets remaining shall be distributed to the City of Adelanto or a designated nonprofit fund, foundation or corporation by the governing body.

**B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements**

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The City has implemented GASB No. 68 which is reflected on the City's financial statements and beginning net position.

Governmental Accounting Standards Board Statement No. 69

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement was issued to improve the financial reporting by state and local governments for government combinations and disposals of government operations. The term *government combinations* is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfer of operations may be present in shared service arrangements, reorganizations, redistricting, annexations and arrangements in which an operation is transferred to a new government created to provide those services. In addition to providing guidance for reporting such activity, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Statement No. 69 is effective for periods beginning after December 15, 2013. Currently, this statement has no effect on the City's financial statements.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued**

Governmental Accounting Standards Board Statement No. 71

In November of 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement 68*. This statement was issued to address an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributions entities. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. Statement No. 71 is effective for periods beginning after June 15, 2014 and should be implemented simultaneously with the provisions of GASB Statement No. 68. The City has implemented GASB No. 68 and 71 which is reflected on the City's financial statements and beginning net position.

Governmental Accounting Standard Board Statement No. 72

In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement No. 72 is effective for periods beginning after June 15, 2015. The City has elected not to early implement GASB No. 72 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 73

In June of 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement was issued to improve the usefulness of information about pensions for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued**

Governmental Accounting Standard Board Statement No. 73 - Continued

Statement No. 73 requirements that addresses accounting and financial reporting by employers and governmental nonemployer contributing entities is effective for fiscal years beginning after June 15, 2016, except those provisions that address financial reporting for assets accumulated for purposes of providing those pensions which are effective for fiscal years beginning after June 15, 2015. Statement No. 73 requirements for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The City has elected not to early implement GASB No. 73 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 74

In June of 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement was issued to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and assessing accountability. This Statement replaces Statements no. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. Statement No. 74 is effective for fiscal years beginning after June 15, 2016. The City has elected not to early implement GASB No. 74 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement was issued to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The City has elected not to early implement GASB No. 75 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 76

In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement was issued to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements for state and local

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued**

Governmental Accounting Standard Board Statement No. 76 - Continued

governmental entities in conformity with GAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76 is effective for periods beginning after June 15, 2015 and should be applied retroactively. The City has elected not to early implement GASB No. 76 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 77

In August of 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement is intended to provide financial statement users needed information about certain limitations on a government's ability to raise resources and for financial reporting purposes requires disclosure on tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues. Statement No. 77 is effective for periods beginning after December 15, 2015. The City has elected not to early implement GASB No. 77 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 78

In December of 2015, GASB issued Statement No. 78, *Pensions provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Statement No. 78 is effective for periods beginning after December 15, 2015. The City has elected not to early implement GASB No. 78 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 79

In December of 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued**

Governmental Accounting Standard Board Statement No. 79 - Continued

qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. The City has implemented GASB No. 79 which is reflected on the City's financial statements.

Governmental Accounting Standard Board Statement No. 80

In January of 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This statement was issued to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City has elected not to early implement GASB No. 80 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 81

In March of 2016, GASB issued Statement No. 81, *Irrevocable Split Interest Agreements*. This statement was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The City has elected not to early implement GASB No. 81 and has not determined its effect on the City's financial statements.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued**

Governmental Accounting Standard Board Statement No. 82

In March of 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement was issued to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This Statement also clarifies the term deviation used in Actuarial Standards of Practice and payments made by the employer to satisfy contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The City has elected not to early implement GASB No. 82 and has not determined its effect on City's financial statements.

Governmental Accounting Standard Board Statement No. 83

In November of 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement was issued to address the criteria for the recognition and measurement of the liability and corresponding deferred outflows of resources associated with certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 is effective for reporting periods beginning after June 15, 2018. The City has elected not to early implement GASB No. 83 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 84

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This Statement establishes the criteria for identifying fiduciary activities which should be reported in a fiduciary fund in the basic financial statements. The fiduciary funds that should be reported, if applicable: a) pensions trust funds, b) investment trust funds, c) private purpose trust funds, d) custodial funds. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. The City has elected not to early implement GASB No. 84 and has not determined its effect on the City's financial statements.



**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued**

Governmental Accounting Standard Board Statement No. 85

In March of 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have risen from the implementation of certain GASB Statements; primarily pension and OPEB related measurement, recognition, timing, and reporting issues. Other issues include blending of component units for governments whose primary activity is business-type, goodwill reporting, classifying real estate held by insurance entities and measuring particular investments at amortized cost. This Statement is effective for reporting periods beginning after June 15, 2017. The City has elected not to early implement GASB No. 85 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 86

In May of 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement expands upon GASB No. 7 *Advance Refundings Resulting in Defeasance of Debt* which defines debt defeased in substance and the criteria for the trusts used to extinguish debt. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. This Statement is effective for reporting periods beginning after June 15, 2017. The City has elected not to early implement GASB No. 86 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 87

In June of 2017, GASB issued Statement No. 87, *Leases*. The intent of this Statement is to improve accounting and financial reporting for government leases by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for reporting periods beginning after December 15, 2019. The City has elected not to early implement GASB No. 87 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 88

In March of 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement was issued to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Statement No. 88 is effective for fiscal years beginning after June 15, 2018. The City has elected not to early implement GASB No. 88 and has not determined its effect on the City's financial statements.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued**

Governmental Accounting Standard Board Statement No. 89

In June of 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement was issued to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Statement No. 89 is effective for fiscal years beginning after December 15, 2019. The City has elected not to early implement GASB No. 89 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 90

In August of 2018, GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. This Statement was issued to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Statement No. 90 is effective for fiscal years beginning after December 15, 2018. The City has elected not to early implement GASB No. 90 and has not determined its effect on the City's financial statements.

**C) Basis of Presentation**

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These statements require that the financial statements described below be presented:

*Government-wide Statements:* The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C) Basis of Presentation - Continued**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the City include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items that are not included among program revenues are reported instead as general revenues.

*Fund Financial Statements:* Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as non-major funds.

**D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met. The agency funds have no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities. Agency funds only report assets and liabilities and therefore have no measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another funds.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

The City reports the following major proprietary funds:

The *Adelanto Community Benefit Corporation Enterprise Fund* is used to account for the activities of the City's nonprofit public benefit corporation.

The *Public Utility Authority Enterprise Fund* is used to account for the operation and maintenance of the wastewater and water system within the City's boundaries.

Additionally, the City reports the following fund types:

The *Internal Service Funds* are used to account for financial transactions related to the City's equipment maintenance and repairs. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

The *Private-Purpose Trust Funds* are used to account for assets and activities restricted to a specific purpose in accordance with a trust agreement on behalf of individuals, private organizations, other governments, or other funds.

The *Agency Funds* are used to account for money received by the City as an agent for individuals, other governments and other entities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary fund function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and the Internal Service Fund are charges to customers for sales and services. Operating expenses for the Enterprise Funds and the Internal Service Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changed in interest rates. Cash equivalents have an original maturity date of three months or less from the date of purchase.

**F) Investments**

As a governmental entity other than an external investment pool in accordance with GASB 31, the City's investments are stated at fair value except for interest-earning investment contracts and external investment pool.

In applying GASB 31, the City utilized the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
  - a) Items required to be reported at amortized cost,
  - b) Items in external pools that are not SEC-registered,
  - c) Items subject to involuntary participation in an external pool,
  - d) Items associated with a fund other than the fund to which the income is assigned;
- 3) Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments' balance exceeds the cumulative value of those investments subject to GASB 31;
- 4) The gain/loss resulting from valuation will be reported within the revenue account "Investment Earnings" on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

**G) Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts, if applicable, and estimated refunds due.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H) Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financials statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**I) Land Held for Development**

Costs of project land and improvements held for development are recorded at the lower of acquisition cost or net realizable value.

**J) Restricted Assets**

Certain proceeds of the City's long-term debt, as well as certain resources set aside for its repayment, are classified as restricted assets on the financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance, resolutions, and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

**K) Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Assets purchased in excess of \$5,000 are capitalized if they have an expected useful life of 2 years or more. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Donated capital assets are valued at their estimated fair market value at the date of donation.

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

Buildings and Improvements	20-50 years
Machinery and Equipment	10-30 years
Vehicles	8 years
Infrastructure	15-65 years

**L) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then. The City has two items that qualifies for reporting in this category. The City has

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**L) Deferred Outflows/Inflows of Resources - Continued**

deferred outflows related to pensions, which arises only under a full accrual basis of accounting. Accordingly, this item (*pension related items*), is reported only in the government-wide statement of net position and proprietary funds statement of net position. This includes pension contributions subsequent to the measurement date of the net pension liability and other amounts (see Note 10), which are amortized by an actuarial determined period. The City also has a deferred loss on bond refunding that resulted from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows of resources. One item arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows of resources related to pensions, which arises only under a full accrual basis of accounting. Accordingly, this item (*pension related items*), is reported only in the government-wide statement of net position and proprietary funds statement of net position. These amounts (see Note 10) are amortized by an actuarial determined period.

**M) Claims and Judgments**

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

**N) Compensated Absences**

It is the City's policy to permit employees to accumulate earned, but unused vacation benefits, which will be paid to employees upon separation from City service. Governmental fund types recognize the cost of vacation benefits when payments are made to employees. Since these unused vacation benefits will not be liquidated with available financial resources, a long-term liability for accrued vacation benefits is recorded. Proprietary fund types accrue vacation benefits in the period they are earned.

**O) Net Position**

In the government-wide and proprietary fund financial statements, net position is reported in three categories: net investment in capital assets; restricted net position, and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any related debt excluding unspent debt proceeds. Restricted net position represents net position restricted by parties outside the City (such as creditors, grantors, contributions, and laws and regulations of other governments). All other amounts are considered unrestricted.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**P) Fund Balance**

Fund balance in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable Fund Balance* - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact.

*Restricted Fund Balance* - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

*Committed Fund Balance* - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

*Assigned Fund Balance* - Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body, or by an official to whom the authority has been given.

*Unassigned Fund Balance* - These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other categories, or negative balances in all other funds.

**Q) Property Tax Calendar**

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1 <sup>st</sup>	
Levy Date	July 1 <sup>st</sup> to June 30 <sup>th</sup>	
Due Date	November 1 <sup>st</sup>	- 1st Installment
	February 1 <sup>st</sup>	- 2nd Installment
Delinquent Date	December 10 <sup>th</sup>	- 1st Installment
	April 10 <sup>th</sup>	- 2nd Installment

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas prescribed by the state statutes. A delinquency penalty of 6 percent is assessed by the County of Riverside. If taxes become delinquent, subject properties may be deeded to the State and may be sold by the County for taxes plus a 1 percent per month redemption fee.



**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**R) Miscellaneous Revenues**

The General Fund miscellaneous revenues includes reimbursements of \$690,876. Approximately, \$514,515 is a one-time reimbursement payment from a solar company as part of their agreement with the City for the purchase of supplies and the difference for lost sales taxes relating to a development project. The remaining reimbursements are for various activities.

**S) 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 City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by 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.

**T) Use of Estimates**

Management of the City uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, deferred outflows/inflows of resources and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that management uses.

**2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Encumbrances**

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types.

**Fund Deficits**

The following funds contained a deficit fund balance or net position as of June 30, 2015.

Nonmajor Funds:	
Mavericks Stadium	\$ 3,094,725
Private-Purpose Trust Fund:	
Successor Agency	60,089,690

The above deficit fund balance or net position is expected to be eliminated through future revenues.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

**Excess of Expenditures over Appropriations**

Excess of expenditures over appropriations in individual funds are as follows:

	Final Appropriations	Expenditures	Difference
<b>Major Funds</b>			
General Fund			
City Council	\$ 102,293	\$ 104,267	\$ (1,974)
Administration	538,595	579,164	(40,569)
City Clerk	261,877	261,992	(115)
Finance	390,416	394,284	(3,868)
Non-Department	781,381	783,606	(2,225)
Police	4,282,301	4,308,623	(26,322)
Streets	1,057,888	1,073,907	(16,019)
Facility Maintenance	126,304	149,714	(23,410)
LLMD	126,412	128,176	(1,764)
Building and Safety	193,290	237,685	(44,395)
Engineering	156,575	156,898	(323)
Planning and Economic Development	357,181	449,779	(92,598)
<b>Nonmajor Funds</b>			
Sanitation Special Revenue Fund	\$ 0	\$ 381	\$ (381)
AQMD/California AB Distributions			
Special Revenue Fund	6,000	7,000	(1,000)

**3) CASH AND INVESTMENTS**

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 35,696,294
Cash and Investments with Fiscal Agent	18,620,622
Statement of Fiduciary Net Position:	
Cash and Investments	5,785,651
Cash and Investments with Fiscal Agent	<u>7,073,147</u>
Total Cash and Investments	<u>\$ 67,175,714</u>

Cash and Investments consist of the following:

Petty Cash	\$ 3,850
Deposits with Financial Institutions	31,242,168
Investments	<u>35,929,696</u>
Total Cash and Investments	<u>\$ 67,175,714</u>

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**3) CASH AND INVESTMENTS - Continued**

**Investments Authorized by the California Government Code and the City's Investment Policy**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$50 million
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	25%	10%
Certificate of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities			
Lending Agreements	92 days	20%	None
Medium-term Corporate Notes	5 years	30%	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

**Investments Authorized by Debt Agreements**

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

**Disclosures Relating to Interest Rate Risk**

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

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**3) CASH AND INVESTMENTS - Continued**

**Disclosures Relating to Interest Rate Risk - Continued**

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distributions of the City's investments by maturity:

Investment Type		Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State Investment Pool	\$ 4,376,761	\$ 4,376,761	\$	\$	\$
California Community Foundation Investment Pool <sup>(1)</sup>	33,693	33,693			
Money Market Mutual Funds	5,825,475	5,825,475			
Held by Bond Trustee:					
Money Market Mutual Funds	19,953,173	19,953,173			
Investment Agreements	5,740,594	4,280,094			1,460,500
Total	<u>\$ 35,929,696</u>	<u>\$ 34,469,196</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,460,500</u>

<sup>(1)</sup> This investment was approved by the City Council for the Adelanto Community Benefit Corporation but is not specifically authorized by the City's investment policy.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
State Investment Pool	\$ 4,376,761	N/A	\$	\$	\$ 4,376,761
California Community Foundation Investment Pool	33,693	N/A			33,693
Money Market Mutual Funds	5,825,475	AAA		5,825,475	
Held by Bond Trustee:					
Money Market Mutual Funds	19,953,173	N/A		19,953,173	
Investment Agreements	5,740,594	N/A			5,740,594
Total	<u>\$ 35,929,696</u>		<u>\$ 0</u>	<u>\$ 25,778,648</u>	<u>\$ 10,151,048</u>

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**3) CASH AND INVESTMENTS - Continued**

**Concentration of Credit Risk**

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments is as follows:

Issuer	Investment Type	Reported Amount
IXIS Investment Agreements	Investment Agreements	\$ 4,280,094

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, all of the City's deposits with financial institutions were either under federal depository insurance limits or are held in collateralized accounts. City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy securities:

Investment Type	Report Amount
Money Market Mutual Funds	\$ 5,825,475
Held by Bond Trustee:	
Money Market Mutual Funds	19,953,173
Investment Agreements	5,740,594

**Local Agency Investment Fund (LAIF)**

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The City may invest up to \$50,000,000 in the fund for the City and \$50,000,000 for each eligible component unit. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California. The yield of LAIF during the quarter ended June 30, 2015 was 0.28%. The carrying value and estimated market value of the LAIF Pool at June 30, 2015 was \$69,614,988,609 and \$69,641,162,418, respectively. The City's share of the Pool at June 30, 2015 was approximately 0.0062 percent.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**3) CASH AND INVESTMENTS - Continued**

**Local Agency Investment Fund (LAIF) - Continued**

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$1,447,948,000. LAIF's and the City's exposure to risk (credit, market or legal) is not currently available.

The LAIF has oversight by the Local Investment Advisory Board. The LAIF Board consists of five members as designated by Statute. LAIF is also regulated by California Government Code Section 16429.

**4) INTERFUND ACTIVITY**

**Due to/from Other Funds**

Amounts due to/from other funds represent short-term loans between funds to assist in covering current fiscal year expenditures (expenses). Due to/from other funds are as follows:

Funds	Receivable (Due from)	Payable (Due to)
Major Governmental Funds:		
General Fund	\$ 1,264,487 <sup>(1)</sup>	\$ 376,967 <sup>(1)</sup>
Non-Major Governmental Funds:		
Gas Tax		450,000
Measure I 2010-2040	32,499	
Major Enterprise Funds:		
Adelanto Community Benefit Corporation		7,376
Fiduciary Funds		
Luetke Foundation		10,565
Successor Agency	236,537	688,615
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 1,533,523</u>	<u>\$ 1,533,523</u>

<sup>(1)</sup> The General Fund receivable amounts include \$565,307 due from governmental and enterprise funds, and \$699,180 from fiduciary funds. The payable amounts include \$140,430 due to governmental and enterprise funds, and \$236,537 to fiduciary funds.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**4) INTERFUND ACTIVITY - Continued**

**Advances to/from Other Funds**

The funds below have made/received advances that were not expected to be repaid within one year:

Funds	Receivable (Advances to)	Payable (Advances from)
Major Governmental Funds:		
General Fund	\$ 20,880,224 <sup>(1)</sup>	\$ 1,200,404
Non-major Governmental Funds:		
Maveriks Stadium		3,094,853
Drainage Impact	285,367	
Major Enterprise Funds:		
Public Utility Authority	1,091,964	15,438,055 <sup>(2)</sup>
Fiduciary Funds:		
Successor Agency		2,524,243
Totals	<u>\$ 22,257,555</u>	<u>\$ 22,257,555</u>

<sup>(1)</sup> This amount includes \$2,524,243 of advances to the Successor Agency.

<sup>(2)</sup> The current portion of \$1,545,707 is separated in the Proprietary Funds Statement of Net Position.

*General Fund Advances*

The advances between the City of Adelanto and the Successor Agency were to provide the Successor Agency with funding for projects and have no stated interest rate. There is no future minimum debt service requirement as repayment will be made when funds are available. The outstanding balance of the advance was \$2,524,243 as of June 30, 2015.

The Maverik Stadium Special Revenue Fund has an operating loan of \$3,094,853 and the Public Utility Authority has an operating loan of \$1,393,353 from the General Fund. The operating loans are not expected to be repaid within a year and have no minimum required repayments.

*Water System Purchase Note.* As part of the original purchase of the City's water operation by the Adelanto Water Authority, which was acquired by the Adelanto Public Utility Authority on February 1, 2000, the Adelanto Water Authority issued a note payable in the amount of \$34,113,079 with minimum annual payments of \$500,000 plus any additional funds available after payment of operating and debt service requirements of the Water Authority plus the establishment of a reasonable reserve. The original purchase note accrued interest at 7.5% per annum. On January 26, 1998, the Governing Board of the Water Authority and the City Council agreed to amend the purchase note on a retroactive basis to eliminate the accrual of interest from July 1, 1996 until such time as all outstanding bonds are repaid, which at that time was scheduled for September 1, 2028. As per this agreement, the unpaid balance of this note at that time will accrue interest at 7.5%. Interest accrued through June 30, 1996 amounting to \$1,219,659 was unaffected by the purchase note amendment. In September 2005, the interest rate was amended to accrue on the unpaid balance at the rate of 5.0% per annum. Payments on the note payable are due quarterly each year. The outstanding balance on the Water System Purchase Note is \$7,436,606 at June 30, 2015.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**4) INTERFUND ACTIVITY - Continued**

**Advances to/from Other Funds - Continued**

*General Fund Advances - Continued*

The future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,536,611	\$ 331,760	\$ 1,868,371
2017	1,613,442	246,592	1,860,034
2018	1,694,114	153,958	1,848,072
2019	1,778,820	50,669	1,829,489
2020	813,619		813,619
Total	<u>\$ 7,436,606</u>	<u>\$ 782,979</u>	<u>\$ 8,219,585</u>

*Wastewater System Purchase Note.* On November 1, 1996, the Adelanto Public Utility Authority entered into a purchase agreement with the City to purchase the City's wastewater operations. The Authority issued a note payable in the amount of \$10,267,874, with accrued interest at 7.5% per annum. On January 26, 1998, the governing Board of the Authority and the City Council agreed to amend the purchase note on a retroactive basis to eliminate any accrual of interest payable to the City until such time as all outstanding bonds are repaid, which at that time was scheduled for November 1, 2026. As per this agreement, any unpaid balance at that time will accrue interest at 7.5%. In September 2005, the interest rate was amended to accrue on the unpaid balance at the rate of 5.0% per annum. Payments on the note payable are due quarterly each year. The outstanding balance on the Wastewater System Purchase Note is \$6,431,169 at June 30, 2015.

The future debt service requirements are as of follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$	\$ 361,629	\$ 361,629
2017		369,966	369,966
2018		381,929	381,929
2019		400,511	400,511
2020	1,054,141	362,239	1,416,380
2021-2023	<u>5,377,028</u>	<u>507,479</u>	<u>5,884,507</u>
Total	<u>\$ 6,431,169</u>	<u>\$ 2,383,753</u>	<u>\$ 8,814,922</u>



**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**4) INTERFUND ACTIVITY - Continued**

**Advances to/from Other Funds - Continued**

*Drainage Impact Special Revenue Fund Advances*

On November 12, 2013, an inter-fund loan agreement of \$300,000 was approved by the City. The Drainage Impact Special Revenue Fund loaned the General Fund \$114,000 and the Public Utility Authority \$186,000 for their respective portion on the purchase of financial and billing software. Interest on the loans accrues at an interest rate of 0.26% (LAIF interest rate as of the effective date). Payments are due annually of \$5,857 from the General Fund and \$9,556 from the Public Utility Authority. The outstanding balances are \$108,440 from the General Fund and \$176,927 from the Public Utility Authority as of June 30, 2015.

*Public Utility Authority Advances*

The General Fund has an operating loan of \$1,091,964 from the Public Utility Authority. This operating loan is not expected to be repaid within a year and has no minimum required repayments or interest accrued on the loan.

**Transfers**

Transfers to/from other funds have been made in the normal course of business to assist the receiving fund in covering costs. Inter-fund transfers are as follows:

Funds	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 3,056,015	\$ 56,467
Non-Major Governmental Funds:		
Drainage Impact	780	
Gas Tax		900,000
TDA Article 8		190,000
Federal Grants	1,800	147,871 <sup>(1)</sup>
Community Development Block Grant	22,000	68,127 <sup>(1)</sup>
Public Safety ½ Cent		125,000
Traffic Offender		5,000
COPs Grant		100,000
Proposition 1B		403,457 <sup>(1)</sup>
Measure I Local 70% Local	32,499	
Community Facilities District		100,000
LLMD Annexation		125,000
Sanitation	54,880 <sup>(4)</sup>	
Adelanto Community Benefit Corporation		22,334 <sup>(2)</sup>
Adelanto Portion VVEDA RDA		514,250 <sup>(3)</sup>
Major Enterprise Funds:		
Adelanto Community Benefit Corporation	22,334 <sup>(2)</sup>	
Public Utility Authority		947,052 <sup>(4)</sup>
Fiduciary Funds:		
Successor Agency	514,250 <sup>(3)</sup>	
Totals	\$ 3,704,558	\$ 3,704,558

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**4) INTERFUND ACTIVITY - Continued**

**Transfers - Continued**

- (1) These transfers represent amounts being reimbursed to the General Fund for expenditures in prior years. This includes \$403,457 from the Proposition 1B fund to close out the fund.
- (2) This was an equity transfer to reclassify the Adelanto Community Benefit Corporation activities into an enterprise fund.
- (3) This was an equity transfer to transfer the remaining redevelopment funds to the Successor Agency.
- (4) Included in the Public Utility Authority transfers out is approximately \$766,561 of interest paid to the General Fund on the water and wastewater systems note payable. Also, included in transfers out is \$54,880 to the Sanitation Special Revenue Fund for trash deposits and other amounts that were posted to the Public Utility Authority in prior years.
- (5) The remaining transfers were used to provide services and finance various programs which were mostly for street and public safety related expenditures.

**5) SUCCESSOR AGENCY LOANS RECEIVABLE**

The Adelanto Public Utility Authority purchased the Adelanto Public Financing Authority ("PFA") Local Agency Third Subordinated Revenue Bonds, 1995 Series C. These bonds are considered conduit debt (See Note 8) of the Adelanto PFA since the bond is secured from the loans with the Adelanto Improvement Agency. As of February 1, 2012, the Adelanto Improvement Agency was dissolved and the Successor Agency of the Adelanto Improvement Agency oversees the remaining activities of the former Adelanto Improvement Agency (See Note 14). Since the Adelanto PFA bonds are considered conduit debt, these amounts are reflected as loans receivable with the Successor Agency. The outstanding balance of these loans is \$13,534,569. This amount includes \$10,230,363 of accreted interest.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**6) CAPITAL ASSETS**

The following is a summary of changes in Capital Assets for the year:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Depreciated:				
Land and Rights of Way	\$ 20,370,352	\$	\$ (1,282,500)	\$ 19,087,852
Total Capital Assets, Not Depreciated	<u>20,370,352</u>	<u>0</u>	<u>(1,282,500)</u>	<u>19,087,852</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	12,645,301			12,645,301
Machinery and Equipment	1,775,426	5,776		1,781,202
Vehicles	2,202,510			2,202,510
Infrastructure	68,246,276	30,000		68,276,276
Total Capital Assets, Being Depreciated	<u>84,869,513</u>	<u>35,776</u>	<u>0</u>	<u>84,905,289</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,848,292)	(248,545)		(7,096,837)
Machinery and Equipment	(1,286,971)	(117,951)		(1,404,922)
Vehicles	(1,857,037)	(129,178)		(1,986,215)
Infrastructure	<u>(39,960,442)</u>	<u>(2,064,522)</u>		<u>(42,024,964)</u>
Total Accumulated Depreciation	<u>(49,952,742)</u>	<u>(2,560,196)</u>	<u>0</u>	<u>(52,512,938)</u>
Total Capital Assets, Being Depreciated, Net	<u>34,916,771</u>	<u>(2,524,420)</u>	<u>0</u>	<u>32,392,351</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 55,287,123</u>	<u>\$ (2,524,420)</u>	<u>\$ (1,282,500)</u>	<u>\$ 51,480,203</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 239,997
Public Safety	120,042
Public Works	2,068,886
Parks and Recreation	<u>131,271</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,560,196</u>

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**6) CAPITAL ASSETS - Continued**

Depreciation expense was charged to functions/programs as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type Activities:</b>				
Capital Assets, Not Depreciated:				
Land	\$ 908,300	\$	\$	\$ 908,300
Water Rights	3,124,799			3,124,799
Total Capital Assets, Not Depreciated	4,033,099	0	0	4,033,099
Capital Assets, Being Depreciated:				
Buildings and Improvements	20,774,142			20,774,142
Machinery and Equipment	8,475,092	136,241		8,611,333
Vehicles	134,299			134,299
Infrastructure	46,470,334			46,470,334
Total Capital Assets, Being Depreciated	75,853,867	136,241	0	75,990,108
Less Accumulated Depreciation:				
Buildings and Improvements	(6,147,472)	(418,146)		(6,565,618)
Machinery and Equipment	(2,712,648)	(274,322)		(2,986,970)
Vehicles	(112,851)	(16,363)		(129,214)
Infrastructure	(10,506,397)	(714,928)		(11,221,325)
Total Accumulated Depreciation	(19,479,368)	(1,423,759)	0	(20,903,127)
Total Capital Assets, Being Depreciated, Net	56,374,499	(1,287,518)	0	55,086,981
Business-type Activities Capital Assets, Net of Depreciation	\$ 60,407,598	\$ (1,287,518)	\$ 0	\$ 59,120,080

Depreciation was charged to functions/programs as follows:

Business-type Activities:	
Public Utility Authority	\$ 1,423,759
Total Depreciation Expense - Business-type Activities	\$ 1,423,759

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**7) LONG-TERM LIABILITIES**

Activities relating to long-term liabilities for the year are presented as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences (Note 1.N)	\$ 233,536	\$ 279,539	\$ 312,456 <sup>(2)</sup>	\$ 200,619	\$ 50,155
Net OPEB Obligation (Note 11)	0	228,637 <sup>(1)</sup>	80,471 <sup>(2)</sup>	148,166	
Claims Payable (Note 12)	0	534,192 <sup>(3)</sup>	383,470	150,722	53,349
Governmental Activities Long-term Liabilities	<u>\$ 233,536</u>	<u>\$ 1,042,368</u>	<u>\$ 776,397</u>	<u>\$ 499,507</u>	<u>\$ 103,504</u>
<b>Business-type Activities:</b>					
Compensated Absences (Note 1.N)	\$ 7,721	\$ 2,082	\$	\$ 9,803	\$ 1,554
Fixed Rate Refunding Bonds, 2009 Series A	74,450,000		1,260,000	73,190,000	1,315,000
Unamortized Discount	(958,288)		(38,327)	(919,961)	
Fixed Rate Revenue Bonds, 2014 Series A	0	14,130,000		14,130,000	665,000
Unamortized Premium	0	343,789		343,789	
Settlement Payable	7,760,459		7,760,459 <sup>(4)</sup>	0	
Business-type Activities Long-term Liabilities	<u>\$ 81,259,892</u>	<u>\$ 14,475,871</u>	<u>\$ 8,982,132</u>	<u>\$ 86,753,631</u>	<u>\$ 1,981,554</u>

<sup>(1)</sup> This amount includes a \$94,364 reclassification adjustment for the Net OPEB obligation beginning balance that was included in accrued liabilities.

<sup>(2)</sup> Each governmental or proprietary funds' liability for compensated absences is liquidated by the respective fund. The net OPEB obligation is currently being liquidated by the General Fund.

<sup>(3)</sup> This amount includes a \$427,110 prior period adjustment to record the beginning claims payable balance. See Note 16.

<sup>(4)</sup> A portion of the proceeds from the Fixed Rate Revenue Bonds, 2014 Series A, was used to repay settlement payable.

**Fixed Rate Refunding Revenue Bonds, 2009 Series A**

On or about December 22, 2009, the Adelanto Public Utility Authority issued \$76,825,000 Fixed Rate Revenue Refunding Bonds, 2009 Series A, to refund a portion of the Authority's Variable Rate Refunding Bonds, 2005 Series A, Taxable Variable Rate Refunding Bonds, 2005 Series B and to finance certain capital improvements. Interest on the bonds is payable July 1<sup>st</sup> and January 1<sup>st</sup> of each year. Interest on the bonds accrues at rates varying from 4.00% to 6.25% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$1,165,000 to \$5,770,000, commencing July 1, 2012 through July 1, 2039. The 2009A and 2014A Revenue Bonds debt service reserve

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**7) LONG-TERM LIABILITIES - Continued**

**Fixed Rate Refunding Revenue Bonds, 2009 Series A - Continued**

accounts have been combined into one account. The balance in the combined debt service reserve account as of June 30, 2015, is \$7,411,981, which is sufficient to cover the Bond Indenture Reserve Requirement. At June 30, 2015 the Authority has \$2,100,000 in its rate stabilization account, which is sufficient to cover the rate stabilization requirement.

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,315,000	\$ 4,651,562	\$ 5,966,562
2017	1,375,000	4,589,244	5,964,244
2018	1,445,000	4,518,744	5,963,744
2019	1,525,000	4,443,541	5,968,541
2020	1,605,000	4,361,328	5,966,328
2021-2025	9,545,000	20,285,600	29,830,600
2026-2030	12,980,000	16,848,594	29,828,594
2031-2035	18,075,000	11,752,078	29,827,078
2036-2040	25,325,000	4,503,769	29,828,769
Total	<u>\$ 73,190,000</u>	<u>\$ 75,954,460</u>	<u>\$ 149,144,460</u>

*Revenues Pledged*

The Adelanto Public Utility Authority has pledged a portion of water and wastewater revenues to repay the 2009 Series A Fixed Rate Refunding Revenue Bonds. The bond is secured solely by water and wastewater operating revenues. Total principal and interest remaining on the bond is \$149,144,460 payable through fiscal year 2040. For the current year, principal and interest paid by the water and wastewater operating revenues was \$1,260,000 and \$4,704,706.

**Fixed Rate Revenue Bonds, 2014 Series A**

On or about December 30, 2014, the Adelanto Public Utility Authority issued \$14,130,000 Fixed Rate Revenue Bonds, 2014 Series A, to pay costs related to a legal settlement with Ambac Assurance Corporation and to finance certain capital improvements. Interest on the bonds is payable July 1<sup>st</sup> and January 1<sup>st</sup> of each year. Interest on the bonds accrues at rates of 4.00% and 5.00% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$265,000 to \$1,045,000, commencing July 1, 2015 through July 1, 2039. The 2009A and 2014A Revenue Bonds debt service reserve accounts have been combined into one account. The balance in the combined debt service reserve account as of June 30, 2015, is \$7,411,981, which is sufficient to cover the Bond Indenture Reserve Requirement.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**7) LONG-TERM LIABILITIES - Continued**

**Fixed Rate Revenue Bonds, 2014 Series A - Continued**

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 665,000	\$ 691,838	\$ 1,356,838
2017	700,000	655,750	1,355,750
2018	735,000	619,875	1,354,875
2019	775,000	582,125	1,357,125
2020	815,000	542,375	1,357,375
2021-2025	4,730,000	2,042,250	6,772,250
2026-2030	1,455,000	1,252,625	2,707,625
2031-2035	1,860,000	840,500	2,700,500
2036-2040	2,395,000	311,875	2,706,875
Total	<u>\$ 14,130,000</u>	<u>\$ 7,539,213</u>	<u>\$ 21,669,213</u>

*Revenues Pledged*

The Authority has pledged a portion of water and wastewater revenues to repay the 2014 Series A Fixed Rate Revenue Bonds. The bond is secured solely by water and wastewater operating revenues. Total principal and interest remaining on the bond is \$21,669,213 payable through fiscal year 2040. For the current year, there were no principal and interest payments.

**8) CONDUIT DEBT**

**Assessment District Bonds**

Bonds issued for improvements in certain special assessment districts in accordance with the provisions of the Municipal Improvement Acts of 1911, 1913 and 1915 are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders.

Neither the faith and credit, nor the general taxing power, of the City of Adelanto have been pledged to the payment of the bonds. Therefore, none of the following special assessment bonds have been included in the accompanying financial statements.

District Bonds	Amount of Issue	Outstanding at End of Year
Assessment District No. 1A, 1994 Series A Refunding Bonds	\$ 1,870,000	\$ 155,000
Assessment District No. 1A, 1994 Series B Refunding Bonds	9,190,000	755,000
	<u>\$ 11,060,000</u>	<u>\$ 910,000</u>

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**8) CONDUIT DEBT - Continued**

**Adelanto Public Financing Authority Bonds**

The Adelanto Public Financing Authority (the “PFA”) issued local agency subordinated revenue bonds to provide loans to the former Adelanto Improvement Agency. The loans were used to finance various redevelopment activities which include refunding previous long-term liabilities. The bonds are secured from the former Adelanto Improvement Agency (Successor Agency) loan payments (tax revenues). See Note 14. The Adelanto PFA also issued local agency revenue bonds which were used to purchase or refund Assessment District bonds. The local agency revenue bonds are secured from payments on the Assessment District bonds (special assessments on property owners).

Neither the faith and credit, nor the general taxing power, of the City of Adelanto have been pledged to the payment of the bonds. The Adelanto PFA has no taxing power. Therefore, none of the following bonds have been included in the accompanying financial statements.

Local Agency Subordinated Revenue Bonds - Successor Agency	Amount of Issue	Outstanding at End of Year
Local Agency Taxable Subordinated Revenue Bonds, 1995 Series A	\$ 7,400,000	\$ 2,545,000
Local Agency 2 <sup>nd</sup> Subordinated Revenue Bonds, 1995 Series B	17,560,000	13,155,000
Local Agency 3 <sup>rd</sup> Subordinated Revenue Bonds, 1995 Series C	11,786,856	13,534,569 <sup>(1)</sup>
	<u>\$ 36,746,856</u>	<u>\$ 29,234,569</u>

<sup>(1)</sup> This amount includes \$10,230,363 of accreted interest.

Local Agency Revenue Bonds - Assessment Districts	Amount of Issue	Outstanding at End of Year
Local Agency Revenue Refunding Bonds, 2006 Series	\$ 7,530,000	\$ 1,595,000

**9) NET POSITION**

The details of restricted net position for other purposes, in the Statement of Net Position, are presented below:

Description	Statement of Net Position	
	Governmental Activities	Business-type Activities
Air Quality Management	\$ 193,134	\$
Law Enforcement	169,792	
Public Safety	53,392	
Lighting and Landscape Maintenance	88,568	
Community Benefits		29,959
Total	<u>\$ 504,886</u>	<u>\$ 29,959</u>



**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**10) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)**

**A) General Information about the Pension Plans**

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

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of fulltime employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<b>Miscellaneous</b>	
	Prior to January 1, 2013	On or After January 1, 2013 <sup>(1)</sup>
Hire Date		
Benefit Formulas	2.0% at 60	2.0% at 62
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-63+	52-67+
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates	7%	6.25%
Required Employer Contribution Rates	6.735%	6.555%
	<b>Safety<sup>(2)</sup></b>	
	Prior to January 1, 2013	On or After January 1, 2013 <sup>(1)</sup>
Hire Date		
Benefit Formulas	2.0% at 55	N/A
Benefit Vesting Schedule	5 Years Service	N/A
Benefit Payments	Monthly for Life	N/A
Retirement Age	50-55+	N/A
Monthly Benefits, as a % of Eligible Compensation	1.426% to 2.0%	N/A
Required Employee Contribution Rates	N/A	N/A
Required Employer Contribution Rates	N/A	N/A

<sup>(1)</sup> For employees hired on or after January 1, 2013, they are included in their respective PEPPRA (California Public Employees' Pension Reform Act) Plans with the above provisions and benefits.

<sup>(2)</sup> Note the City currently does not have any safety employees. The Safety Plan represents former safety employees.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**10) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued**

**A) General Information about the Pension Plans - Continued**

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The contributions to the Plan for the year ended June 30, 2015 were \$326,402.

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

As of June 30, 2015, the City reported a net pension liability (asset) for its proportionate shares of the net pension liability of the Plan of \$(513,066).

The City net pension liability (asset) for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard updated procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability (asset) for the Plan as of June 30, 2014 and 2015 was as follows:

Proportion		Change Increase (Decrease)
June 30, 2015	June 30, 2014	
(0.00747)%	(0.00220)%	(0.00527)%

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**10) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued**

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

For the year ended June 30, 2015, the City recognized pension expense (credit) of \$(246,151). At June 30, 2015, City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$	\$
Differences between actual and expected experience	8,808	(6,047)
Changes in assumptions		(111,143)
Change in employer's proportion and differences between the employer's contributions and the employer's Proportionate share of contributions		(568,376)
Net differences between projected and actual earnings on plan investments		(55,870)
	<u>8,808</u>	<u>(741,436)</u>
Total	<u>\$ 8,808</u>	<u>\$ (741,436)</u>

Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2016	\$ (289,727)
2017	(286,457)
2018	(227,146)
2019	70,702

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**10) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued**

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

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

	Miscellaneous	
Valuation Date	June 30, 2014	
Measurement Date	June 30, 2015	
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Discount Rate	7.65%	
Inflation	2.75%	
Payroll Growth	3.0%	
Projected Salary Increase	3.3% - 14.2%	(1)
Investment Rate of Return	7.65%	(2)
Mortality	CalPERS Membership Data	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The Mortality Rate Table was derived using CalPERS' membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report from the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011 including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**10) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued**

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
 Total	 100%		

<sup>(a)</sup> An expected inflation of 2.5% used for this period.

<sup>(b)</sup> An expected inflation of 3.0% used for this period.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**10) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued**

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

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the City's proportionate share of the net position liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalPERS Pension Plan
	<hr/>
1% Decrease	6.65%
Net Pension Liability (Asset)	\$ 611,360
Current Discount Rate	7.65%
Net Pension Liability (Asset)	\$ (513,066)
1% Increase	8.65%
Net Pension Liability (Asset)	\$ (1,440,699)

***Pension Plan Fiduciary Net Position*** - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**C. Payable to the Pension Plan**

At June 30, 2015, the City reported a payable of \$518, which is included in accrued liabilities, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**11) OTHER POST EMPLOYMENT BENEFITS**

**Plan Description**

The City's defined benefit post employment healthcare plan, (City of Adelanto Retiree Healthcare Plan, CARHP), provides medical benefits to eligible retired employees and qualified dependents. CARHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. CARHP selects optional benefit provisions from the benefit menu by contract with CalPERS. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**11) OTHER POST EMPLOYMENT BENEFITS - Continued**

**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended by the City Council. These benefits are for employees who have worked for the City for a period of ten years and are at least 50 years of age when they separate from the service of the City, and were employed by the City on July 1, 2004. Employees hired after July 1, 2004 are not eligible for the retiree medical benefits under the plan. The table below is a summary of the retiree medical benefits.

Description	
Benefit Types Provided	Medical Only
Duration of Benefits	Lifetime
Required Service	10 Years
Minimum Age	50
Dependent Coverage	No
City Contribution %	100%
City Cap	\$900 Per Month <sup>(1)</sup>

<sup>(1)</sup> Former City Correctional Facility employees have a cap of \$420 per month.

The City is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. ARC rate is 27.1% of the annual covered payroll. The plan is financed on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 182,722
Interest on Net OPEB Obligation	0
Adjustments to Annual Required Contribution	(48,449)
	<hr/>
Annual OPEB Cost (Expense)	134,273
Contributions Made	(80,471)
	<hr/>
Increase (Decrease) in Net OPEB Obligation	53,802
Net OPEB Obligation - Beginning of Year	94,364
	<hr/>
Net OPEB Obligation - End of Year	<u>\$ 148,166</u>

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**11) OTHER POST EMPLOYMENT BENEFITS - Continued**

**Annual OPEB Cost and Net OPEB Obligation - Continued**

For 2015, the City's annual OPEB cost (expense) of \$134,273 for CARHP was equal to the ARC less adjustments. OPEB costs are typically charged to the General fund and to the Government-wide financial statements for governmental activities. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 was as follows:

THREE YEAR TREND <sup>(1)</sup> INFORMATION FOR CARHP			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
6/30/15	\$ 134,273	59.93%	\$ 148,166

<sup>(1)</sup> Currently, only the current year data is available. Future years will be presented as they become available.

The funded status of the plan as of March 1, 2013, was as follows:

Actuarial Accrued Liability (AAL)	\$ 2,082,440
Actuarial Value of Plan Assets	\$ 0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 2,082,440
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 1,454,687
UAAL as a Percentage of Covered Payroll	143%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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



**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**11) OTHER POST EMPLOYMENT BENEFITS - Continued**

**Actuarial Methods and Assumptions - Continued**

The following is a summary of the actuarial assumptions and methods:

Valuation Date	March 1, 2013
Funding Method	Entry Age Normal Cost, Level of Percentage of Pay
Amortization Period	30 years, Closed
Investment Return/Discount Rate	4.75%
Payroll Increase	2.75% per year
Inflation Rate	2.75%
Mortality	CalPERS Public Agency Miscellaneous and CALSTRS Mortality Tables
Turnover	CalPERS Public Agency Miscellaneous Tables
Retirement Rates	CalPERS Public Agency Miscellaneous Tables
Health Care Trend Rate	4.00%

**12) RISK MANAGEMENT**

The City is a member of Public Entity Risk Management Authority (PERMA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-two participating member agencies, twenty-two cities, three transit agencies and seven special districts. PERMA is governed by a Board of Directors which consists of one director from each member agency. The City participates in the liability, workers' compensation, employment practices liability, property insurance, auto physical damage, cyber liability, and crime coverage insurance programs of PERMA. Separate financial statements of PERMA may be obtained at 36-951 Cook Street, Suite 101, Palm Desert, California, 92211.

The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected a self-insured retention of \$25,000 and participates in risk sharing pools for losses up to \$1 million followed by PERMA's members in the CSAC Excess Insurance Authority for excess liability coverage.

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

The employee practices liability program provides up to \$50 million coverage for employment related lawsuits, such as wrongful termination and discrimination. The City self-insures up to \$250,000 per occurrence and participates in the Employment Risk Management Authority (ERMA) for losses up to \$1 million. Coverage above \$1 million and up to \$50 million is available through PERMA's membership in the CSAC EIA for excess liability coverage.

The property insurance, auto physical damage and cyber liability programs are group purchased under a master property insurance policy with accumulated values from all participants effecting lowers rates and broader coverage for all members. The crime coverage is also group purchased under a master insurance poly and provides up to \$5,000,000 for employee theft, forgery or alteration, computer fraud and funds transfer funds with a deductible of \$2,500.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**12) RISK MANAGEMENT - Continued**

PERMA also provides a non-risk sharing "deductible", or banking, pool for claims within the SIR level. Annual contributions are deposited with the PERMA from which claims are paid. Any excess funds held by PERMA for the City at year-end are recorded as "Deposits with Other Agencies" within the General Fund. Any deficit funds are recorded as a liability within the General Fund. At June 30, 2015, the City had an excess of funds of \$327,692 for such claims.

Under the liability programs risk-sharing pool, each member's share of total claims liabilities, including IBNR's, is determined by the application of risk factors to specific characteristics of each member which provides the relative share of each member in total losses of PERMA. These losses are paid from premiums charged to the members which are established at levels to fund all claims costs. The claims liability is estimated based on actuarial studies of the liability and workers' compensation program using a 2% discount rate.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2015	Year Ended June 30, 2014
Claims Payable, Beginning of Year	\$ 427,110	\$ 728,710
Incurring Claims (Including IBNRs)	107,082	281,599
Claim Payments	(75,726)	(144,442)
Changes in Estimates	(307,744)	(438,757)
Claims Payable, End of Year	<u>\$ 150,722</u>	<u>\$ 427,110</u>

During the past three fiscal years none of the above programs of protection have had settlements or judgements that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

**13) COMMITMENTS AND CONTINGENCIES**

**General Litigation**

In the normal course of operations, the City has been subjected to certain routine litigation matters. Except for the matters noted below, the City's litigation centers around contractor/developers, former employees and other operating matters. Currently, the effect of these matters on the financial statements is unknown.

The Successor Agency is also a plaintiff in certain matters involving property in dispute. The City's management does not believe that the costs of such litigation will have significant adverse effect on the City's financial statements.

The City has received state and federal funds for specific purposes that are subject to review and audit by the grant agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's belief that any required reimbursements will not be material.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**13) COMMITMENTS AND CONTINGENCIES - Continued**

**Victorville Water District**

The Victorville Water District has a dispute with the City and is in discussions regarding cost claims and water entitlements by the Victorville Water District.

**Victor Valley Economic Development Authority**

The City of Adelanto was initially part of the Victor Valley Economic Development Authority (VVEDA), but left the VVEDA for a period of time. Adelanto became a part of VVEDA again in 2000, and up until that point, the other members of VVEDA had been contributing to VVEDA financially to keep the agency afloat. The VVEDA was dissolved as of February 1, 2012 along with all other California redevelopment agencies. There is a possibility of amounts that may be owed to the former VVEDA (Successor Agency to the VVEDA) since the City was a member agency of the former VVEDA.

**14) SUCCESSOR AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Adelanto (City) that previously had reported a redevelopment agency within the reporting entity as a blended component unit. The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-001. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs that State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

**Notes Receivable**

The notes receivable consists of mostly agreements for the sale of land parcels by the former Adelanto Improvement Agency. Interest on the agreements varies from no interest to 5% per annum. The outstanding balance of notes receivable was \$944,770 as of June 30, 2015.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**14) SUCCESSOR AGENCY - Continued**

**Successor Agency Long-term Liabilities**

The following is a summary of the changes in the Successor Agency long-term liabilities for the year:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Tax Allocation Bonds:				
Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B	\$ 8,970,000	\$	\$ 670,000	\$ 8,300,000
Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds	3,155,000		65,000	3,090,000
Discounts	0	(290,290) <sup>(1)</sup>	(28,200)	(262,090)
Total Tax Allocation Bonds	12,125,000	(290,290)	706,800	11,127,910
Loans Payable:				
Adelanto Public Financing Authority	29,820,881	1,027,941 <sup>(2)</sup>	1,614,253	29,234,569
Discounts	0	(86,619) <sup>(1)</sup>	(6,577)	(80,042)
Total Loans Payable	29,820,881	941,322	1,607,676	29,154,527
Other Long-term Liabilities:				
Intermountain Power Agency Settlement Agreement	1,989,390			1,989,390
San Bernardino County Tax Increment Loans	13,356,686 <sup>(3)</sup>			13,356,686
Total Other Long-term Liabilities	15,346,076	0	0	15,346,076
Total Long-term Liabilities	\$ 57,291,957	\$ 651,032	\$ 2,314,476	\$ 55,628,513

<sup>(1)</sup> These additions are to record the beginning balances on discounts relating to the tax allocation bonds and loans payable. See Note 16.

<sup>(2)</sup> This amount represents accreted interest on the loan related to the Adelanto Public Financing Authoring Local Agency Third Subordinated Revenue Bonds, 1995 Series C.

<sup>(3)</sup> The beginning balance was adjusted by \$8,919,157 to reclassify the interest payable portion of the loan.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**14) SUCCESSOR AGENCY - Continued**

**Tax Allocations Bonds**

***Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B***

On or about December 30, 1993, the Adelanto Improvement Agency issued \$15,095,983 Tax Allocation Refunding Bonds, 1993 Series B, to advance refund a portion of the outstanding 1990 Adelanto Improvement Project Tax Allocation Bonds, 1991 Adelanto Improvement Project Tax Allocation Bonds and the 1993A Adelanto Improvement Project Subordinated Tax Allocation Bonds. Interest on the bonds is payable June 1<sup>st</sup> and December 1<sup>st</sup> of each year. Interest on the remaining term bonds accrues at a rate of 5.50% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$175,000 to \$1,160,000, commencing December 1, 2002 through December 1, 2023. The balance of debt service reserve account as of June 30, 2015, is \$1,228,071, which is sufficient to cover the Bond Indenture Reserve Requirement.

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 705,000	\$ 437,113	\$ 1,142,113
2017	745,000	397,238	1,142,238
2018	785,000	355,162	1,140,162
2019	830,000	310,750	1,140,750
2020	940,000	262,075	1,202,075
2021-2024	4,295,000	278,987	4,573,987
Total	\$ 8,300,000	\$ 2,041,325	\$ 10,341,325

***Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds***

On or about December 19, 2007, the Adelanto Improvement Agency issued \$3,560,000 Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds to fund redevelopment projects of the Agency, fund the reserve requirement and pay the costs of issuance on the bonds. Interest on the bonds is payable September 1<sup>st</sup> and March 1<sup>st</sup> of each year. Interest on the remaining term bonds accrues at rates between 4.00% and 6.00% per annum. Principal on the bonds are payable in annual installments ranging from \$55,000 to \$235,000, commencing September 1, 2008 through September 1, 2037. The balance of debt service reserve account as of June 30, 2015, is \$251,909, which is sufficient to cover the Bond Indenture Reserve Requirement.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**14) SUCCESSOR AGENCY - Continued**

**Tax Allocations Bonds - Continued**

***Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds - Continued***

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 70,000	\$ 178,095	\$ 248,095
2017	75,000	174,650	249,650
2018	75,000	170,975	245,975
2019	80,000	167,060	247,060
2020	85,000	162,810	247,810
2021-2025	500,000	737,080	1,237,080
2026-2030	660,000	567,600	1,227,600
2031-2035	880,000	338,100	1,218,100
2036-2038	665,000	61,350	726,350
Total	<u>\$ 3,090,000</u>	<u>\$ 2,557,720</u>	<u>\$ 5,647,720</u>

**Loans Payable to the Adelanto Public Financing Authority**

The Adelanto Public Financing Authority (the "Authority") has issued Local Agency Subordinated Revenue Bonds for financing projects of the former Adelanto Improvement Agency (the "Successor Agency") and to provide funds for the various debt obligations of the Successor Agency. The Successor Agency has entered into loan agreements with the Authority which mirror the bonds issued by the Authority except for Local Agency Third Subordinated Revenue Bonds, 1995 Series C which require prepayments on the Authority's capital appreciation bonds. Concurrent with the execution and delivery of the loan agreements, the Authority issued the aggregate principal amount of its Local Agency Subordinated Revenue Bonds to the Successor Agency. See Note 8.

The following table represents the balance of the outstanding loans payable to the Authority:

	Amount Issued	Loans Payable End of Year
1995 Series A Issue	\$ 7,400,000	\$ 2,545,000
1995 Series B Issue	17,560,000	13,155,000
1995 Series C Issue	11,786,856	13,534,569 <sup>(1)</sup>
<b>Total</b>	<u>\$ 36,746,856</u>	<u>\$ 29,234,569</u>

<sup>(1)</sup> This amount includes accreted interest of \$10,230,363.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**14) SUCCESSOR AGENCY - Continued**

**Loans Payable to the Adelanto Public Financing Authority - Continued**

***Local Agency Taxable Subordinated Revenue Bonds, 1995 Series A***

On or about January 9, 1996, the Adelanto Public Financing Authority (the "Authority"), issued \$7,400,000 Local Agency Taxable Subordinated Revenue Bonds, 1995 Series A, to provide funds (Agency loan) to the Successor Agency to advance refund the Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B and the Adelanto Improvement Project Subordinated Tax Allocation Refunding and Improvements Bonds, 1993 Series C. Interest on the bonds is payable September 1<sup>st</sup> and March 1<sup>st</sup> of each year. Interest on the bonds accrues at rates between 5.60% and 7.20% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$15,000 to \$1,275,000, commencing September 1, 1997 through September 1, 2025. The balance of debt service reserve account as of June 30, 2015, is \$740,028, which is sufficient to cover the Bond Indenture Reserve Requirement.

The future debt service requirements for the loans payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 20,000	\$ 182,520	\$ 202,520
2017	20,000	181,080	201,080
2018	25,000	179,460	204,460
2019	20,000	177,840	197,840
2020		177,120	177,120
2021-2025	1,185,000	842,940	2,027,940
2026	1,275,000	45,900	1,320,900
Total	\$ 2,545,000	\$ 1,786,860	\$ 4,331,860

***Local Agency Second Subordinated Revenue Bonds, 1995 Series B***

On or about January 9, 1996, the Adelanto Public Financing Authority (the "Authority"), issued \$17,560,000 Local Agency Second Subordinated Revenue Bonds, 1995 Series B, to provide funds (Agency loan) to the Successor Agency to advance refund the Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B and the Adelanto Improvement Project Subordinated Tax Allocation Refunding and Improvements Bonds, 1993 Series C. Interest on the bonds is payable September 1<sup>st</sup> and March 1<sup>st</sup> of each year. Interest on the bonds accrues at rates between 5.05% and 6.30% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$160,000 to \$2,460,000, commencing September 1, 1998 through September 1, 2028. The balance of debt service reserve account as of June 30, 2015, is \$1,704,937, which is sufficient to cover the Bond Indenture Reserve Requirement.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**14) SUCCESSOR AGENCY - Continued**

**Loans Payable to the Adelanto Public Financing Authority - Continued**

***Local Agency Second Subordinated Revenue Bonds, 1995 Series B - Continued***

The future debt service requirements for the loans payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 425,000	\$ 815,378	\$ 1,240,378
2017	450,000	787,815	1,237,815
2018	475,000	758,678	1,233,678
2019	510,000	727,650	1,237,650
2020	500,000	695,835	1,195,835
2021-2025	3,075,000	2,945,092	6,020,092
2026-2029	7,720,000	1,137,150	8,857,150
Total	<u>\$ 13,155,000</u>	<u>\$ 7,867,598</u>	<u>\$ 21,022,598</u>

***Local Agency Third Subordinated Revenue Bonds, 1995 Series C***

On or about January 9, 1996, the Adelanto Public Financing Authority (the "Authority"), issued \$11,786,856 Local Agency Taxable Third Subordinated Revenue Bonds (Capital Appreciation Bonds), 1995 Series C, to provide funds to the Successor Agency to advance refund the Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B and the Adelanto Improvement Project Subordinated Tax Allocation Refunding and Improvements Bonds, 1993 Series C. Interest on the bonds is compounded September 1<sup>st</sup> and March 1<sup>st</sup> of each year and payable at maturity. Interest on the bonds accrues at a rate of 7.50% per annum. Principal on the bonds and all outstanding interest are due September 1, 2028. Principal on the Agency loans are payable vary from \$94,006 to \$1,081,968 beginning September 1, 1996 through September 1, 2028. The outstanding balance at June 30, 2015 is \$3,304,206 with accreted interest payable of \$10,230,363.

The future debt service requirements for the loans payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 287,892	\$ 958,036	\$ 1,245,928
2017	278,401	1,018,464	1,296,865
2018	267,554	1,074,021	1,341,575
2019	272,074	1,197,852	1,469,926
2020	274,786	1,321,558	1,596,344
2021-2025	1,215,745	7,585,775	8,801,520
2026-2029	707,754	6,300,181	7,007,935
Total	<u>\$ 3,304,206</u>	<u>\$ 19,455,887</u>	<u>\$ 22,760,093</u>



**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**14) SUCCESSOR AGENCY - Continued**

**Other Long-term Liabilities**

***Intermountain Power Agency Settlement Agreement***

The former Adelanto Improvement Agency entered into an agreement with the Intermountain Power Agency (IPA) in April 1993 regarding reimbursement of certain incremental property taxes generated by parcels owned by the IPA within the Agency project areas for 1992 and prior years. The IPA had filed appeals relating to the assessed value of these parcels for 1989 through 1992. As a condition of the agreement with the Agency, the IPA agreed to withdraw such appeals. The IPA filed an appeal for the 1993 assessed value, which was granted in September 1997. The IPA also filed appeals for fiscal years 1995 and 1996.

The agreement states that if the IPA seeks a reassessment of the assessed value of the parcels (i.e., the 1993 appeal) and is successful in any future claim resulting in a reduction in property taxes assessed by the County or other taxing entity, the Agency agrees to reimburse the IPA for those amounts (to a maximum of \$2,200,000) that the IPA calculates that it would have lost in refunds as a result of dismissing the appeals for 1992 and prior. The reimbursement is to be paid by the Agency each year, beginning 90 days from a final decision by the County, resulting in a reduced tax assessment, in an annual amount equal to \$78,751 multiplied by a "Fractional Amount" as defined in the agreement. The term "Fractional Amount" has been determined to be the amount of the actual reduction in the tax assessment as determined by the County divided by an amount equal to the reduction in such tax assessment sought by the IPA.

Amounts due under the agreement are payable annually beginning 90 days after the final decision and continuing on or before September 30 of each year until the obligation (\$2,200,000 multiplied by the "Fractional Amount") is paid in full. Amounts due to the IPA under this agreement are subordinate to all tax allocation bonds of the Agency, whenever incurred. Based on the assessment reduction received by the IPA for 1993, the liability that the Agency has incurred under this agreement is \$1,989,390. Scheduled payments have been deferred by the Agency due to subordination to the tax allocation bonds outstanding. Since the Agency was principal beneficiary of such property taxes, the full amount of such payments has been established as a long-term liability in the financial statements as of June 30, 2015.

***San Bernardino County Tax Increment Loans***

During fiscal year 1996, the former Redevelopment Agency and San Bernardino County amended the pass-through agreement for incremental property taxes in the Project Area. Under the revised agreement, the Agency is required to relinquish approximately 33% of incremental property taxes to the County, of which approximately one-half (16.26%) would be subordinate to the Agency's existing long-term debt. The County will loan to the Agency, at the rate of 7% per annum, the amount of the deferred incremental property taxes needed to meet debt service requirements on the refunding bonds plus amounts needed up to \$100,000 annually, to administer the Agency's long-term debt. Any such loans are subordinate to the 1995 Series A, B, and C of the Adelanto Public Financing Authority refunding bonds. Currently, the Successor Agency and the County of San Bernardino are in litigation over the estimated amounts outstanding. The outstanding amounts reflect the amounts owed estimated by the County of San Bernardino. The outstanding balance on the loans at June 30, 2015 was \$13,356,686 with interest payable of \$15,707,463.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**14) SUCCESSOR AGENCY - Continued**

***Contingencies***

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority or other authority that would resolve this issue unfavorable to the City.

**15) SUBSEQUENT EVENTS**

**Improvement Area No. 1 Community Facilities District No. 2006-2 2015 Special Tax Bonds**

On or about December 3, 2015, the City issued \$3,575,000 2015 Special Tax Bonds to finance various public improvements, a debt service reserve and other bond issuance costs. Interest on the bonds is payable September 1<sup>st</sup> and March 1<sup>st</sup> of each year. Interest on the bonds accrues at rates between 2.00% and 6.20% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$5,000 to \$350,000, commencing September 1, 2016 through September 1, 2045. These bonds are issued in accordance with the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, and are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders.

**Improvement Area No. 2 Community Facilities District No. 2006-2 Special Tax Bonds, 2015 Series A**

On or about December 3, 2015, the City issued \$3,715,000 Special Tax Bonds, 2015 Series A to finance various public facilities, a debt service reserve and other bond issuance costs. Interest on the bonds is payable September 1<sup>st</sup> and March 1<sup>st</sup> of each year. Interest on the bonds accrues at rates between 4.25% and 5.00% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$260,000 to \$545,000, commencing September 1, 2037 through September 1, 2045. These bonds are issued in accordance with the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, and are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders.

**Improvement Area No. 2 Community Facilities District No. 2006-2 Special Tax Bonds, 2015 Series B**

On or about December 3, 2015, the City issued \$2,480,000 Special Tax Bonds, 2015 Series B to finance various public facilities, a debt service reserve and other bond issuance costs. Interest on the bonds is payable September 1<sup>st</sup> and March 1<sup>st</sup> of each year. Interest on the bonds accrues at rates between 3.625% and 6.10% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$10,000 to \$285,000, commencing September 1, 2016 through September 1, 2037. These bonds are issued in accordance with the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, and are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**15) SUBSEQUENT EVENTS - Continued**

**Fixed Rate Revenue Refunding Bonds, 2017 Series A**

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$29,145,000 Fixed Rate Revenue Refunding Bonds, 2017 Series A, to refund a portion of the Authority's Fixed Rate Refunding Revenue Bonds, 2009 Series A. Interest on the bonds is payable July 1<sup>st</sup> and January 1<sup>st</sup> of each year. Interest on the bonds accrues at a rate of 5.00% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$645,000 to \$5,150,000, commencing July 1, 2020 through July 1, 2039.

**Taxable Fixed Rate Revenue Refunding Bonds, 2017 Series B**

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$41,710,000 Taxable Fixed Rate Revenue Refunding Bonds, 2017 Series B, to refund a portion of the Authority's Fixed Rate Refunding Revenue Bonds, 2009 Series A. Interest on the bonds is payable July 1<sup>st</sup> and January 1<sup>st</sup> of each year. Interest on the bonds accrues at rates of 3.00% and 4.75% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$4,455,000 to \$3,610,000, commencing July 1, 2018 through July 1, 2035.

**Other Subsequent Events**

On January 13, 2016, the City terminated the Public Facility Use agreement with Main Street, California, LLC.

On March 15, 2016, the Successor Agency sold vacant land to Cameron Ranch Adelanto Partners, LLC for \$565,000.

On September 22, 2016, the City approved land sales of \$636,500.

On February 27, 2019, the City entered into a settlement agreement with Main Street, California, LLC regarding the Public Facility Use Agreement dated as of August 22, 2012 for the right to occupy and use of the baseball stadium located at 12000 Stadium Way, Adelanto, California. As part of the settlement agreement, the City will pay Main Street, California, LLC \$3,800,000. Within 5 business days of the approval by the City and execution of the agreement, the City will make a payment of \$1,500,000. The remaining amounts will be paid over time with monthly payments of \$95,833 from March 1, 2019 to February 1, 2021.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**16) PRIOR PERIOD ADJUSTMENTS**

***Governmental Activities and Governmental Funds***

Description	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds	
		General Fund	Other Governmental Funds
A) Accounts Payable	\$ (183,482)	\$ (183,482)	\$
B) Accrued Liabilities		79,985	
C) Gas Tax Revenues	(98,675)		(98,675)
D) Proposition 1B Expenditures	(83,951)		(83,951)
E) Interfund Loans	186,000	(114,000)	300,000
F) Interfund Purchase Notes Payable	15,331,214	15,331,214	
G) GASB 68 and 71 Implementation	(2,214,804)		
H) Unaccrued Prior Year Revenues	374,030		
I) Claims Payable	(427,110)		
Total	\$ 12,883,222	\$ 15,113,717	\$ 117,374

***Business-type Activities and Proprietary Funds***

Description	Statement of Activities	Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
		Public Utility Authority
E) Interfund Loans	\$ (186,000)	\$ (186,000)
F) Interfund Purchase Notes Payable	(15,331,214)	(15,331,214)
G) GASB 68 and 71 Implementation	(11,339)	(11,339)
J) Availability Charges Receivable	(730,839)	(730,839)
Total	\$ (16,259,392)	\$ (16,259,392)

- A) This adjustment represents expenses from the prior year that was not accrued in accounts payable.
- B) This adjustment in the General Fund is to correct the beginning balances of accrued payroll liabilities by \$(14,379) and \$94,364 of accrued long-term other post-employment benefits (OPEB) liabilities recorded in the General Fund. The estimated Net OPEB liability should be recorded in the Statement of Activities as a long-term liability but not in the governmental fund financial statements which is under the current financial resources measurement focus and the modified accrual basis of accounting.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**16) PRIOR PERIOD ADJUSTMENTS - Continued**

- C) The Gas Tax Special Revenue Fund had a \$(98,675) prior period adjustment to reverse the prior year accrual of the July 2014 gas tax payment as recommended by the California State Controller's Office (SCO). The SCO reversed its recommendation in the 2015 fiscal year stating the July gas tax payments represent July gas tax revenues (not June) and therefore the July 2014 gas tax payment should be included in the 2015 fiscal year revenues.
- D) The \$83,951 adjustment was for unallowed prior year expenditures in the Proposition 1B Special Revenue Fund that had to be returned to the State of California.
- E) These prior period adjustments were to record the beginning balance of an interfund loan that the Drainage Impact Special Revenue Fund (\$300,000) loaned to the General Fund (\$114,000) and the Public Utility Authority (\$186,000) for the purchase of financial and billing software.
- F) This prior period adjustment was made to record the beginning balance for the Water System and Wastewater System Purchase Notes Payable between the General Fund and the Public Utility Authority.
- G) As part of the implementation of GASB Statements 68 and 71, adjustments to record the beginning net pension asset and related deferred outflows and inflows of resources of \$(2,214,804) for the Governmental Activities and \$(11,339) for the Business-type Activities and Public Utility Authority Enterprise Fund.
- H) The \$374,030 adjustment was for unaccrued prior year revenues of sales tax for \$110,766, grant revenues for \$211,879 and Measure I revenues for \$51,385. These revenues were receipted after the 60 days of the prior fiscal year. So, no adjustment was required in the governmental fund statements under the modified accrued basis of accounting.
- I) The \$(427,110) adjustment was made to record the beginning balance of claims payable based on the Public Entity Risk Management Authority's (PERMA) financial statements.
- J) The \$730,839 adjustment was made to correct the beginning balance of accounts receivable for availability charges that were received in prior years.

**City of Adelanto, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2015

**16) PRIOR PERIOD ADJUSTMENTS - Continued**

***Fiduciary Funds***

Included in the Statement of Changes in Fiduciary Funds are the following prior period adjustments:

Description	Prior Period Adjustment
This adjustment is to record the beginning balance of the Successor Agency's unamortized original issue bond and loan discounts related to the Adelanto Improvement Project Tax Allocation Refunding Bonds 1993 Series B (\$248,616), Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds (\$41,675) and the loan payable related to the Adelanto Public Financing Authority Local Agency Second Subordinated Revenue Bonds 1995 Series B (\$86,619). Original issue discounts are required to be amortized over the life of the related debt.	\$ 376,910
The Successor Agency has tax increment loans payable to the County of San Bernardino. This amount is to adjust the beginning balance of the estimated outstanding interest payable due on the loans as calculated by the County of San Bernardino.	(5,101,229)
This adjustment is for accrued tax increment receivables that were recorded in prior years but were not subsequently received due to the dissolution of the redevelopment agencies in California.	(122,280)
Total	\$ (4,846,599)

## **REQUIRED SUPPLEMENTARY INFORMATION**





**City of Adelanto, California**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**CalPERS Pension Plan**  
**Last Ten Years\***  
**As of June 30, 2015**

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered - Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	(0.00747)%	\$ (513,066)	\$ 1,823,881	(28.13)%	(6.22)%

**Notes to Schedule:**

**Benefit Changes.** In 2015, there was no benefit terms modified.

**Changes in Assumptions.** In 2015, there was a change in assumptions regarding the discount rate. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

\*- Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only one year is shown.

**City of Adelanto, California**  
**Schedule of Contributions**  
**CalPERS Pension Plan**  
**Last Ten Years\***  
**As of June 30, 2015**

<u>Fiscal Year</u>	<u>Contractually Required Contribution (Actuarially Determined)</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
2015	\$ 183,391	\$ (183,391)	\$ 0	\$ 1,823,881	10.05%

\*- Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only one year is shown.

**City of Adelanto, California**  
**Schedule of Funding Progress for CARHP**  
Year Ended June 30, 2015

**Schedule of Funding Progress for CARHP**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
03/01/13	\$ 0	\$ 2,082,440	\$ 2,082,440	0%	\$ 1,454,687	143%

\*The City only had one valuation performed as of 06/30/15. There were no previous actuarial valuations.

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Taxes	\$ 4,647,900	\$ 4,769,000	\$ 5,463,552	\$ 694,552
Licenses and Permits	504,850	644,365	432,949	(211,416)
Fines, Forfeitures and Penalties	45,000	55,000	92,985	37,985
Investment Earnings	770,000	770,000	(61,450)	(831,450)
Charges for Current Services	828,400	971,976	1,105,072	133,096
Intergovernmental Revenues	265,000	462,000	506,538	44,538
Miscellaneous	250,000	159,162	816,120	656,958
Total Revenues	7,311,150	7,831,503	8,355,766	524,263
<b>EXPENDITURES</b>				
Current:				
General Government:				
City Council	99,593	102,293	104,267	(1,974)
Administration	428,142	538,595	579,164	(40,569)
City Clerk	261,878	261,877	261,992	(115)
Finance	390,416	390,416	394,284	(3,868)
City Attorney	320,000	270,000	254,581	15,419
Human Resources	90,705	93,105	91,286	1,819
Information Technology	467,131	466,578	462,641	3,937
Non-Department	784,781	781,381	783,606	(2,225)
Vehicle Maintenance	121,735	119,735	106,132	13,603
Total General Government	2,964,381	3,023,980	3,037,953	(13,973)
Public Safety:				
Police	4,970,997	4,282,301	4,308,623	(26,322)
Fire	2,465,369	2,465,369	2,439,066	26,303
Code Enforcement	332,411	331,099	310,957	20,142
Animal Control	241,524	241,524	215,655	25,869
Total Public Safety	8,010,301	7,320,293	7,274,301	45,992
Public Works:				
Streets	1,124,688	1,057,888	1,073,907	(16,019)
Facility Maintenance	131,004	126,304	149,714	(23,410)
LLMD	124,512	126,412	128,176	(1,764)
Building and Safety	193,290	193,290	237,685	(44,395)
Engineering	155,875	156,575	156,898	(323)
Total Public Works	1,729,369	1,660,469	1,746,380	(85,911)

Continued

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund - Continued**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Community Development:				
Planning and Economic Development	\$ 297,181	\$ 357,181	\$ 449,779	\$ (92,598)
Total Community Development	<u>297,181</u>	<u>357,181</u>	<u>449,779</u>	<u>(92,598)</u>
Parks and Recreation:				
Parks and Grounds	145,367	139,167	45,950	93,217
Senior Center	23,200	23,700	17,474	6,226
Community Center	<u>24,700</u>	<u>21,100</u>	<u>19,010</u>	<u>2,090</u>
Total Parks and Recreation	<u>193,267</u>	<u>183,967</u>	<u>82,434</u>	<u>101,533</u>
Capital Outlay:				
Information Technology		26,140	24,667	1,473
Non-Department	10,000	70,000	25,591	44,409
Fire	<u>2,000</u>	<u>20,200</u>	<u>17,073</u>	<u>3,127</u>
Total Capital Outlay	<u>12,000</u>	<u>116,340</u>	<u>67,331</u>	<u>49,009</u>
Total Expenditures	<u>13,206,499</u>	<u>12,662,230</u>	<u>12,658,178</u>	<u>4,052</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,895,349)</u>	<u>(4,830,727)</u>	<u>(4,302,412)</u>	<u>528,315</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		3,133,439	3,056,015	(77,424)
Transfers Out	<u>1,743,000</u>	<u>(65,985)</u>	<u>(56,467)</u>	<u>9,518</u>
Total Other Financing Sources (Uses)	<u>1,743,000</u>	<u>3,067,454</u>	<u>2,999,548</u>	<u>(67,906)</u>
Net Change in Fund Balances	<u>\$ (4,152,349)</u>	<u>\$ (1,763,273)</u>	<u>(1,302,864)</u>	<u>\$ 460,409</u>
Fund Balance - Beginning, As Previously Reported			13,502,824	
Prior Period Adjustment			<u>15,113,717</u>	
Fund Balance - Beginning, As Restated			<u>28,616,541</u>	
Fund Balance - Ending			<u>\$ 27,313,677</u>	

**City of Adelanto, California**  
**Notes to Required Supplementary Information**  
**Year Ended June 30, 2015**

**1. BUDGETARY DATA**

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for most governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council. Hence, they are legally one year contracts with an option for renewal for another fiscal year.

Budgeted revenue and expenditures amounts shown represent the City's originally-adopted legal budget, adjusted for unanticipated revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, reported for the governmental funds of the City, as adopted, on a basis consistent with accounting principles generally accepted in the United States of America.

Budgets were adopted for all general, special revenue, capital projects, and debt service funds except for the Sanitation Special Revenue Fund and Adelanto Portion of VVEDA Redevelopment Agency Special Revenue Fund. The Adelanto Community Benefit Corporation Fund activities had an equity transfer during the year to an enterprise fund. Since the Corporation was formed as a non-profit organization, its accounting structure relates more to enterprise funds than governmental special revenue funds.

## **SUPPLEMENTARY SCHEDULES**





## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds:

**Mavericks Stadium** - is used to account for the operations and maintenance of Mavericks Stadium. The stadium is under lease to the High Desert Mavericks.

**Park Development Impact** - is used to account for the receipt and expenditures of park impact fees charged to new development.

**Drainage Impact** - is used to account for the drainage impact fees charged to new development. Moneys are used for new drainage facilities.

**Traffic Impact** - is used to account for the receipt and expenditures of traffic impact fees charged to new development.

**Fire Mitigation Impact** - is used to account for fire mitigation fees charged to new development. Moneys are used to pay for fire safety and prevention services.

**Gas Tax** - is used to account for the receipt and expenditure of State Highway Users Tax funds. The funds are to be used for street related purposes.

**TDA Article 8** - is used to account for local transportation funds received from SANBAG. Funds are spent on street related purposes.

**TDA Article 4** - is used to account for local transportation funds received from SANBAG Funds spent on street related purposes.

**Federal Grants** - is used to account for monies received for miscellaneous federal grants and expenditures.

**Community Development Block Grant** - is used to account for revenue allocated from the Federal Housing and Urban Development Department (through the County of San Bernardino) to be spent in low/moderate income areas of the City.

**AQMD/California AB Distributions** - is used to account for allocations from the Mojave Air Quality Management District. Funds are spent on air-pollution reduction programs.

**CLEEP** - is used to account for monies received for the California Law Enforcement Equipment Program (CLEEP) grant.

**Police Asset Seizure** - is used to account for state allocated funds to fund special education programs.

**Public Safety ½ Cent** - is used to account for the State sales tax Public Safety Augmentation Fund moneys. The money is transferred to the General Fund for increased public safety expenditures.

**Traffic Offender** - is used to account for the revenue received from vehicle release fees and is used for traffic patrol purposes.

**COPS Grant** - is used to account for the State Citizens Option for Public Safety (COPS) Grant Program and is used for police overtime purposes.

**Measure I 1990-2010** - is used to account for the County's 1/2 cent sales tax revenues. This portion of the funds must be spent on arterial road projects.

**Measure I 70% Local** - is used to account for state allocated ½ cent sales tax revenues. This portion is used to fund freeway and traffic congestion mitigation projects.

**Community Facilities District** - is used to account for the special tax levy placed on certain tracts to pay for public safety services and other improvements.

**Landscaping and Lighting Maintenance District Annexation** - is used to account for the special tax levy placed on certain tracts to pay for landscaping improvements and lighting expense.

**City of Adelanto, California**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
June 30, 2015

	Special Revenue			
	Mavericks Stadium	Park Development Impact	Drainage Impact	Traffic Impact
<b>ASSETS</b>				
Cash and Investments	\$ 750	\$ 1,493,388	\$ 4,275,303	\$ 3,393,236
Accounts Receivable				
Due from Other Funds				
Advances to Other Funds			285,367	
Total Assets	<u>\$ 750</u>	<u>\$ 1,493,388</u>	<u>\$ 4,560,670</u>	<u>\$ 3,393,236</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 622	\$	\$	\$
Due to Other Funds				
Deposits				
Advances from Other Funds	<u>3,094,853</u>			
Total Liabilities	<u>3,095,475</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes				
Unavailable Revenue - Intergovernmental				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Restricted for:				
Development		1,493,388	4,560,670	
Streets and Roads				3,393,236
Air Quality Management				
Law Enforcement				
Public Safety				
Community Development				
Lighting and Landscape Maintenance				
Unassigned	<u>(3,094,725)</u>			
Total Fund Balances	<u>(3,094,725)</u>	<u>1,493,388</u>	<u>4,560,670</u>	<u>3,393,236</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 750</u>	<u>\$ 1,493,388</u>	<u>\$ 4,560,670</u>	<u>\$ 3,393,236</u>

Special Revenue				
Fire Mitigation Impact	Gas Tax	TDA Article 8	TDA Article 4	Federal Grants
\$ 191,339	\$ 1,842,720 73,035	\$ 1,353 635,989	\$ 265	\$ 179
<u>\$ 191,339</u>	<u>\$ 1,915,755</u>	<u>\$ 637,342</u>	<u>\$ 265</u>	<u>\$ 179</u>
\$	\$ 450,000	\$	\$	\$ 179
<u>0</u>	<u>450,000</u>	<u>0</u>	<u>0</u>	<u>179</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
191,339	1,465,755	637,342	265	
<u>191,339</u>	<u>1,465,755</u>	<u>637,342</u>	<u>265</u>	<u>0</u>
<u>\$ 191,339</u>	<u>\$ 1,915,755</u>	<u>\$ 637,342</u>	<u>\$ 265</u>	<u>\$ 179</u>

Continued

**City of Adelanto, California**  
**Combining Balance Sheet - Continued**  
**Non-major Governmental Funds**  
June 30, 2015

	Special Revenue			
	Community Development Block Grant	AQMD/ California AB Distributions	CLEEP	Police Asset Seizure
<b>ASSETS</b>				
Cash and Investments	\$ 1,526	\$ 181,761	\$ 208	\$ 23,622
Accounts Receivable	70,116	11,373		
Due from Other Funds				
Advances to Other Funds				
Total Assets	<u>\$ 71,642</u>	<u>\$ 193,134</u>	<u>\$ 208</u>	<u>\$ 23,622</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,526	\$	\$	\$
Due to Other Funds				
Deposits				
Advances from Other Funds				
Total Liabilities	<u>1,526</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes				
Unavailable Revenue - Intergovernmental	<u>70,116</u>	<u>11,373</u>		
Total Deferred Inflows of Resources	<u>70,116</u>	<u>11,373</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Restricted for:				
Development				
Streets and Roads				
Air Quality Management		181,761		
Law Enforcement			208	23,622
Public Safety				
Community Development				
Lighting and Landscape Maintenance				
Unassigned				
Total Fund Balances	<u>0</u>	<u>181,761</u>	<u>208</u>	<u>23,622</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 71,642</u>	<u>\$ 193,134</u>	<u>\$ 208</u>	<u>\$ 23,622</u>

Special Revenue

Public Safety 1/2 Cent	Traffic Offender	COPS Grant	Proposition 1B	Measure I 1990-2010
\$ 43,437 9,955	\$ 13,393	\$ 131,344 14,618	\$	\$ 2,415,841
<u>\$ 53,392</u>	<u>\$ 13,393</u>	<u>\$ 145,962</u>	<u>\$ 0</u>	<u>\$ 2,415,841</u>
\$	\$	\$	\$	\$
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	13,393			2,415,841
53,392		145,962		
<u>53,392</u>	<u>13,393</u>	<u>145,962</u>	<u>0</u>	<u>2,415,841</u>
<u>\$ 53,392</u>	<u>\$ 13,393</u>	<u>\$ 145,962</u>	<u>\$ 0</u>	<u>\$ 2,415,841</u>

Continued

**City of Adelanto, California**  
**Combining Balance Sheet - Continued**  
**Non-major Governmental Funds**  
June 30, 2015

	Special Revenue			
	Measure I 70% Local	Community Facilities District	LLMD Annexation	Sanitation
<b>ASSETS</b>				
Cash and Investments	\$ 2,043,340	\$ 387,167	\$ 87,193	\$
Accounts Receivable	153,475	744	1,435	
Due from Other Funds	32,499			
Advances to Other Funds				
Total Assets	<u>\$ 2,229,314</u>	<u>\$ 387,911</u>	<u>\$ 88,628</u>	<u>\$ 0</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 6,644	\$	\$ 60	\$
Due to Other Funds				
Deposits		65,320		
Advances from Other Funds				
Total Liabilities	<u>6,644</u>	<u>65,320</u>	<u>60</u>	<u>0</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes	24,705			
Unavailable Revenue - Intergovernmental				
Total Deferred Inflows of Resources	<u>24,705</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>				
Restricted for:				
Development				
Streets and Roads	2,197,965			
Air Quality Management				
Law Enforcement				
Public Safety				
Community Development		322,591		
Lighting and Landscape Maintenance			88,568	
Unassigned				
Total Fund Balances	<u>2,197,965</u>	<u>322,591</u>	<u>88,568</u>	<u>0</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,229,314</u>	<u>\$ 387,911</u>	<u>\$ 88,628</u>	<u>\$ 0</u>

Special Revenue		
Adelanto Community Benefit Corporation	Adelanto Portion of VVEDA RDA	Total Non-major Governmental Funds
\$	\$	\$ 16,527,365
		970,740
		32,499
		285,367
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,815,971</u>
\$	\$	\$ 9,031
		450,000
		65,320
		3,094,853
<u>0</u>	<u>0</u>	<u>3,619,204</u>
		24,705
		81,489
<u>0</u>	<u>0</u>	<u>106,194</u>
		6,245,397
		10,123,797
		181,761
		169,792
		53,392
		322,591
		88,568
		(3,094,725)
<u>0</u>	<u>0</u>	<u>14,090,573</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,815,971</u>

**City of Adelanto, California**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
Year Ended June 30, 2015

	Special Revenue			
	Mavericks Stadium	Park Development Impact	Drainage Impact	Traffic Impact
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
Fines, Forfeitures and Penalties				
Investment Earnings				
Charges for Current Services	1,528			
Developer Fees		335,240	607,000	862,867
Intergovernmental Revenues				
Miscellaneous				
Total Revenues	1,528	335,240	607,000	862,867
<b>EXPENDITURES</b>				
Current:				
Public Safety				
Public Works				
Community Development				
Parks and Recreation	25,003	239		
Capital Outlay				
Total Expenditures	25,003	239	0	0
Excess (Deficiency) of Revenues Over Expenditures	(23,475)	335,001	607,000	862,867
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			780	
Transfers Out				
Total Other Financing Sources (Uses)	0	0	780	0
Net Change in Fund Balances	(23,475)	335,001	607,780	862,867
Fund Balances - Beginning, As Previously Reported	(3,071,250)	1,158,387	3,652,890	2,530,369
Prior Period Adjustment			300,000	
Fund Balances - Beginning, As Restated	(3,071,250)	1,158,387	3,952,890	2,530,369
Fund Balances - Ending	\$ (3,094,725)	\$ 1,493,388	\$ 4,560,670	\$ 3,393,236



Special Revenue				
Fire Mitigation Impact	Gas Tax	TDA Article 8	TDA Article 4	Federal Grants
\$	\$	\$	\$	\$
	3,667			
45,548				
	920,349	635,989		20,028
			265	
45,548	924,016	635,989	265	20,028
				48,378
0	0	0	0	48,378
45,548	924,016	635,989	265	(28,350)
	(900,000)	(190,000)		1,800 (147,871)
0	(900,000)	(190,000)	0	(146,071)
45,548	24,016	445,989	265	(174,421)
145,791	1,540,414	191,353	0	174,421
	(98,675)			
145,791	1,441,739	191,353	0	174,421
\$ 191,339	\$ 1,465,755	\$ 637,342	\$ 265	\$ 0

Continued

**City of Adelanto, California**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued**  
**Non-major Governmental Funds**  
Year Ended June 30, 2015

	Special Revenue			
	Community Development Block Grant	AQMD/ California AB Distributions	CLEEP	Police Asset Seizure
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
Fines, Forfeitures and Penalties				
Investment Earnings				
Charges for Current Services				
Developer Fees				
Intergovernmental Revenues	65,057	21,355		
Miscellaneous				
Total Revenues	65,057	21,355	0	0
<b>EXPENDITURES</b>				
Current:				
Public Safety				5,750
Public Works		7,000		
Community Development	18,930			
Parks and Recreation				
Capital Outlay				
Total Expenditures	18,930	7,000	0	5,750
Excess (Deficiency) of Revenues Over Expenditures	46,127	14,355	0	(5,750)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	22,000			
Transfers Out	(68,127)			
Total Other Financing Sources (Uses)	(46,127)	0	0	0
Net Change in Fund Balances	0	14,355	0	(5,750)
Fund Balances - Beginning, As Previously Reported	0	167,406	208	29,372
Prior Period Adjustment				
Fund Balances - Beginning, As Restated	0	167,406	208	29,372
Fund Balances - Ending	\$ 0	\$ 181,761	\$ 208	\$ 23,622

Special Revenue

Public Safety 1/2 Cent	Traffic Offender	COPS Grant	Proposition 1B	Measure I 1990-2010
\$ 133,752	\$ 17,889	\$	\$	\$
		133,011		604
133,752	17,889	133,011	0	604
				904,567
0	0	0	0	904,567
133,752	17,889	133,011	0	(903,963)
(125,000)	(5,000)	(100,000)	(403,457)	
(125,000)	(5,000)	(100,000)	(403,457)	0
8,752	12,889	33,011	(403,457)	(903,963)
44,640	504	112,951	487,408	3,319,804
			(83,951)	
44,640	504	112,951	403,457	3,319,804
\$ 53,392	\$ 13,393	\$ 145,962	\$ 0	\$ 2,415,841

Continued

**City of Adelanto, California**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued**  
**Non-major Governmental Funds**  
Year Ended June 30, 2015

	Special Revenue			
	Measure I 70% Local	Community Facilities District	LLMD Annexation	Sanitation
<b>REVENUES</b>				
Taxes	\$ 735,495	\$ 113,359	\$ 145,490	\$
Fines, Forfeitures and Penalties				
Investment Earnings	372			
Charges for Current Services				
Developer Fees				
Intergovernmental Revenues				
Miscellaneous		24,385		
Total Revenues	735,867	137,744	145,490	0
<b>EXPENDITURES</b>				
Current:				
Public Safety				
Public Works	129,755		33,397	381
Community Development				
Parks and Recreation				
Capital Outlay	34,950			
Total Expenditures	164,705	0	33,397	381
Excess (Deficiency) of Revenues Over Expenditures	571,162	137,744	112,093	(381)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	32,499			54,880
Transfers Out		(100,000)	(125,000)	
Total Other Financing Sources (Uses)	32,499	(100,000)	(125,000)	54,880
Net Change in Fund Balances	603,661	37,744	(12,907)	54,499
Fund Balances - Beginning, As Previously Reported	1,594,304	284,847	101,475	(54,499)
Prior Period Adjustment				
Fund Balances - Beginning, As Restated	1,594,304	284,847	101,475	(54,499)
Fund Balances - Ending	\$ 2,197,965	\$ 322,591	\$ 88,568	\$ 0

Special Revenue		
Adelanto Community Benefit Corporation	Adelanto Portion of VVEDA RDA	Total Non-major Governmental Funds
\$	\$	\$ 1,128,096
		17,889
		4,643
		1,528
		1,850,655
		1,795,789
		24,650
0	0	4,823,250
		54,128
		170,533
		18,930
		25,242
		939,517
0	0	1,208,350
0	0	3,614,900
(22,334)	(514,250)	111,959
(22,334)	(514,250)	(2,701,039)
(22,334)	(514,250)	(2,589,080)
(22,334)	(514,250)	1,025,820
22,334	514,250	12,947,379
		117,374
22,334	514,250	13,064,753
\$ 0	\$ 0	\$ 14,090,573

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Mavericks Stadium Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Charges for Current Services	\$ 3,500	\$ 3,500	\$ 1,528	\$ (1,972)
Total Revenues	3,500	3,500	1,528	(1,972)
<b>EXPENDITURES</b>				
Current:				
Parks and Recreation	57,425	63,925	25,003	38,922
Capital Outlay	15,000	15,000		15,000
Total Expenditures	72,425	78,925	25,003	53,922
Net Change in Fund Balance	<u>\$ (68,925)</u>	<u>\$ (75,425)</u>	(23,475)	<u>\$ 51,950</u>
Fund Balance - Beginning			(3,071,250)	
Fund Balance - Ending			<u>\$ (3,094,725)</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Park Development Impact Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Developer Fees	\$ 100,000	\$ 100,000	\$ 335,240	\$ 235,240
Total Revenues	100,000	100,000	335,240	235,240
<b>EXPENDITURES</b>				
Current:				
Parks and Recreation	35,000	35,000	239	34,761
Total Expenditures	35,000	35,000	239	34,761
Net Change in Fund Balance	<u>\$ 65,000</u>	<u>\$ 65,000</u>	335,001	<u>\$ 270,001</u>
Fund Balance - Beginning			1,158,387	
Fund Balance - Ending			<u>\$ 1,493,388</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Drainage Impact Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Investment Earnings	\$ 50	\$ 50	\$	\$ (50)
Developer Fees	100,000	295,000	607,000	312,000
Total Revenues	100,050	295,050	607,000	311,950
<b>EXPENDITURES</b>				
Current:				
Public Works	25,000	25,000		25,000
Total Expenditures	25,000	25,000	0	25,000
Excess (Deficiency) of Revenues over Expenditures	75,050	270,050	607,000	336,950
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		15,413	780	(14,633)
Total Other Financing Sources (Uses)	0	15,413	780	(14,633)
Net Change in Fund Balances	<u>\$ 75,050</u>	<u>\$ 285,463</u>	<u>607,780</u>	<u>\$ 322,317</u>
Fund Balance - Beginning, As Previously Reported			3,652,890	
Prior Period Adjustment			<u>300,000</u>	
Fund Balance - Beginning, As Restated			<u>3,952,890</u>	
Fund Balance - Ending			<u>\$ 4,560,670</u>	



**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Traffic Impact Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Developer Fees	\$ 200,000	\$ 415,000	\$ 862,867	\$ 447,867
Total Revenues	200,000	415,000	862,867	447,867
<b>EXPENDITURES</b>				
Capital Outlay		800,000		800,000
Total Expenditures	0	800,000	0	800,000
Net Change in Fund Balance	<u>\$ 200,000</u>	<u>\$ (385,000)</u>	862,867	<u>\$ 1,247,867</u>
Fund Balance - Beginning			<u>2,530,369</u>	
Fund Balance - Ending			<u>\$ 3,393,236</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Fire Mitigation Impact Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Developer Fees	\$ 20,000	\$ 20,000	\$ 45,548	\$ 25,548
Total Revenues	20,000	20,000	45,548	25,548
<b>EXPENDITURES</b>				
Current:				
Public Works	20,000	20,000		20,000
Total Expenditures	20,000	20,000	0	20,000
Net Change in Fund Balance	\$ 0	\$ 0	45,548	\$ 45,548
Fund Balance - Beginning			145,791	
Fund Balance - Ending			\$ 191,339	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Gas Tax Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Investment Earnings	\$	\$	\$ 3,667	\$ 3,667
Intergovernmental Revenue	801,734	801,734	920,349	118,615
Total Revenues	801,734	801,734	924,016	122,282
<b>EXPENDITURES</b>				
Current:				
Public Works				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues over Expenditures	801,734	801,734	924,016	122,282
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(900,000)	(900,000)	(900,000)	0
Total Other Financing Sources (Uses)	(900,000)	(900,000)	(900,000)	0
Net Change in Fund Balances	<u>\$ (98,266)</u>	<u>\$ (98,266)</u>	<u>24,016</u>	<u>\$ 122,282</u>
Fund Balance - Beginning, As Previously Reported			1,540,414	
Prior Period Adjustment			<u>(98,675)</u>	
Fund Balance - Beginning, As Restated			<u>1,441,739</u>	
Fund Balance - Ending			<u>\$ 1,465,755</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - TDA Article 8 Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 135,000	\$ 135,000	\$ 635,989	\$ 500,989
Total Revenues	135,000	135,000	635,989	500,989
<b>EXPENDITURES</b>				
Current:				
Public Works				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues over Expenditures	135,000	135,000	635,989	500,989
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(190,000)	(190,000)	(190,000)	0
Total Other Financing Sources (Uses)	(190,000)	(190,000)	(190,000)	0
Net Change in Fund Balance	<u>\$ (55,000)</u>	<u>\$ (55,000)</u>	445,989	<u>\$ 500,989</u>
Fund Balance - Beginning			<u>191,353</u>	
Fund Balance - Ending			<u>\$ 637,342</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - TDA Article 4 Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Miscellaneous	\$	\$	\$ 265	\$ 265
Total Revenues	0	0	265	265
<b>EXPENDITURES</b>				
Current:				
Public Works				0
Total Expenditures	0	0	0	0
Net Change in Fund Balance	\$ 0	\$ 0	265	\$ 265
Fund Balance - Beginning			0	
Fund Balance - Ending			\$ 265	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Federal Grants Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Investment Earnings	\$ 100	\$ 100	\$	\$ (100)
Intergovernmental Revenue	35,000	66,806	20,028	(46,778)
Total Revenues	35,100	66,906	20,028	(46,878)
<b>EXPENDITURES</b>				
Current:				
Public Safety	35,000	109,962	48,378	61,584
Total Expenditures	35,000	109,962	48,378	61,584
Excess (Deficiency) of Revenues over Expenditures	100	(43,056)	(28,350)	14,706
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		3,600	1,800	(1,800)
Transfers Out			(147,871)	(147,871)
Total Other Financing Sources (Uses)	0	3,600	(146,071)	(149,671)
Net Change in Fund Balance	\$ 100	\$ (39,456)	(174,421)	\$ (134,965)
Fund Balance - Beginning			174,421	
Fund Balance - Ending			\$ 0	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Community Development Block Grant Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 285,583	\$ 22,000	\$ 65,057	\$ 43,057
Total Revenues	285,583	22,000	65,057	43,057
<b>EXPENDITURES</b>				
Current:				
Community Development	32,000	22,068	18,930	3,138
Capital Outlay	133,583			0
Total Expenditures	165,583	22,068	18,930	3,138
Excess (Deficiency) of Revenues over Expenditures	120,000	(68)	46,127	46,195
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		80,456	22,000	(58,456)
Transfers Out	(120,000)		(68,127)	(68,127)
Total Other Financing Sources (Uses)	(120,000)	80,456	(46,127)	(126,583)
Net Change in Fund Balance	\$ 0	\$ 80,388	0	\$ (80,388)
Fund Balance - Beginning			0	
Fund Balance - Ending			\$ 0	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - AQMD/California AB Distributions Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 15,000	\$ 15,000	\$ 21,355	\$ 6,355
Total Revenues	15,000	15,000	21,355	6,355
<b>EXPENDITURES</b>				
Current:				
Public Works	6,000	6,000	7,000	(1,000)
Total Expenditures	6,000	6,000	7,000	(1,000)
Net Change in Fund Balance	<u>\$ 9,000</u>	<u>\$ 9,000</u>	14,355	<u>\$ 5,355</u>
Fund Balance - Beginning			<u>167,406</u>	
Fund Balance - Ending			<u>\$ 181,761</u>	



**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - CLEEP Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Intergovernmental Revenues	\$	\$	\$	\$ 0
Total Revenues	0	0	0	0
<b>EXPENDITURES</b>				
Current:				
Public Safety	476	476		476
Total Expenditures	476	476	0	476
Net Change in Fund Balance	\$ (476)	\$ (476)	0	\$ 476
Fund Balance - Beginning			208	
Fund Balance - Ending			\$ 208	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Police Asset Seizure Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Intergovernmental Revenues	\$	\$	\$	\$ 0
Total Revenues	0	0	0	0
<b>EXPENDITURES</b>				
Current:				
Public Safety	29,372	29,372	5,750	23,622
Total Expenditures	29,372	29,372	5,750	23,622
Net Change in Fund Balance	\$ (29,372)	\$ (29,372)	(5,750)	\$ (23,622)
Fund Balance - Beginning			29,372	
Fund Balance - Ending			\$ 23,622	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Public Safety 1/2 Cent Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 106,000	\$ 106,000	\$ 133,752	\$ 27,752
Total Revenues	106,000	106,000	133,752	27,752
<b>EXPENDITURES</b>				
Current:				
Public Safety				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues over Expenditures	106,000	106,000	133,752	27,752
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(125,000)	(125,000)	(125,000)	0
Total Other Financing Sources (Uses)	(125,000)	(125,000)	(125,000)	0
Net Change in Fund Balances	<u>\$ (19,000)</u>	<u>\$ (19,000)</u>	8,752	<u>\$ 27,752</u>
Fund Balance - Beginning			44,640	
Fund Balance - Ending			<u>\$ 53,392</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Traffic Offender Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Fines, Forfeitures and Penalties	\$ 18,000	\$ 18,000	\$ 17,889	\$ (111)
Investment Earnings	400	400		(400)
Total Revenues	18,400	18,400	17,889	(511)
<b>EXPENDITURES</b>				
Current:				
Public Safety				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues over Expenditures	18,400	18,400	17,889	(511)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(5,000)	(5,000)	(5,000)	0
Total Other Financing Sources (Uses)	(5,000)	(5,000)	(5,000)	0
Net Change in Fund Balance	<u>\$ 13,400</u>	<u>\$ 13,400</u>	12,889	<u>\$ (511)</u>
Fund Balance - Beginning			504	
Fund Balance - Ending			<u>\$ 13,393</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - COPS Grant Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 100,000	\$ 100,000	\$ 133,011	\$ 33,011
Total Revenues	100,000	100,000	133,011	33,011
<b>EXPENDITURES</b>				
Current:				
Public Safety				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues over Expenditures	100,000	100,000	133,011	33,011
<b>EXPENDITURES</b>				
Transfers Out	(100,000)	(100,000)	(100,000)	0
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(100,000)	0
Net Change in Fund Balance	\$ 0	\$ 0	33,011	\$ 33,011
Fund Balance - Beginning			112,951	
Fund Balance - Ending			\$ 145,962	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Proposition 1B Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Intergovernmental	\$	\$	\$	\$ 0
Total Revenues	0	0	0	0
<b>EXPENDITURES</b>				
Current:				
Public Works		83,951		83,951
Total Expenditures	0	83,951	0	83,951
Excess (Deficiency) of Revenues over Expenditures	0	(83,951)	0	83,951
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out			(403,457)	(403,457)
Total Other Financing Sources (Uses)	0	0	(403,457)	(403,457)
Net Change in Fund Balances	\$ 0	\$ (83,951)	(403,457)	\$ (319,506)
Fund Balance - Beginning, As Previously Reported			487,408	
Prior Period Adjustment			(83,951)	
Fund Balance - Beginning, As Restated			403,457	
Fund Balance - Ending			\$ 0	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Measure I 1990-2010 Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Investment Earnings	\$ 500	\$ 500	\$ 604	\$ 104
Total Revenues	500	500	604	104
<b>EXPENDITURES</b>				
Capital Outlay	3,270,000	3,320,000	904,567	2,415,433
Total Expenditures	3,270,000	3,320,000	904,567	2,415,433
Net Change in Fund Balances	<u>\$ (3,269,500)</u>	<u>\$ (3,319,500)</u>	(903,963)	<u>\$ 2,415,537</u>
Fund Balance - Beginning			<u>3,319,804</u>	
Fund Balance - Ending			<u>\$ 2,415,841</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Measure I 70% Local Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Taxes	\$ 572,634	\$ 572,634	\$ 735,495	\$ 162,861
Investment Earnings	150	150	372	222
Total Revenues	572,784	572,784	735,867	163,083
<b>EXPENDITURES</b>				
Current:				
Public Works	265,000	265,000	129,755	135,245
Capital Outlay		1,005,000	34,950	970,050
Total Expenditures	265,000	1,270,000	164,705	1,105,295
Excess (Deficiency) of Revenues over Expenditures	307,784	(697,216)	571,162	1,268,378
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			32,499	32,499
Total Other Financing Sources (Uses)	0	0	32,499	32,499
Net Change in Fund Balances	\$ 307,784	\$ (697,216)	603,661	\$ 1,300,877
Fund Balance - Beginning			1,594,304	
Fund Balance - Ending			\$ 2,197,965	



**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Community Facilities District Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Taxes	\$ 70,000	\$ 70,000	\$ 113,359	\$ 43,359
Miscellaneous			24,385	24,385
Total Revenues	70,000	70,000	137,744	67,744
<b>EXPENDITURES</b>				
Current:				
Community Development	5,000	8,000		8,000
Total Expenditures	5,000	8,000	0	8,000
Excess (Deficiency) of Revenues over Expenditures	65,000	62,000	137,744	75,744
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(100,000)	(97,000)	(100,000)	(3,000)
Total Other Financing Sources (Uses)	(100,000)	(97,000)	(100,000)	(3,000)
Net Change in Fund Balances	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	37,744	<u>\$ 72,744</u>
Fund Balance - Beginning			284,847	
Fund Balance - Ending			<u>\$ 322,591</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - LLMD Annexation Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Taxes	\$ 150,000	\$ 150,000	\$ 145,490	\$ (4,510)
Total Revenues	150,000	150,000	145,490	(4,510)
<b>EXPENDITURES</b>				
Current:				
Public Works	42,500	42,500	33,397	9,103
Total Expenditures	42,500	42,500	33,397	9,103
Excess (Deficiency) of Revenues over Expenditures	107,500	107,500	112,093	4,593
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(125,000)	(125,000)	(125,000)	0
Total Other Financing Sources (Uses)	(125,000)	(125,000)	(125,000)	0
Net Change in Fund Balances	<u>\$ (17,500)</u>	<u>\$ (17,500)</u>	(12,907)	<u>\$ 4,593</u>
Fund Balance - Beginning			101,475	
Fund Balance - Ending			<u>\$ 88,568</u>	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Sanitation Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Charges for Current Services	\$	\$	\$	\$ 0
Total Revenues	0	0	0	0
<b>EXPENDITURES</b>				
Current:				
Public Works			381	(381)
Total Expenditures	0	0	381	(381)
Excess (Deficiency) of Revenues over Expenditures	0	0	(381)	(381)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			54,880	54,880
Total Other Financing Sources (Uses)	0	0	54,880	54,880
Net Change in Fund Balances	\$ 0	\$ 0	54,499	\$ 54,499
Fund Balance - Beginning			(54,499)	
Fund Balance - Ending			\$ 0	

**City of Adelanto, California**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Adelanto Portion of VVEDA RDA Special Revenue Fund**  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$ 0
Total Revenues	0	0	0	0
<b>EXPENDITURES</b>				
Current:				
Community Development				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues over Expenditures	0	0	0	0
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out			(514,250)	(514,250)
Total Other Financing Sources (Uses)	0	0	(514,250)	(514,250)
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	(514,250)	<u>\$ (514,250)</u>
Fund Balance - Beginning			514,250	
Fund Balance - Ending			<u>\$ 0</u>	

**City of Adelanto, California**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Assessment District 1A**  
Year Ended June 30, 2015

	Beginning Balance	Additions	Deletions	Ending Balance
<b>ASSETS</b>				
Cash and Investments	\$ 1,474,881	\$ 432,195	\$ 988,893	\$ 918,183
Cash and Investments with Fiscal Agent	1,692,568	934,056	2,624,603	2,021
Accounts Receivable	<u>0</u>	<u>11,387</u>	<u></u>	<u>11,387</u>
Total Assets	<u><u>\$ 3,167,449</u></u>	<u><u>\$ 1,377,638</u></u>	<u><u>\$ 3,613,496</u></u>	<u><u>\$ 931,591</u></u>
<b>LIABILITIES</b>				
Due to Bondholders	<u>\$ 3,167,449</u>	<u>\$ 1,377,638</u>	<u>\$ 3,613,496</u>	<u>\$ 931,591</u>
Total Liabilities	<u><u>\$ 3,167,449</u></u>	<u><u>\$ 1,377,638</u></u>	<u><u>\$ 3,613,496</u></u>	<u><u>\$ 931,591</u></u>

**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***

City Council  
City of Adelanto  
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, business-type activities, each major fund and the aggregate remaining fund information of the City of Adelanto, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 were not identified. However, as described in the accompanying schedule of findings, 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2015-001, 2015-002 and 2015-003 to be material weaknesses.

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 as items 2015-004, 2015-005, 2015-006, 2015-007, 2015-008 and 2015-009 to be significant deficiencies.

## **Compliance and Other Matters**

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

## **City of Adelanto Response to Findings**

The City responses to the findings identified in our audit are described in the accompany Schedule of Findings. The City responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

## **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Riverside, California  
June 20, 2019

**CITY OF ADELANTO**  
**SCHEDULE OF FINDINGS**  
Year Ended June 30, 2015

**MATERIAL WEAKNESSES**

2015-001 - Financial Close and Reporting Process

*Condition:* The City's financial close and reporting process has been behind in preparing year-end reconciliations and adjustments to adequately close the most current fiscal year-end accounting records.

*Criteria:* Financial close and reporting processes should be in place to close and complete the accounting records within a reasonable time after the end of the fiscal year.

*Cause:* The City had various turn over in staff and management, which included the Finance Department.

*Effect:* Since the financial close and reporting process wasn't completed timely, there was a delay in completing the audited financial statements. Also, management and the City Council may be basing decisions on financial information that may not be the most current if adjustments were made several months later.

*Recommendation:* It is our understanding that the City is working with an outside accounting consultant to assist the City in preparing year-end reconciliations and other analysis to have the City's accounting records more current. Therefore, we recommend the City continue to work with the outside accounting consultant and also develop formal financial close and reporting procedures that would adequately complete the accounting records at the end of each fiscal year in a timely manner.

*Management's Response and Planned Corrective Actions:* See attached management's corrective action plan.

2015-002 - Formal Written Payroll and Accounting Policies and Procedures Manual

*Condition:* There is no formal written payroll and accounting policies and procedures manual.

*Criteria:* Formal written payroll and accounting policies and procedures provide uniform guidance and communication for the consistency and accounting treatment of transactions.

*Cause:* The City has not developed a formally written payroll and accounting policies and procedures manual.

*Effect:* Since there are no formal written payroll and accounting policies and procedures manual, transactions may be treated inconsistently which could cause errors or the potential abuse.



**CITY OF ADELANTO**  
**SCHEDULE OF FINDINGS**  
Year Ended June 30, 2015

2015-002 - Formal Written Payroll and Accounting Policies and Procedures Manual - Continued

*Recommendation:* We recommend the City develop a formal written payroll and accounting policies and procedure manual. The manual should be evaluated and updated at least annually. It is our understanding that the City is currently in the process of developing this manual.

*Management's Response and Planned Corrective Actions:* See attached management's corrective action plan.

2015-003 - Outstanding Checks

*Condition:* For the Adelanto Water Authority checking account, the amount of outstanding checks was estimated and there was no detail listing of the outstanding checks on the bank reconciliation.

*Criteria:* In order to properly prepare bank reconciliations, detect errors in a timely manner and to prevent any fraud or abuse, outstanding checks should be monitored with a detailed listing and procedures implemented for long outstanding checks.

*Cause:* The outstanding checks on the Adelanto Water Authority checking account consists mostly of uncashed refunds to customers. Several of these uncashed refunds are several years old and there are no available records to easily identify all the outstanding checks and the Authority has not kept track of the current outstanding checks.

*Effect:* With no detail listing of outstanding checks, it would be difficult to determine if the outstanding checks are still valid since most checks are not honored by the bank after a length of time not being cashed. This also could cause errors or the potential for fraud with the bank reconciliation since the amount cannot be verified.

*Recommendation:* The City does have a unclaimed funds policy where uncashed checks over a year are reclassified to an aged uncashed warrants liability account or become the property of the City if the payee is unknown. Therefore, we recommend the City review its bank reconciliations for identifiable outstanding checks, reclassify uncashed outstanding checks over a year to a liability account and write-off any unidentified amounts.

*Management's Response and Planned Corrective Actions:* See attached management's corrective action plan.

**CITY OF ADELANTO**  
**SCHEDULE OF FINDINGS**  
Year Ended June 30, 2015

**SIGNIFICANT DEFICIENCIES**

2015-004 - Cash Disbursement and Purchasing Policies

*Condition:* The current cash disbursements and purchasing practices of the City do not follow the limits set forth under the City of Adelanto's municipal code.

*Criteria:* Cash disbursement and purchasing policies are established by the governing board to set various limits and guidelines to properly control the purchase of goods and services.

*Cause:* The City has not reviewed or updated its policy for several years. The City also implemented a new accounting software where limits were established to provide better controls over cash disbursements and purchasing but the change was not updated in the municipal code.

*Effect:* The current cash disbursements and purchasing practices by the City are not formally approved in the municipal code.

*Recommendation:* We recommend the City update its cash disbursements and purchasing policies in the municipal code to adhere to their current accounting practices.

*Management's Response and Planned Corrective Actions:* See attached management's corrective action plan.

2015-005 - Bank Reconciliations

*Condition:* Bank reconciliations were completed several months after the close of each month.

*Criteria:* The reconciliations completed in a timely manner allow the City to properly monitor cash and investments and identify errors or other unrecorded transactions shortly after the close of each month.

*Cause:* The staff specifically assigned to prepare the reconciliations was out for several months due to illness and there were no other staff or consultants that prepared the bank reconciliations in their absence.

*Effect:* Since the reconciliations were completed several months after the close of each month, unrecorded transactions and adjustments were not recorded timely after the close of each month.

*Recommendation:* We recommend that the City train an alternate person in case the staff assigned to the reconciliations should become unavailable to perform the bank reconciliations in a timely manner.

*Management's Response and Planned Corrective Actions:* See attached management's corrective action plan.

**CITY OF ADELANTO**  
**SCHEDULE OF FINDINGS**  
Year Ended June 30, 2015

2015-006 - Payroll Rate Approvals

*Condition:* During our test of payroll controls, there were several personnel action forms that had missing approval signatures.

*Criteria:* Employee pay rates should be properly approved and documented before a rate adjustment is applied to payroll.

*Cause:* Personnel action forms required the employee's department head, City Manager, Finance Department and HR Department approvals for changes in payroll information which include payroll rates. The signatures were missed due to the unavailability of the authorized signers.

*Effect:* Without all the proper signatures, a payroll change might be incorrectly updated.

*Recommendation:* We recommend the City review its payroll procedures and document all the required signatures are present before applying a payroll change.

*Management's Response and Planned Corrective Actions:* See attached management's corrective action plan.

2015-007 - Accounts Payable Reconciliations

*Condition:* The City implemented a new accounting software which had various new reports and options. The reports that were used to reconcile accounts payable did not reflect all the invoices that had been accrued as of June 30, 2015.

*Criteria:* Accounts payable aging reports are used to provide detail of the invoices accrued as of a certain date. These aging reports assist accounting personnel in reconciling accounts payable accounts.

*Cause:* The reports used to reconcile accounts payable was by invoice date and not by general ledger (GL) date which reflected all the invoices that had been accrued in the system as of June 30, 2015.

*Effect:* Accounts payable adjustments were made that caused amounts to be duplicated or misclassified in expenditure/expense accounts.

*Recommendation:* We recommend the City use the accounts payable aging reports by GL date when reconciling accounts payable accounts.

*Management's Response and Planned Corrective Actions:* See attached management's corrective action plan.

**CITY OF ADELANTO**  
**SCHEDULE OF FINDINGS**  
Year Ended June 30, 2015

2015-008 - Construction Recycling Deposits

*Condition:* The City has construction recycling deposits but there are no formal tracking procedures that keep an updated listing and verification of outstanding deposits.

*Criteria:* Deposit liabilities should be tracked and monitored by appropriate personnel to determine when the liability has occurred and when the deposit should be refunded. A separate individual should use that information to reconcile those amounts to the City's accounting records.

*Cause:* Currently, the City doesn't have any formal procedures to monitor construction recycling deposits.

*Effect:* The reconciliation for constructing recycling deposits took a substantial amount of time to prepare and provide supporting documentation.

*Recommendation:* We recommend the City develop formal procedures for construction recycling deposits where an appropriate employee monitors and tracks construction recycle deposits and a separate employee uses that information to reconcile the amounts to the City's accounting records.

*Management's Response and Planned Corrective Actions:* See attached management's corrective action plan.

2015-009 - Cash Management

*Condition:* There were several adjustments made at the end of the fiscal year to reimburse the General Fund for expenditures from prior years.

*Criteria:* Reimbursement revenues, such as grants and intergovernmental sources, should be recorded in the proper fund when received. If another fund has expenditures/expenses related to those reimbursement revenues, then those amounts should be transferred to the appropriate fund.

*Cause:* Transfers were not recorded in prior years to reimburse the General Fund for various activities related to grants and other special revenues.

*Effect:* There were cash amounts in other funds that should have been transferred to the General Fund in prior years.

*Recommendation:* We recommend the City review its cash management procedures and develop procedures to identify transfer reimbursements between funds are recorded in a timely manner.

*Management's Response and Planned Corrective Actions:* See attached management's corrective action plan.

**CITY OF ADELANTO, CALIFORNIA  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 2015**

Compiled by: The Finance Department

**CITY OF ADELANTO, CALIFORNIA**  
**CORRECTIVE ACTION PLAN**  
Year Ended June 30, 2015

**MATERIAL WEAKNESSES**

**2015-001 - Financial Close and Reporting Process**

*Management's or Department's Response:* We concur with the finding.

*View of Responsible Officials and Corrective Action:* The Finance Department will use outside accounting consultants in order to work towards timely year-end closings. At such time that the year-end closings are current, the process will be transitioned to City staff.

*Contact Information of Responsible Official:* Ward Komers, Finance Director

*Implementation Date:* September 2018

**2015-002 - Formal Written Payroll and Accounting Policies and Procedures Manual**

*Management's or Department's Response:* We concur with the finding.

*View of Responsible Officials and Corrective Action:* The Finance and Human Resource Departments are in the process of developing and implementing formal written payroll and accounting policies as well as a procedures manual.

*Contact Information of Responsible Official:* Ward Komers, Finance Director

*Implementation Date:* January 2020

**2015-003 - Outstanding Checks**

*Management's or Department's Response:* We concur with the finding.

*View of Responsible Officials and Corrective Action:* The Finance Department is reviewing its bank reconciliation to apply the Unclaimed Funds Policy on outstanding and un-cashed checks.

*Contact Information of Responsible Official:* Ward Komers, Finance Director

*Implementation Date:* July 2019

**CITY OF ADELANTO, CALIFORNIA**  
**CORRECTIVE ACTION PLAN**  
Year Ended June 30, 2015

**SIGNIFICANT DEFICIENCIES**

**2015-004 - Cash Disbursement and Purchasing Policies**

*Management's or Department's Response:* We concur with the finding.

*View of Responsible Officials and Corrective Action:* The Finance Department is reviewing the outdated cash disbursement and purchasing policies in the municipal code in order to recommend changes that are in line with those used in our software system and present these recommendations to City Council as replacement for the outdated codes.

*Contact Information of Responsible Official:* Ward Komers, Finance Director

*Implementation Date:* January 2020

**2015-005 - Bank Reconciliations**

*Management's or Department's Response:* We concur with the finding.

*View of Responsible Officials and Corrective Action:* The City hired an accountant and outside accounting staff to perform all bank account reconciliation and are now current.

*Contact Information of Responsible Official:* Ward Komers, Finance Director

*Implementation Date:* December 2018

**2015-006 - Payroll Rate Approvals**

*Management's or Department's Response:* We concur with the finding.

*View of Responsible Officials and Corrective Action:* The Finance and Human Resource Departments are reviewing payroll policies to ensure payroll rate approvals are properly approved and documented.

*Contact Information of Responsible Official:* Ward Komers, Finance Director

*Implementation Date:* July 2019

**CITY OF ADELANTO, CALIFORNIA**  
**CORRECTIVE ACTION PLAN**  
Year Ended June 30, 2015

**SIGNIFICANT DEFICIENCIES - Continued**

**2015-007 - Accounts Payable Reconciliations**

*Management's or Department's Response:* We concur with the finding.

*View of Responsible Officials and Corrective Action:* The Finance Department has identified the correct accounts payable aging report in order to properly perform reconciliations of accounts payable.

*Contact Information of Responsible Official:* Ward Komers, Finance Director

*Implementation Date:* July 2019

**2015-008 - Construction Recycling Deposits**

*Management's or Department's Response:* We concur with the finding.

*View of Responsible Officials and Corrective Action:* The Finance Department is in the process of developing and implementing formal written policies and procedures to monitor construction recycling deposits as well as the reconciliation of those deposits.

*Contact Information of Responsible Official:* Ward Komers, Finance Director

*Implementation Date:* July 2020

**2015-009 - Cash Management**

*Management's or Department's Response:* We concur with the finding.

*View of Responsible Officials and Corrective Action:* The Finance Department has reviewed its cash management procedures and is in the process of updating those procedures to ensure timely transfer reimbursements between funds.

*Contact Information of Responsible Official:* Ward Komers, Finance Director

*Implementation Date:* January 2020



June 20, 2019

City Council  
City of Adelanto  
Adelanto, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Adelanto, California (the “City”) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 15, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed accounting policies related to Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, in the 2015 fiscal year. Accordingly, the cumulative effect of the accounting changes as of the beginning of the year are reported in the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management’s estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the Successor Agency loans receivable accreted interest is based on the interest rate of the loans, debt service payments and outstanding balances. We evaluated the key factors and assumptions used to develop the Successor Agency loans receivable accreted interest in determining that is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of capital assets depreciation is based on historical estimates of each capitalized item’s useful life. We evaluated the key factors and assumptions used to develop the capital assets depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability (asset) and related pension deferred outflows and inflows of resources are based on an actuarial valuation and pension contributions made during the year. We evaluated the key factors and assumptions used to develop the net pension liability (asset) and related pension deferred outflows and inflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of net other postemployment benefits (OPEB) obligations is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the net OPEB obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Successor Agency's tax increment loans with the County of San Bernardino is based on the loan agreements and the estimated amounts outstanding calculated by the County. However, these loans and their terms are currently in litigation with the County. We evaluated the key factors and assumptions used to develop the tax increment loans with the County of San Bernardino outstanding amounts in determining that it is reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Note 3 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of the Successor Agency loans receivable accreted interest in Notes 5 and 14 to the financial statements is based on the interest rate of the loans, debt service payments and outstanding balances which could differ from actual amounts.

The disclosure of capital assets in Note 6 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the employees' retirement plan, net pension liability (asset) and related pension deferred outflows and resources in Note 10 to the financial statements represents management's estimate based on an actuarial valuation and pension contributions made during the year. Actual results could differ depending on the key factors and assumptions used for the actuarial valuation.

The disclosure of other postemployment benefits and the net OPEB obligation in Note 11 to the financial statements represents management's estimate based on an actuarial valuation. Actual results could differ depending on the key factors and assumptions use for the actuarial valuation.

The disclosure of the Successor Agency's tax increment loans with the County of San Bernardino in Note 14 to the financial statements represents management's estimate based on the loan agreements and the County's estimated amounts outstanding. Due to the current litigation on these loans, these amounts could be adjusted depending on the outcome of the litigation.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, the audit was delayed and completed after several years from the June 30, 2015 fiscal year end. This was due to staff turnover and a delay in completing the financial close and reporting process.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

Description	Amount
Unaccrued Accounts Receivable	\$ 311,323
Accounts Payable Adjustments	\$ 266,227
Interfund Purchase Notes Prior Period Adjustment	\$ 15,331,214
Interfund Principal Payments Reclassification	\$ 1,463,439
Agency Fund Bonds Payable Elimination	\$ 2,312,050
Assessment District 1A Cash with Fiscal Agent Adjustments	\$ 2,544,727
Successor Agency Unamortized Bond Discounts Beginning Balance	\$ 376,910
San Bernardino County Loans Interest Payable Adjustment	\$ 7,012,532
San Bernardino County Pass Through Write-off	\$ 1,031,398
Prob 1B Fund Reimbursement to General Fund	\$ 403,457
Drainage Impact Fund Advance	\$ 300,000
Availability Charges Receivables	\$ 730,839

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 20, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the management's discussion and analysis, and required supplementary information section, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information section, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

As part of the audit, we assisted with the preparation of the financial statements and related notes and GASB 68 net pension liability and related deferred outflows/inflows of resources calculation. However, these services, does not constitute an audit under Government Auditing Standards and are considered non audit services. Management has reviewed, approved, and accepted responsibility for the results of these services.

### Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Teaman Ramirez & Smith, LLC*

**INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES  
APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS**

City Council  
City of Adelanto  
Adelanto, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit documents of the City of Adelanto, California, for the year ended June 30, 2015. These procedures, which were agreed to by the City of Adelanto, California and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City of Adelanto's management is responsible for the Appropriations Limit documents. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an audit or review, the objective of which would be the expression of an opinion or conclusion on the Appropriations Limit documents. Accordingly, we do not express such an opinion or conclusion, respectively. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIII B of the California Constitution*.

This report is intended solely for the use of the City Council and management of the City of Adelanto, California and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Teaman Ramirez & Smith, Inc.*

Riverside, California  
June 20, 2019

**CITY OF ADELANTO, CALIFORNIA**  
**APPROPRIATIONS LIMIT COMPUTATION**  
2014 - 2015

		<u>2014 - 2015</u>
Per Capital Personal Income Change		-0.23%
Population Change		
City Population Growth		2.06%
CPI Change Converted to a Ratio		0.9977
Population Change Converted to a Ratio		1.0206
Calculation of Growth Factor		1.01825262
2013 - 2014 Appropriations Limit	<u>\$         8,612,571</u>	
2014 - 2015 Appropriations Limit		
(\$8,612,571 x 1.01825262)	<u>\$         8,769,773</u>	