

CITY OF ADELANTO, CALIFORNIA

ANNUAL AUDIT REPORT

Year Ended June 30, 2018

City of Adelanto, California
Annual Audit Report
Year Ended June 30, 2018

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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, 2018, 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 did not audit the financial statements of the Adelanto Public Utility Authority, which is both a major fund and 99.96 percent, 99.77 percent, and 99.63 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Adelanto Public Utility Authority, is based solely on the report of the other auditors. 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 based on our audit and the report of other auditors, 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, 2018, 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

New Accounting Pronouncements

As described in Note 1B to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 65 - 71 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 September 2, 2020, 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Teaman Ramirez & Smith, Inc.

Riverside, California
September 2, 2020

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BASIC FINANCIAL STATEMENTS

City of Adelanto, California
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 23,671,579	\$ 12,334,836	\$ 36,006,415
Cash and Investments with Fiscal Agent	208,156	15,985,189	16,193,345
Accounts Receivable, Net	8,113,669	2,438,947	10,552,616
Interest Receivable		21,226	21,226
Prepaid Items		1,722,080	1,722,080
Internal Balances	8,625,934	(8,625,934)	0
Due from Fiduciary Funds	471,352		471,352
Deposits	496,713		496,713
Advances to Fiduciary Funds	2,524,243		2,524,243
Successor Agency Loans Receivable		12,638,422	12,638,422
Capital Assets, Not Being Depreciated	17,027,012	4,033,100	21,060,112
Capital Assets, Net of Depreciation	54,397,171	53,598,036	107,995,207
	<u>115,535,829</u>	<u>94,145,902</u>	<u>209,681,731</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	777,953	60,463	838,416
OPEB Related Items	103,769		103,769
Deferred Loss on Bond Refunding		10,794,885	10,794,885
	<u>881,722</u>	<u>10,855,348</u>	<u>11,737,070</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	7,296,714	360,727	7,657,441
Interest Payable		1,929,096	1,929,096
Deposits	687,402	1,142,626	1,830,028
Litigation Liability	416,666	833,334	1,250,000
Long-term Liabilities:			
Due Within One Year	126,612	2,472,493	2,599,105
Due in More Than One Year	2,610,357	83,695,587	86,305,944
	<u>11,137,751</u>	<u>90,433,863</u>	<u>101,571,614</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	465,280	19,536	484,816
OPEB Related Items	43,714		43,714
	<u>508,994</u>	<u>19,536</u>	<u>528,530</u>
NET POSITION			
Net Investment in Capital Assets	71,424,183	742,975	72,167,158
Restricted for:			
Development	7,187,421		7,187,421
Streets and Roads	11,288,482		11,288,482
Community Development	507,311		507,311
Other Purposes	800,434	32,779	833,213
Unrestricted	13,562,975	13,772,097	27,335,072
	<u>\$ 104,770,806</u>	<u>\$ 14,547,851</u>	<u>\$ 119,318,657</u>

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 4,754,160	\$ 787,829	\$ 11,047	\$
Public Safety	10,878,161	410,225	139,490	9,774
Public Works	4,520,566	2,767,374	2,305,058	1,482,857
Community Development	1,911,033	1,552,722	20,342	
Parks and Recreation	945,426	83,442		75,140
Total Governmental Activities	23,009,346	5,601,592	2,475,937	1,567,771
Business-type Activities:				
Adelanto Community Benefit Corporation	79,505		66,911	
Public Utility Authority	14,196,103	16,869,272		
Total Business-type Activities	14,275,608	16,869,272	66,911	0
Total Primary Government	\$ 37,284,954	\$ 22,470,864	\$ 2,542,848	\$ 1,567,771

General Revenues:
Sales Taxes
Property Taxes
Franchise Taxes
Real Property Transfer Tax
Transient Occupancy Taxes
Motor Vehicle in Lieu Tax, Unrestricted
Measure R Taxes
Investment 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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,955,284)	\$	\$ (3,955,284)
(10,318,672)		(10,318,672)
2,034,723		2,034,723
(337,969)		(337,969)
<u>(786,844)</u>		<u>(786,844)</u>
<u>(13,364,046)</u>	<u>0</u>	<u>(13,364,046)</u>
	(12,594)	(12,594)
	<u>2,673,169</u>	<u>2,673,169</u>
<u>0</u>	<u>2,660,575</u>	<u>2,660,575</u>
<u>(13,364,046)</u>	<u>2,660,575</u>	<u>(10,703,471)</u>
1,695,741		1,695,741
302,987		302,987
1,657,230		1,657,230
122,476		122,476
42,123		42,123
2,540,556		2,540,556
1,491,550		1,491,550
16,111	1,130,931	1,147,042
307,783		307,783
786,427	<u>(786,427)</u>	<u>0</u>
<u>8,962,984</u>	<u>344,504</u>	<u>9,307,488</u>
<u>(4,401,062)</u>	<u>3,005,079</u>	<u>(1,395,983)</u>
110,708,961	11,542,772	122,251,733
<u>(1,537,093)</u>		<u>(1,537,093)</u>
<u>109,171,868</u>	<u>11,542,772</u>	<u>120,714,640</u>
<u>\$ 104,770,806</u>	<u>\$ 14,547,851</u>	<u>\$ 119,318,657</u>

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 6,025,008	\$ 17,646,571	\$ 23,671,579
Cash and Investments with Fiscal Agent		208,156	208,156
Accounts Receivable, Net	6,056,046	2,057,623	8,113,669
Due from Other Funds	416,228	33,075	449,303
Due from Fiduciary Funds	471,352		471,352
Deposits with Other Agencies	496,713		496,713
Advances to Other Funds	13,511,814	241,240	13,753,054
Advances to Fiduciary Funds	2,524,243		2,524,243
	<u>\$ 29,501,404</u>	<u>\$ 20,186,665</u>	<u>\$ 49,688,069</u>
LIABILITIES			
Accounts Payable	\$ 6,609,684	\$ 538,774	\$ 7,148,458
Accrued Liabilities	148,256		148,256
Due to Other Funds	33,075	416,228	449,303
Deposits	687,402		687,402
Advances from Other Funds	2,032,267	3,094,853	5,127,120
	<u>9,510,684</u>	<u>4,049,855</u>	<u>13,560,539</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	114,582		114,582
Unavailable Revenue - Developer Fees		796,910	796,910
Unavailable Revenue - Intergovernmental		1,019,516	1,019,516
	<u>114,582</u>	<u>1,816,426</u>	<u>1,931,008</u>
FUND BALANCES			
Nonspendable	16,532,770		16,532,770
Restricted For:			
Development		7,088,298	7,088,298
Streets and Roads		9,591,521	9,591,521
Air Quality Management		120,771	120,771
Law Enforcement		213,648	213,648
Public Safety		106,923	106,923
Community Development		486,969	486,969
Lighting and Landscape Maintenance		359,092	359,092
Unassigned	3,343,368	(3,646,838)	(303,470)
	<u>19,876,138</u>	<u>14,320,384</u>	<u>34,196,522</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 29,501,404</u>	<u>\$ 20,186,665</u>	<u>\$ 49,688,069</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, 2018

Fund Balances of Governmental Funds	\$	34,196,522
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.		71,424,183
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,931,008
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		777,953
OPEB Related Deferred Outflows of Resources		103,769
Pension Related Deferred Inflows of Resources		(465,280)
OPEB Related Deferred Inflows of Resources		(43,714)
Liabilities that are not due and payable in the current period and are not reported in the funds.		
Litigation Liability		(416,666)
Compensated Absences		(284,632)
Net Pension Liability		(212,092)
Net OPEB Liability		(2,077,059)
Claims Payable		(163,186)
		(4,253,334)
Net Position of Governmental Activities	\$	104,770,806

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, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 7,775,210	\$ 1,244,814	\$ 9,020,024
Licenses and Permits	2,196,370		2,196,370
Fines, Forfeitures and Penalties	178,965		178,965
Investment Earnings	8,980	7,132	16,112
Charges for Current Services	2,772,882	86,914	2,859,796
Developer Fees		381,955	381,955
Intergovernmental Revenues	50,009	1,106,002	1,156,011
Miscellaneous	307,781	58,574	366,355
	<u>13,290,197</u>	<u>2,885,391</u>	<u>16,175,588</u>
EXPENDITURES			
Current:			
General Government	4,085,363		4,085,363
Public Safety	10,838,829	3,222	10,842,051
Public Works	1,617,593	376,537	1,994,130
Community Development	1,900,323	30,216	1,930,539
Parks and Recreation	329,591	487,142	816,733
Capital Outlay	565,535	366,222	931,757
	<u>19,337,234</u>	<u>1,263,339</u>	<u>20,600,573</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,047,037)</u>	<u>1,622,052</u>	<u>(4,424,985)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	2,309,648	179,666	2,489,314
Transfers Out	(179,000)	(1,523,887)	(1,702,887)
	<u>2,130,648</u>	<u>(1,344,221)</u>	<u>786,427</u>
Net Change in Fund Balances	<u>(3,916,389)</u>	<u>277,831</u>	<u>(3,638,558)</u>
Fund Balances - Beginning, As Previously Reported	23,535,918	14,042,553	37,578,471
Prior Period Adjustment	<u>256,609</u>		<u>256,609</u>
Fund Balances - Beginning, As Restated	<u>23,792,527</u>	<u>14,042,553</u>	<u>37,835,080</u>
Fund Balances - Ending	<u>\$ 19,876,138</u>	<u>\$ 14,320,384</u>	<u>\$ 34,196,522</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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (3,638,558)

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	783,107
Capital Contributions	1,180,000
Depreciation	(3,065,088)

Governmental funds report activity of long-term liabilities and contingences as revenues and expenditures, but they are included as increases and reductions on the long-term liabilities and contingent liabilities in the Statement of Net Position.

Litigation Liability	(416,666)
Compensated Absences	(69,516)
Net Change in the Net Pension Liability	8,921
Net Change in the Net OPEB Liability	27,503
Net Change in the Net Claims Payable	53,882

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

Unavailable Revenues	466,269
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as governmental fund expenditures.

Net Change in Deferred Outflows and Inflows of Resources Related to Pensions	290,531
Net Change in Deferred Outflows and Inflows of Resources Related to OPEB	(21,447)

Change in Net Position of Governmental Activities \$ (4,401,062)

City of Adelanto, California
Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
ASSETS			
Current Assets:			
Cash and Investments	\$ 33,211	\$ 12,301,625	\$ 12,334,836
Accounts Receivable, Net		2,438,947	2,438,947
Interest Receivable		21,226	21,226
Prepaid Items		1,722,080	1,722,080
Total Current Assets	33,211	16,483,878	16,517,089
Noncurrent Assets:			
Cash and Investments with Fiscal Agent		15,985,189	15,985,189
Advances to Other Funds		1,940,596	1,940,596
Successor Agency Loans Receivable		12,638,422	12,638,422
Land and Water Rights, Not Being Depreciated		4,033,100	4,033,100
Capital Assets, Net of Depreciation		53,598,036	53,598,036
Total Noncurrent Assets	0	88,195,343	88,195,343
Total Assets	33,211	104,679,221	104,712,432
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items		60,463	60,463
Deferred Loss on Bond Refunding		10,794,885	10,794,885
Total Deferred Outflows of Resources	0	10,855,348	10,855,348
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	432	360,295	360,727
Interest Payable		1,929,096	1,929,096
Deposits		1,142,626	1,142,626
Litigation Liability		833,334	833,334
Current Portion of Advances from Other Funds		1,778,820	1,778,820
Current Portion of Compensated Absences		12,493	12,493
Current Portion of Bonds Payable		2,460,000	2,460,000
Total Current Liabilities	432	8,516,664	8,517,096
Noncurrent Liabilities:			
Advances from Other Funds		8,787,710	8,787,710
Compensated Absences		16,866	16,866
Net Pension Liability		127	127
Bonds Payable		83,678,594	83,678,594
Total Noncurrent Liabilities	0	92,483,297	92,483,297
Total Liabilities	432	100,999,961	101,000,393
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items		19,536	19,536
Total Deferred Inflows of Resources	0	19,536	19,536
NET POSITION			
Net Investment in Capital Assets		742,975	742,975
Restricted for Community Benefits	32,779		32,779
Unrestricted		13,772,097	13,772,097
Total Net Position	\$ 32,779	\$ 14,515,072	\$ 14,547,851

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, 2018

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
OPERATING REVENUES			
Service Charges	\$	\$ 14,130,827	\$ 14,130,827
Availability Charges		1,101,906	1,101,906
Connection Fees		872,233	872,233
Other Revenue	66,911	764,306	831,217
Total Operating Revenues	66,911	16,869,272	16,936,183
OPERATING EXPENSES			
Salaries and Benefits		533,015	533,015
Contractual Services		81,667	81,667
Sewer Operations		1,067,431	1,067,431
Water Operations		2,922,558	2,922,558
Utilities		798,605	798,605
Community Events	77,347		77,347
Administration	2,158	1,298,805	1,300,963
Depreciation		1,498,722	1,498,722
Total Operating Expenses	79,505	8,200,803	8,280,308
Operating Income (Loss)	(12,594)	8,668,469	8,655,875
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings		1,130,931	1,130,931
Amortization and Other Nonoperating Expenses		(1,516,055)	(1,516,055)
Interest Expense and Fiscal Charges		(4,479,245)	(4,479,245)
Total Nonoperating Revenues (Expenses)	0	(4,864,369)	(4,864,369)
Income (Loss) before Transfers	(12,594)	3,804,100	3,791,506
Transfers Out		(786,427)	(786,427)
Change in Net Position	(12,594)	3,017,673	3,005,079
Total Net Position - Beginning	45,373	11,497,399	11,542,772
Total Net Position - Ending	\$ 32,779	\$ 14,515,072	\$ 14,547,851

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$	\$ 16,677,404	\$ 16,677,404
Other Receipts (Payments)	66,911	(2,890)	64,021
Payments to Suppliers for Goods and Services	(79,073)	(5,522,499)	(5,601,572)
Payments to Employees for Services		(489,571)	(489,571)
Net Cash Provided by (Used for) Operating Activities	(12,162)	10,662,444	10,650,282
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to Other Funds		(250,541)	(250,541)
Advances to and Payments on Interfund Advances		(712,802)	(712,802)
Net Cash Provided by (Used for) Noncapital Financing Activities	0	(963,343)	(963,343)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Refunding Revenue Bonds		73,806,060	73,806,060
Payment to Escrow Agent for Bond Refunding		(76,022,996)	(76,022,996)
Payment for Bond Costs of Issuance		(1,070,289)	(1,070,289)
Payment for Bond Insurance and Reserve Surety		(1,722,080)	(1,722,080)
Payment on Interfund Advances		(2,230,000)	(2,230,000)
Principal Payments on Capital Debt		(2,180,000)	(2,180,000)
Interest Paid on Capital Debt		(3,049,668)	(3,049,668)
Net Cash Provided by (Used for) Capital and Related Financing Activities	0	(12,468,973)	(12,468,973)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings		1,486,113	1,486,113
Net Cash Provided by (Used for) from Investing Activities	0	1,486,113	1,486,113
Net Increase (Decrease) in Cash and Cash Equivalents	(12,162)	(1,283,759)	(1,295,921)
Cash and Cash Equivalents - Beginning of the Year	45,373	29,570,573	18,318,576
Cash and Cash Equivalents - End of the Year	\$ 33,211	\$ 28,286,814	\$ 17,022,655
Reconciliation to Statement of Net Position:			
Cash and Investments	\$ 33,211	\$ 12,301,625	\$ 12,334,836
Cash and Investments with Fiscal Agent		15,985,189	15,985,189
Cash and Cash Equivalents	\$ 33,211	\$ 28,286,814	\$ 28,320,025

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, 2018

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (12,594)	\$ 8,668,469	\$ 8,655,875
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation		1,498,722	1,498,722
Other Payments		(2,890)	(2,890)
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable		(310,381)	(310,381)
(Increase) Decrease in Net Pension Asset		8,794	8,794
(Increase) Decrease in Pension Related Deferred Outflows of Resources		(38,168)	(38,168)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	432	(145,476)	(145,044)
Increase (Decrease) in Deposit Payables		118,513	118,513
Increase (Decrease) in Litigation Liability		833,334	833,334
Increase (Decrease) in Compensated Absences		28,505	28,505
Increase (Decrease) in Net Pension Liability		127	127
Increase (Decrease) in Pension Related Deferred Inflows of Resources		2,895	2,895
Total Adjustments	432	1,993,975	1,994,407
TOTAL CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (12,162)	\$ 10,662,444	\$ 10,650,282

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private-Purpose Trust Funds		Agency Funds
	Luetke Foundation	Successor Agency	
ASSETS			
Cash and Investments	\$ 35,021	\$ 8,507,026	\$ 1,586,021
Cash and Investments with Fiscal Agent		4,973,034	943,320
Accounts Receivable			3,584
Notes Receivable		542,355	
		<u> </u>	<u> </u>
Total Assets	<u>35,021</u>	<u>14,022,415</u>	<u>2,532,925</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Debt Refunding		431,133	
		<u> </u>	<u> </u>
Total Deferred Outflows of Resources	<u>0</u>	<u>431,133</u>	<u>0</u>
LIABILITIES			
Accounts Payable		11,446	
Due to Other Funds	10,565	381,488	79,299
Due to Bondholders			2,453,626
Bonds and Other Loans Interest Payable		760,665	
San Bernardino County Loan Interest Payable		22,282,194	
Advances from Other Funds		2,524,243	
Bonds Payable		8,757,510	
Loans Payable		26,863,111	
Other Long-term Liabilities		15,346,076	
		<u> </u>	<u> </u>
Total Liabilities	<u>10,565</u>	<u>76,926,733</u>	<u>\$ 2,532,925</u>
NET POSITION			
Net Position (Deficit) Held in Trust for Redevelopment & Other Purposes	24,456	(62,473,185)	
	<u> </u>	<u> </u>	
Total Net Position	<u>\$ 24,456</u>	<u>\$ (62,473,185)</u>	

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, 2018

	Private-Purpose Trust Funds	
	Luetke Foundation	Successor Agency
ADDITIONS		
Taxes	\$	\$ 4,415,224
Investment Earnings		170,819
Other Revenues		61,687
		<hr/>
Total Additions	0	4,647,730
		<hr/>
DEDUCTIONS		
Administration		324,667
Interest Expense		4,818,339
Loss on Disposal of Land Held for Development		487,344
		<hr/>
Total Deductions	0	5,630,350
		<hr/>
Change in Net Position	0	(982,620)
		<hr/>
Net Position - Beginning, As Previously Reported	24,456	(61,490,565)
		<hr/>
Net Position - Ending	<u>\$ 24,456</u>	<u>\$ (62,473,185)</u>

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, 2018

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City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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, 2018

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 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 implemented GASB No. 75 which is reflected 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. Currently, this statement has no effect on the City’s financial statements.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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. 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. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after June 15, 2019. 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. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2019. The City has elected not to early implement GASB No. 84 and has not determined its effect on the City's financial statements.

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. Currently, this Statement has no 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. Currently, this Statement has no effect on the City's financial statements.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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. 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. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement to be effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter. 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. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after June 15, 2019. The City has elected not to early implement GASB No. 88 and has not determined its effect on the City's financial statements.

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. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2020. The City has elected not to early implement GASB No. 89 and has not determined its effect on the City's financial statements.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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. 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. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2019. The City has elected not to early implement GASB No. 90 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 91

In May of 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement was issued to improve financial reporting for certain debt obligations. It allowed entities to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Statement No. 91 is effective for fiscal years beginning December 15, 2020. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2021. The City has elected not to early implement GASB No. 91 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 92

In January of 2020, GASB issued Statement No. 92, *Omnibus 2020*. This statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This includes GASB Statement No. 87, GASB Statement No. 73, GASB Statement No. 74, GASB Statement No. 84 and the measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition as well as other specific provisions. The requirements related to GASB Statement No. 87 are effective upon the issuance date of Statement No. 92. All other requirements are effective for reporting periods beginning after June 15, 2020. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement for paragraphs 6-10 and 12 for reporting periods beginning after June 15, 2021. The City has elected not to early implement GASB No. 92 and has not determined its effect on the City's financial statements.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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. 93

In March of 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that results from the replacement of an Interbank Offered Rates (IBOR). The removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements are effective for reporting periods beginning after June 15, 2020. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement for paragraphs 13 and 14 for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The City has elected not to early implement GASB No. 93 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 94

In March of 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). Statement No. 94 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has elected not to early implement GASB No. 94 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 95

In May of 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides which are as follows:

- a. Statement 83 - Reporting periods beginning after June 15, 2019.
- b. Statement 84 and Implementation Guide 2019-2 - Reporting periods beginning after December 15, 2019.
- c. Statement 87 and Implementation Guide 2019-3 - Fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- d. Statement 88 - Reporting periods beginning after June 15, 2019.
- e. Statement 89 - Reporting periods beginning after December 15, 2020.
- f. Statement 90 - Reporting periods beginning after December 15, 2019.
- g. Statement 91 - Reporting periods beginning after December 15, 2021.
- h. Statement 92, paragraphs 6 and 7 - Fiscal years beginning after June 15, 2021.
- i. Statement 92, paragraphs 8, 9, and 12 - Reporting periods beginning after June 15, 2021.
- j. Statement 92, paragraph 10 - Government acquisitions occurring in reporting periods beginning after June 15, 2021.
- k. Statement 93, paragraphs 13 and 14 - Fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- l. Implementation Guide 2017-3, Questions 4.484 and 4.491 - The first reporting period in which the measurement date of the (collective) net OPEB liability is on or after June 15, 2019.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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. 95 - Continued

- m. Implementation Guide 2017-3, Questions 4.85, 4.103, 4.108, 4.109, 4.225, 4.239, 4.244, 4.245, and 5.1-5.4 - Actuarial valuations as of December 15, 2018, or later.
- n. Implementation Guide 2018-1 - Reporting periods beginning after June 15, 2019.
- o. Implementation Guide 2019-1- Reporting periods beginning after June 15, 2020.

Statement No. 95 is effective immediately. The City has elected to delay certain provisions in the GASB Statements as allowed by GASB Statement No. 95.

Governmental Accounting Standard Board Statement No. 96

In May of 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangement (SBITAs) for government end users (governments). Statement No. 95 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has elected not to early implement GASB No. 96 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 97

In June of 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objective of this statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain defined pension and OPEB plans as fiduciary component units; and (3) enhance the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. All other requirements are effective for fiscal years beginning after June 15, 2021. The City has elected not to early implement GASB No. 97 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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

C) Basis of Presentation - Continued

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.

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 judgements, 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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 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.

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 that provides for community activities and coordinates beautification and other community enhancement opportunities.

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 *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, 2018

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, 2018

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 blank 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 three items that qualifies for reporting in this category. The City has deferred outflows related to pensions and other post-employment benefits (OPEB), which arises only under a full

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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

L) Deferred Outflows/Inflows of Resources - Continued

accrual basis of accounting. Accordingly, these items (*pension and OPEB related items*), are reported only in the government-wide statement of net position and proprietary funds statement of net position. This includes pension and OPEB contributions subsequent to the measurement date of the net pension liability, net OPEB liability and other amounts (see Notes 11 and 12), 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 and other post-employment benefits (OPEB), which arises only under a full accrual basis of accounting. Accordingly, these items (*pension and OPEB related items*), are reported only in the government-wide statement of net position and proprietary funds statement of net position. These amounts (see Notes 11 and 12) 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, 2018

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 st	
Levy Date	July 1 st to June 30 th	
Due Date	November 1 st	- 1st Installment
	February 1 st	- 2nd Installment
Delinquent Date	December 10 th	- 1st Installment
	April 10 th	- 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 10 percent is assessed by the County of San Bernardino. If taxes become delinquent, subject properties may be deeded to the State and may be sold by the County for taxes plus a 1.5 percent per month redemption fee.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

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

R) 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.

S) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Fund Deficits

The following funds contained a deficit fund balance or net position as of June 30, 2018.

Nonmajor Governmental Funds:		
Mavericks Stadium	\$	3,592,243
Federal Grants	\$	21,475
Community Development		
Block Grant	\$	31,592
Traffic Offender	\$	1,528
Private-Purpose Trust Fund:		
Successor Agency	\$	62,473,185

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

Excess of Expenditures over Appropriations

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

	Final Appropriations	Expenditures	Difference
Major Funds			
General Fund			
City Clerk	\$ 0	\$ 1,662	\$ (1,662)
City Attorney	960,200	1,195,545	(235,345)
Human Resources	3,690	4,332	(642)
Information Technology	282,026	319,293	(37,267)
Non-Department	1,131,627	1,196,031	(64,404)
Police	0	146	(146)
Code Enforcement	0	12,787	(12,787)
Animal Control	0	3,404	(3,404)
Public Safety	10,735,035	10,822,492	(87,457)
Streets	0	1,241	(1,241)
Facilities Management	0	733	(733)
LLMD	0	2,495	(2,495)
Engineering	0	375	(375)
Public Services	1,471,002	1,612,749	(141,747)
Planning and Economic Development	0	5,006	(5,006)
Community Services	1,655,178	1,895,317	(240,139)
Parks and Grounds	272,296	310,247	(37,951)
Senior Center	15,000	16,284	(1,284)
Capital Outlay - Information Technology	501,786	523,531	(21,745)
Nonmajor Funds			
Special Revenue Funds:			
Mavericks Stadium	269,500	487,142	(217,642)
Park Development Impact	0	42,860	(42,860)
Community Development Block Grant	0	28,592	(28,592)
AQMD/California AB Distributions	6,000	94,491	(88,491)
Measure I 1990-2010	0	45	(45)

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

3) CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and Investments	\$ 36,006,415
Cash and Investments with Fiscal Agent	16,193,345
Statement of Fiduciary Net Position:	
Cash and Investments	10,128,068
Cash and Investments with Fiscal Agent	<u>5,916,354</u>
Total Cash and Investments	<u>\$ 68,244,182</u>

Cash and Investments consist of the following:

Petty Cash	\$ 4,350
Deposits with Financial Institutions	37,447,151
Investments	<u>30,792,681</u>
Total Cash and Investments	<u>\$ 68,244,182</u>

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	40%	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

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

3) CASH AND INVESTMENTS - Continued

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.

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	\$ 4,473,353	\$ 4,473,353	\$	\$
Money Market Mutual Funds	4,174,608	4,174,608		
California Community Foundation Investment Pool ⁽¹⁾	35,021	35,021		
Held by Bond Trustee:				
Money Market Mutual Funds	20,649,199	20,649,199		
Investment Agreements	1,460,500			1,460,500
Total	\$ 30,792,681	\$ 29,332,181	\$ 0	\$ 1,460,500

⁽¹⁾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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

3) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk - Continued

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	Ratings as of Year End	
				AAA	Not Rated
State Investment Pool	\$ 4,473,353	N/A	\$	\$	\$ 4,473,353
Money Market Mutual Funds California Community	4,174,608	AAA		4,174,608	
Foundation Investment Pool	35,021				35,021
Held by Bond Trustee:					
Money Market Mutual Funds	20,649,199	N/A		20,649,199	
Investment Agreements	1,460,500	N/A			1,460,500
Total	\$ 30,792,681		\$ 0	\$ 24,823,807	\$ 5,968,874

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. There were no 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.

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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

3) CASH AND INVESTMENTS - Continued

Custodial Credit Risk - Continued

As of June 30, 2018, 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	\$ 4,174,608
Held by Bond Trustee:	
Money Market Mutual Funds	20,649,199
Investment Agreements	1,460,500

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 \$65,000,000 in the fund for the City and \$65,000,000 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, 2018 was 1.90%. The carrying value and estimated market value of the LAIF Pool at June 30, 2018 was \$88,964,875,827 and \$88,798,232,977, respectively. The City's share of the Pool at June 30, 2018 was approximately 0.0050 percent.

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 structured notes totaling \$825,000,000 and asset-backed securities totaling \$1,419,481,000. 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) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

4) FAIR VALUE MEASUREMENTS - Continued

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of assets measured on a recurring basis at June 30, 2018, are as follows:

	<u>Fair Value</u>	<u>Uncategorized</u>
Investments:		
State Investment Pool	\$ 4,473,353	\$ 4,473,353
Money Market Mutual Funds	4,174,608	4,174,608
California Community Foundation Investment Pool	35,021	35,021
Held by Bond Trustee:		
Money Market Funds	20,649,199	20,649,199
Investment Agreements	<u>1,460,500</u>	<u>1,460,500</u>
Total Investments	<u>\$ 30,792,681</u>	<u>\$ 30,792,681</u>

Fair values for investments are determined by using a matrix pricing technique. Matrix pricing is used to value securities based on the security's relationship to benchmark quoted prices. Uncategorized investments do not fall under the fair value hierarchy as there is no active market for the investments. Land held for development was acquired for the purpose of redevelopment rather than for income and profit. Therefore, land held for development is exempt under GASB 72 fair value measurements.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

5) 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	\$ 887,580 ⁽¹⁾	\$ 33,075
Non-Major Governmental Funds:		
Mavericks Stadium	576	372,638
Federal Grant		21,475
Community Development Block Grant		20,587
Traffic Offender		1,528
Measure I 2010-2040	32,499	
Fiduciary Funds		
Luetke Foundation		10,565
Successor Agency		381,488
Agency Funds		79,299
Totals	\$ 920,655	\$ 920,655

(1) The General Fund receivable amounts include \$416,228 due from governmental and enterprise funds, and \$471,352 from fiduciary funds.

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	\$ 16,036,057 ⁽¹⁾	\$ 2,032,267
Non-major Governmental Funds:		
Mavericks Stadium		3,094,853
Drainage Impact	241,240	
Major Enterprise Funds:		
Public Utility Authority	1,940,596	10,566,530 ⁽²⁾
Fiduciary Funds:		
Successor Agency		2,524,243
Totals	\$ 18,217,893	\$ 18,217,893

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

(2) The current portion of \$1,778,820 is separated in the Proprietary Funds Statement of Net Position.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

5) INTERFUND ACTIVITY - Continued

Advances to/from Other Funds - Continued

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, 2018.

The Mavericks Stadium Special Revenue Fund has an operating loan of \$3,094,853. The operating loan is 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 \$2,592,439 at June 30, 2018.

The future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,778,820	\$ 50,669	\$ 1,829,489
2020	813,619		813,619
Total	<u>\$ 2,592,439</u>	<u>\$ 50,669</u>	<u>\$ 2,643,108</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

5) INTERFUND ACTIVITY - Continued

Advances to/from Other Funds - Continued

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, 2018.

The future debt service requirements are as of follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$	\$ 400,511	\$ 400,511
2020	1,054,141	362,239	1,416,380
2021	1,961,149	268,851	2,230,000
2022	2,059,206	170,794	2,230,000
2023	1,356,673	67,834	1,424,507
Total	\$ 6,431,169	\$ 1,270,229	\$ 7,701,398

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 \$91,671 from the General Fund and \$149,569 from the Public Utility Authority as of June 30, 2018.

Public Utility Authority Advances

The General Fund has an operating loan of \$1,940,596 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

5) INTERFUND ACTIVITY - Continued

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	\$ 2,309,648	\$ 179,000
Non-Major Governmental Funds:		
Maverick Stadium	179,000	
Drainage Impact	666	
Gas Tax		900,000
TDA Article 8		20,000
Community Development Block Grant		88,887
Public Safety ½ Cent		125,000
Traffic Offender		5,000
COPS Grant		100,000
Community Facilities District		135,000
LLMD Annexation		150,000
Major Enterprise Funds:		
Public Utility Authority		786,427 ⁽¹⁾
Totals	\$ 2,489,314	\$ 2,489,314

⁽¹⁾ Included in the Public Utility Authority transfers out is \$535,886 of interest paid to the General Fund on the water and wastewater systems note payable.

⁽²⁾ The remaining transfers were used to provide services and finance various programs which were mostly for street and public safety related expenditures.

6) 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 9) 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 15). 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 \$12,638,422. This amount includes \$10,168,063 of accreted interest.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

7) CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land and Rights of Way	\$ 15,988,452	\$	\$	\$ 15,988,452
Construction in Progress	760,782	277,778		1,038,560
Total Capital Assets, Not Depreciated	<u>16,749,234</u>	<u>277,778</u>	<u>0</u>	<u>17,027,012</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	13,944,259	459,745		14,404,004
Machinery and Equipment	1,741,740			1,741,740
Vehicles	2,027,849	45,584		2,073,433
Infrastructure	97,594,235	1,180,000		98,774,235
Total Capital Assets, Being Depreciated	<u>115,308,083</u>	<u>1,685,329</u>	<u>0</u>	<u>116,993,412</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(7,619,800)	(248,101)		(7,867,901)
Machinery and Equipment	(1,549,888)	(65,237)		(1,615,125)
Vehicles	(1,819,506)	(68,474)		(1,887,980)
Infrastructure	(48,541,959)	(2,683,276)		(51,225,235)
Total Accumulated Depreciation	<u>(59,531,153)</u>	<u>(3,065,088)</u>	<u>0</u>	<u>(62,596,241)</u>
Total Capital Assets, Being Depreciated, Net	<u>55,776,930</u>	<u>(1,379,759)</u>	<u>0</u>	<u>54,397,171</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 72,526,164</u>	<u>\$ (1,101,981)</u>	<u>\$ 0</u>	<u>\$ 71,424,183</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 223,131
Public Safety	88,172
Public Works	2,625,583
Parks and Recreation	128,202
Total Depreciation Expense - Governmental Activities	<u>\$ 3,065,088</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

7) CAPITAL ASSETS - Continued

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 908,300	\$	\$	\$ 908,300
Water Rights	3,124,800			3,124,800
Total Capital Assets, Not Depreciated	4,033,100	0	0	4,033,100
Capital Assets, Being Depreciated:				
Buildings and Improvements	20,933,701			20,933,701
Machinery and Equipment	8,763,905			8,763,905
Computer Equipment	341,081			341,081
Vehicles	32,325			32,325
Infrastructure	48,844,054			48,844,054
Total Capital Assets, Being Depreciated	78,915,066	0	0	78,915,066
Less Accumulated Depreciation:				
Buildings and Improvements	(7,403,813)	(412,787)		(7,816,600)
Machinery and Equipment	(3,573,416)	(286,191)		(3,859,607)
Computer Equipment	0	(34,108)		(34,108)
Vehicles	0	(3,233)		(3,233)
Infrastructure	(12,841,079)	(762,403)		(13,603,482)
Total Accumulated Depreciation	(23,818,308)	(1,498,722)	0	(25,317,030)
Total Capital Assets, Being Depreciated, Net	55,096,758	(1,498,722)	0	53,598,036
Business-type Activities Capital Assets, Net of Depreciation ⁽¹⁾	\$ 59,129,858	\$ (1,498,722)	\$ 0	\$ 57,631,136

Depreciation was charged to functions/programs as follows:

Business-type Activities:	
Public Utility Authority	\$ 1,498,722
Total Depreciation Expense - Business-type Activities	\$ 1,498,722

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

8) 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
Governmental Activities:					
Compensated Absences (Note 1.N)	\$ 215,116	\$ 123,295	\$ 53,779 ⁽²⁾	\$ 284,632	\$ 71,158
Net Pension Liability (Note 11)	221,013		8,921	212,092	
Net OPEB Liability (Note 12)	229,358	1,929,203 ⁽¹⁾	81,502 ⁽²⁾	2,077,059	
Claims Payable (Note 13)	217,068	117,393	171,275 ⁽²⁾	163,186	55,454
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities Long-term Liabilities	<u>\$ 882,555</u>	<u>\$ 2,169,891</u>	<u>\$ 315,477</u>	<u>\$ 2,736,969</u>	<u>\$ 126,612</u>
Business-type Activities:					
Compensated Absences (Note 1.N)	\$ 854	\$ 39,314	\$ 10,809 ⁽²⁾	\$ 29,359	\$ 12,493
Net Pension Liability (Note 11)	0	12,405	12,278	127	
Fixed Rate Refunding Bonds, 2009 Series A	70,500,000		70,500,000 ⁽³⁾	0	
Unamortized Discount	(843,306)		(843,306)	0	
Fixed Rate Revenue Bonds, 2014 Series A	12,765,000		735,000	12,030,000	775,000
Unamortized Premium	316,285		13,751	302,534	
Fixed Rate Refunding Bonds, 2017 Series A	0	29,145,000		29,145,000	
Unamortized Premium	0	3,370,200		3,370,200	
Fixed Rate Refunding Bonds, 2017 Series B	0	41,710,000		41,710,000	1,685,000
Unamortized Discount	0	(419,140)		(419,140)	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type Activities Long-term Liabilities	<u>\$ 82,738,833</u>	<u>\$ 73,857,779</u>	<u>\$ 70,428,532</u>	<u>\$ 86,168,080</u>	<u>\$ 2,472,493</u>

⁽¹⁾ This amount includes a prior period adjustment of \$1,875,204 due to the implementation of GASB 75. See Note 17.

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

⁽³⁾ This amount includes an advanced bond refunding of \$69,055,000.

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 1st and January 1st 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. These bonds were defeased by the 2017 Series A and B Fixed Rate Revenue Refunding Bonds.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

8) LONG-TERM LIABILITIES - Continued

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 1st and January 1st 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 balance in the debt service reserve account as of June 30, 2018, is \$1,252,506, 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
2019	\$ 775,000	\$ 582,125	\$ 1,357,125
2020	815,000	542,375	1,357,375
2021	855,000	500,625	1,357,375
2022	900,000	456,750	1,356,750
2023	940,000	410,750	1,350,750
2024-2028	2,865,000	1,469,625	4,334,625
2029-2033	1,685,000	1,017,625	2,702,625
2034-2038	2,160,000	539,500	2,699,500
2039-2040	1,035,000	52,375	1,087,375
Total	<u>\$ 12,030,000</u>	<u>\$ 5,571,750</u>	<u>\$ 17,601,750</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 \$17,601,750 payable through fiscal year 2040. For the current year, principal and interest paid by the water and wastewater operating revenues was \$735,000 and \$619,875.

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 Refunding Revenue 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 1st and January 1st of each year. Interest on the bonds accrues at 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. The balance in the debt service reserve account as of June 30, 2018, is \$1,457,250, which is sufficient to cover the Bond Indenture Reserve Requirement.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

8) LONG-TERM LIABILITIES - Continued

Fixed Rate Revenue Refunding Bonds, 2017 Series A - Continued

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

Year Ending June 30,	Principal	Interest	Total
2019	\$	\$ 1,469,394	\$ 1,469,394
2020		1,457,250	1,457,250
2021	645,000	1,441,125	2,086,125
2022	645,000	1,408,875	2,053,875
2023	645,000	1,376,625	2,021,625
2024-2028	3,170,000	6,403,250	9,573,250
2029-2033	3,120,000	5,618,000	8,738,000
2034-2038	10,875,000	4,465,625	15,340,625
2039-2040	10,045,000	508,625	10,553,625
Total	<u>\$ 29,145,000</u>	<u>\$ 24,148,769</u>	<u>\$ 53,293,769</u>

Revenues Pledged

The Authority has pledged a portion of water and wastewater revenues to repay the 2017 Series A Fixed Rate Revenue Refunding Bonds. The bond is secured solely by water and wastewater operating revenues. Total principal and interest remaining on the bond is \$53,293,769 payable through fiscal year 2040. For the current year, there were no debt service payments required.

Fixed Rate Revenue Refunding Bonds, 2017 Series B

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$41,710,000 Fixed Rate Refunding Revenue 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 1st and January 1st of each year. Interest on the bonds accrues at rate of 3% to 4.75% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$1,455,000 to \$3,610,000, commencing July 1, 2018 through July 1, 2035. The balance in the debt service reserve account as of June 30, 2018, is \$1,890,738, 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
2019	\$ 1,685,000	\$ 1,735,332	\$ 3,420,332
2020	1,455,000	1,672,772	3,127,772
2021	1,530,000	1,624,219	3,154,219
2022	1,615,000	1,572,156	3,187,156
2023	1,700,000	1,516,162	3,216,162
2024-2028	10,060,000	6,522,797	16,582,797
2029-2033	13,450,000	4,045,791	17,495,791
2034-2036	10,215,000	747,056	10,962,056
Total	<u>\$ 41,710,000</u>	<u>\$ 19,436,285</u>	<u>\$ 61,146,285</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

8) LONG-TERM LIABILITIES - Continued

Fixed Rate Revenue Refunding Bonds, 2017 Series B - Continued

Revenues Pledged

The Authority has pledged a portion of water and wastewater revenues to repay the 2017 Series B Fixed Rate Revenue Refunding Bonds. The bond is secured solely by water and wastewater operating revenues. Total principal and interest remaining on the bond is \$61,146,285 payable through fiscal year 2036. For the current year, there were no debt service payments required.

Advance Refunding

Fixed Rate Refunding Revenue Bonds, 2009 Series A

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$29,145,000 Fixed Rate Refunding Revenue Bonds, 2017 Series A with an interest rate of 5% and \$41,710,000 Fixed Rate Refunding Revenue Bonds, 2017 Series B with interest rates of 3% to 4.75%. The proceeds were used to advance refund \$69,055,000 of the Authority's 2009 Series A Fixed Rate Refunding bonds, an unamortized discount of \$804,979, deferred charge on refunding of \$5,375,972 (deferred outflows of resources), interest payable of \$2,203,954 and other related amounts. The net proceeds of \$76,022,996 (including a net premium(discount) of \$2,951,060, \$8,400,784 of prior funds and \$6,183,848 in issuance costs and reserves) were deposited in an irrevocable trust to provide funds for the future debt service payment on the refunded bonds. As a result, the Authority's 2009 Series A Fixed Rate Refunding Revenue Bonds, are considered to be defeased and the liability of this bond has been removed from the Statement of Net Position in the government-wide and proprietary fund financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$11,051,907. This amount is reflected as a deferred outflow on the Statement of Net Position in the government-wide and proprietary funds financial statements and is being amortized over the remaining life of the refunded debt. The advance refunded the 2009 Series A Fixed Rate Refunding Revenue Bonds to reduce its total debt service payments over 18 years by \$16,809,856 and to obtain an economic gain (difference between the present values of the debt service payments of the old debt and new debt) of \$11,607,128.

9) CONDUIT DEBT

Community Facilities District Bonds

Bonds issued for improvements in certain special assessment districts in accordance with the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

9) CONDUIT DEBT - Continued

Community Facilities District Bonds - Continued

<u>District Bonds</u>	<u>Amount of Issue</u>	<u>Outstanding at End of Year</u>
Community Facilities District No. 2006-2 IA1, 2015 Special Tax Bonds	\$ 3,575,000	\$ 3,515,000
Community Facilities District No. 2006-2 IA2, 2015A Special Tax Bonds	3,715,000	3,715,000
Community Facilities District No. 2006-2 IA2, 2015B Special Tax Bonds	<u>2,480,000</u>	<u>2,415,000</u>
	<u>\$ 9,770,000</u>	<u>\$ 9,645,000</u>

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 15. 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.

<u>Local Agency Subordinated Revenue Bonds - Successor Agency</u>	<u>Amount of Issue</u>	<u>Outstanding at End of Year</u>
Local Agency Taxable Subordinated Revenue Bonds, 1995 Series A	\$ 7,400,000	\$ 2,480,000
Local Agency 2 nd Subordinated Revenue Bonds, 1995 Series B	17,560,000	11,805,000
Local Agency 3 rd Subordinated Revenue Bonds, 1995 Series C	<u>11,786,856</u>	<u>12,638,422⁽¹⁾</u>
	<u>\$ 36,746,856</u>	<u>\$ 26,923,422</u>

⁽¹⁾ This amount includes \$10,168,063 of accreted interest.

10) NET POSITION

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

<u>Description</u>	<u>Statement of Net Position</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Air Quality Management	\$ 120,771	\$
Law Enforcement	213,648	
Public Safety	106,923	
Lighting and Landscape Maintenance	359,092	
Community Benefits		<u>32,779</u>
Total	<u>\$ 800,434</u>	<u>\$ 32,779</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

11) 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, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013 ⁽¹⁾
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	7.221%	6.533%
	Safety⁽²⁾	
	Prior to January 1, 2013	On or After January 1, 2013 ⁽¹⁾
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

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

⁽²⁾ 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, 2018

11) 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, 2018 were \$291,674.

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

As of June 30, 2018, the City reported a net pension liability (asset) for its proportionate shares of the net pension liability of the Plan of \$212,219. This was the net of governmental activities having a net pension liability of \$212,092 and the business-type activities have a net pension liability of \$127.

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2017 and 2018 was as follows:

Proportion		Change Increase (Decrease)
Fiscal Year June 30, 2018	Fiscal Year June 30, 2017	
0.00214%	0.00214%	0.00000% ⁽¹⁾

⁽¹⁾There is no change in the City's proportionate share since the City elected to use the June 30, 2017 actuarial valuation which was used in the prior year. Under GASB 68, the City can use an actuarial valuation with a measurement date no longer than one year before the City's fiscal year end.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

11) 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, 2018, the City did not recognize any pension expense since the City elected to use the June 30, 2017 actuarial valuation from the prior year. At June 30, 2018, City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 325,804	\$
Differences between actual and expected experience	4,521	(45,753)
Changes in assumptions	412,795	(31,485)
Change in employer's proportion and differences between the employer's contributions and the employer's Proportionate share of contributions	2,098	(407,578)
Net differences between projected and actual earnings on plan investments	93,198	
Total	\$ 838,416	\$ (484,816)

The City reported \$325,804 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	\$ (164,313)
2020	147,251
2021	100,154
2022	(55,296)

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

11) 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, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	CalPERS Membership Data ⁽¹⁾

⁽¹⁾The Mortality Rate Table used was developed based on CalPERS specific data. 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.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions - The discount rate was reduced from 7.65% to 7.15%.

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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, 2018

11) 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 (PERF) cash flows. Taking into account historical returns of all the Public Employee's Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF 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 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

^(a) An expected inflation of 2.5% used for this period.

^(b) An expected inflation of 3.0% used for this period.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

11) 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
1% Decrease		6.15%
Net Pension Liability (Asset)	\$	1,573,051
Current Discount Rate		7.15%
Net Pension Liability (Asset)	\$	212,219
1% Increase		8.15%
Net Pension Liability (Asset)	\$	(914,149)

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, 2018, the City reported a payable of \$37,809, which is included in accrued liabilities, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

12) 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, 2018

12) 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 ⁽¹⁾

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

Employees Covered

As of June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the CARHP:

Active employees	13
Inactive employees entitled to but not yet receiving benefit payment	0
Inactive employees or beneficiaries currently receiving benefits	39
Total	52

Contributions

Currently, the City is under a pay-as-you-go method under which contributions to the plan are generally made the same time and in the same amount as retiree benefits and expenses come due. For the fiscal year ended June 30, 2018, the City's cash contributions were \$78,595.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

12) OTHER POST EMPLOYMENT BENEFITS - Continued

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Actuarial Assumptions

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Years: 20 as of July 1, 2015 Method: Closed, Level Percent of Pay
Asset Valuation Method	N/A
Discount Rate	3.56%
Investment Rate of Return	N/A
General Inflation	2.625%
Salary Increases	2.875%
Healthcare Cost Trend	6.5% in the first year, trending down to 3.84% over 56 years
Mortality	Mortality rates were based on tables from CalPERS OPEB Assumption Model for Public Agencies and Schools, effective December 20, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56 percent. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-empty, high-quality 20 year municipal bonds, as of the valuation date. Currently, the City is under a pay-as-you-go method, and the CARHP has no fiduciary net position.

Changes in the OPEB Liability

The changes in the net OPEB liability for CARHP are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017 (Measurement Date June 30, 2016)	\$ 2,104,562	\$ 0	\$ 2,104,562
Changes Recognized for the Measurement Period:			
Service Cost	22,912		22,912
Interest	72,802		72,802
Differences Between Expected and Actual Experience	56,642		56,642
Changes of Assumptions	(98,357)		(98,357)
Benefit Payments	(81,502)		(81,502)
Net Changes	(27,503)	0	(27,503)
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 2,077,059	\$ 0	\$ 2,077,059

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

12) OTHER POST EMPLOYMENT BENEFITS - Continued

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB Liability	\$ 2,360,985	\$ 2,077,059	\$ 1,842,480

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 1,900,002	\$ 2,077,059	\$ 2,244,919

OPEB Plan Fiduciary Net Position

Currently, the City is under a pay-as-you-go method, and the CARHP has no fiduciary net position.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Differences Between Expected and Actual Experience	1.8 years
Changes of Assumptions	1.8 years

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

12) OTHER POST EMPLOYMENT BENEFITS - Continued

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

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$72,539. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 78,595	\$
Changes in Assumptions		(43,714)
Differences Between Actual and Expected Experience	25,174	
Total	\$ 103,769	\$ (43,714)

The \$78,595 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (18,540)
2020	0
2021	0
2022	0
2023	0

13) 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

13) RISK MANAGEMENT - Continued

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.

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, 2018, the City had an excess of funds of \$475,785 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, 2018	Year Ended June 30, 2017
Claims Payable, Beginning of Year	\$ 217,068	\$ 252,331
Incurred Claims (Including IBNRs)	117,393	104,524
Claim Payments	(66,039)	(19,260)
Changes in Estimates	(105,236)	(120,527)
Claims Payable, End of Year	\$ 163,186	\$ 217,068

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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

14) 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. The City reported a litigation liability of \$1,250,000 related to five open cases regarding terminations. The City has a maximum liability of \$250,000 per case. In the opinion of management, the amount of losses that might be sustained, if any, from any remaining cases the City is subject to would not materially affect the financial position of the City.

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.

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.

15) 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

15) SUCCESSOR AGENCY - Continued

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 \$542,355 as of June 30, 2018.

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	\$ 6,850,000	\$	\$ 785,000	\$ 6,065,000
Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds	2,945,000		75,000	2,870,000
Discounts	(205,690)		(28,200)	(177,490)
Total Tax Allocation Bonds	<u>9,589,310</u>	<u>0</u>	<u>831,800</u>	<u>8,757,510</u>
Loans Payable:				
Adelanto Public Financing Authority	27,789,649	975,349 ⁽¹⁾	1,841,576	26,923,422
Discounts	(66,888)		(6,577)	(60,311)
Total Loans Payable	<u>27,722,761</u>	<u>975,349</u>	<u>1,834,999</u>	<u>26,863,111</u>
Other Long-term Liabilities:				
Intermountain Power Agency Settlement Agreement	1,989,390			1,989,390
San Bernardino County Tax Increment Loans	13,356,686			13,356,686
Total Other Long-term Liabilities	<u>15,346,076</u>	<u>0</u>	<u>0</u>	<u>15,346,076</u>
Total Long-term Liabilities	<u>\$ 52,658,147</u>	<u>\$ 975,349</u>	<u>\$ 2,666,799</u>	<u>\$ 50,966,697</u>

⁽¹⁾This amount represents accreted interest on the loan related to the Adelanto Public Financing Authoring Local Agency Third Subordinated Revenue Bonds, 1995 Series C.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

15) 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 1st and December 1st 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, 2018, is \$ 1,227,925 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
2019	\$ 830,000	\$ 310,750	\$ 1,140,750
2020	940,000	262,075	1,202,075
2021	990,000	209,000	1,199,000
2022	1,045,000	153,038	1,198,038
2023	1,100,000	94,050	1,194,050
2024	1,160,000	31,900	1,191,900
Total	\$ 6,065,000	\$ 1,060,813	\$ 7,125,813

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 1st and March 1st 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, 2018, is \$253,106, which is sufficient to cover the Bond Indenture Reserve Requirement.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

15) 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
2019	\$ 80,000	\$ 167,060	\$ 247,060
2020	85,000	162,810	247,810
2021	90,000	158,215	248,215
2022	95,000	153,265	248,265
2023	100,000	147,950	247,950
2024-2028	585,000	642,150	1,227,150
2029-2033	785,000	437,850	1,222,850
2034-2038	1,050,000	164,700	1,214,700
Total	\$ 2,870,000	\$ 2,034,000	\$ 4,904,000

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 9.

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	\$ 2,480,000
1995 Series B Issue	17,560,000	11,805,000
1995 Series C Issue	11,786,856	12,638,422 ⁽¹⁾
Total	\$ 36,746,856	\$ 26,923,422

⁽¹⁾ This amount includes accreted interest of \$10,168,063.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

15) 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 1st and March 1st 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, 2018, is \$744,312, 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
2019	\$ 20,000	\$ 177,840	\$ 197,840
2020		177,120	177,120
2021		177,120	177,120
2022		177,120	177,120
2023		177,120	177,120
2024-2026	2,460,000	357,480	2,817,480
Total	\$ 2,480,000	\$ 1,243,800	\$ 3,723,800

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 1st and March 1st 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, 2018, is \$1,460,509, which is sufficient to cover the Bond Indenture Reserve Requirement.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

15) 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
2019	\$ 510,000	\$ 727,650	\$ 1,237,650
2020	500,000	695,835	1,195,835
2021	535,000	663,233	1,198,233
2022	565,000	628,582	1,193,582
2023	605,000	591,728	1,196,728
2024-2028	6,630,000	2,121,210	8,751,210
2029	2,460,000	77,490	2,537,490
Total	<u>\$ 11,805,000</u>	<u>\$ 5,505,728</u>	<u>\$ 17,310,728</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 1st and March 1st 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, 2018 is \$2,470,359 with accreted interest payable of \$10,168,063.

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 272,074	\$ 1,197,852	\$ 1,469,926
2020	274,786	1,321,559	1,596,345
2021	263,939	1,386,635	1,650,574
2022	253,544	1,453,130	1,706,674
2023	242,697	1,515,770	1,758,467
2024-2028	1,069,314	8,584,425	9,653,739
2029	94,005	945,995	1,040,000
Total	<u>\$ 2,470,359</u>	<u>\$ 16,405,366</u>	<u>\$ 18,875,725</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

15) 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, 2018.

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, 2018 was \$13,356,686 with interest payable of \$22,282,194.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2018

15) 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.

16) SUBSEQUENT EVENTS

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.

During fiscal years 2019 and 2020, the City entered into settlement agreements with former employees.

On March 19, 2020, the Governor of the State of California issued a Stay at Home Order for all California residences and nonessential services until further notice. This order was in response to the COVID-19 outbreak which the World Health Organization has characterized as pandemic. The stock markets subsequently were affected by large declines and volatility. The impact of COVID-19 on the City's operational and financial performance is uncertain at this time.

The City is required to implement certain Government Accounting Standard Board (GASB) Statements which could have an impact on the financial statements. See Note 1B.

17) PRIOR PERIOD ADJUSTMENTS

Included in the Government-wide Statement of Activities and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance is a prior period adjustment of \$256,609. The prior period adjustment reflects unrecorded bank reconciliation adjustments from the prior year and adjustments related to a wire transfer.

Also included in the Statement of Activities, is a prior period adjustment of \$1,793,702 that relates to the implementation of GASB Statement 75 for postemployment benefits other than pensions. The beginning net OPEB liability was adjusted by \$1,875,204. For deferred outflows of resources, OPEB related items, there was an adjustment of \$81,502 to record the beginning balance of OPEB contributions made subsequent to the measurement date.

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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⁽¹⁾
As of June 30, 2018

Fiscal Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2015	(0.00747)%	\$ (513,066)	\$ 1,823,881	(28.13)%	(6.22)%
2016	0.00005%	\$ 4,288	\$ 1,651,349	0.26%	99.95%
2017	0.00214%	\$ 212,219	\$ 2,011,038	10.55%	97.85%
2018	0.00214%	\$ 212,219	\$ 2,011,038	10.55%	97.85%

Notes to Schedule:

Benefit Changes. In 2015, 2016 and 2017, 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. In 2017, the discount rate was reduced from 7.65% to 7.15%.

(1) Fiscal year 2015 was the 1st year of implementation, therefore only three years is shown.

(2) The information for fiscal years 2017 and 2018 is the same due to the timing of the actuarial valuation. Fiscal year 2017 used the valuation as of June 30, 2017, since it was available at the time the financial statements were issued. For most years, the actuarial valuations are one year behind due to their availability.

City of Adelanto, California
Schedule of Contributions
CalPERS Pension Plan
Last Ten Years*
As of June 30, 2018

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 183,391	\$ (183,391)	\$ 0	\$ 1,823,881	10.05%
2016	\$ 230,018	\$ (230,018)	\$ 0	\$ 1,651,349	13.93%
2017	\$ 274,614	\$ (271,614)	\$ 0	\$ 2,011,038	13.66%
2018	\$ 291,674	\$ (291,674)	\$ 0	\$ 2,684,367	10.87%

*- Fiscal year 2015 was the 1st year of implementation, therefore only three years is shown.

City of Adelanto, California
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios
For the Measurement Periods Ended June 30

	Measurement Period	2017
Total OPEB Liability		
Service Cost		\$ 22,912
Interest on the Total OPEB Liability		72,802
Actual and Expected Experience Difference		56,642
Changes in Assumptions		(98,357)
Changes in Benefit Terms		0
Benefit Payments		(81,502)
		(27,503)
	Net Change in Total OPEB Liability	(27,503)
	Total OPEB Liability - Beginning	2,104,562
		\$ 2,077,059
	Total OPEB Liability - Ending (a)	\$ 2,077,059
 Plan Fiduciary Net Position		
Contribution - Employer		\$ 0
Net Investment Income		0
Benefit Payments		0
Administrative Expense		0
		0
	Net Change in Plan Fiduciary Net Position	0
	Plan Fiduciary Net Position - Beginning	0
		\$ 0
	Plan Fiduciary Net Position - Ending (b)	\$ 0
		\$ 2,077,059
	Net OPEB Liability (Asset) - Ending (a)-(b)	\$ 2,077,059
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		0%
Covered-employee Payroll		\$ 1,024,839
Net OPEB Liability as a Percentage of Covered-employee Payroll		202.67%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

City of Adelanto, California
Schedule of Contributions
Retiree Health Benefit Plan
Last Ten Fiscal Years
As of June 30, 2018

Fiscal Year Ended June 30,	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ N/A
Contributions in Relation to the ADC	N/A
Contribution Deficiency (Excess)	<u>\$ N/A</u>
Covered-Employee Payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

Notes to Schedule:

For the fiscal year 2018, the City did not have an actuarially determined contribution (ADC) calculated.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information become available.

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 9,058,150	\$ 8,205,800	\$ 7,775,210	\$ (430,590)
Licenses and Permits	1,973,250	1,989,750	2,196,370	206,620
Fines, Forfeitures and Penalties	110,650	110,650	178,965	68,315
Investment Earnings	700,000	700,000	8,980	(691,020)
Charges for Current Services	2,169,930	3,287,563	2,772,882	(514,681)
Intergovernmental Revenues	29,000	29,000	50,009	21,009
Miscellaneous	134,150	623,150	307,781	(315,369)
	<u>14,175,130</u>	<u>14,945,913</u>	<u>13,290,197</u>	<u>(1,655,716)</u>
EXPENDITURES				
Current:				
General Government:				
City Council	113,890	141,890	119,452	22,438
Administration	720,462	747,762	701,874	45,888
City Clerk			1,662	(1,662)
Finance	426,690	564,661	547,174	17,487
City Attorney	520,200	960,200	1,195,545	(235,345)
Human Resources	21,690	3,690	4,332	(642)
Information Technology	293,026	282,026	319,293	(37,267)
Non-Department	943,447	1,131,627	1,196,031	(64,404)
	<u>3,039,405</u>	<u>3,831,856</u>	<u>4,085,363</u>	<u>(253,507)</u>
Public Safety:				
Police			146	(146)
Code Enforcement			12,787	(12,787)
Animal Control			3,404	(3,404)
Public Safety	10,840,285	10,735,035	10,822,492	(87,457)
	<u>10,840,285</u>	<u>10,735,035</u>	<u>10,838,829</u>	<u>(103,794)</u>
Public Works:				
Streets			1,241	(1,241)
Facility Maintenance			733	(733)
LLMD			2,495	(2,495)
Engineering			375	(375)
Public Services	1,527,602	1,471,002	1,612,749	(141,747)
	<u>1,527,602</u>	<u>1,471,002</u>	<u>1,617,593</u>	<u>(146,591)</u>

Continued

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund - Continued
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Development:				
Planning and Economic Development	\$	\$	\$ 5,006	\$ (5,006)
Community Services	1,660,148	1,655,178	1,895,317	(240,139)
Total Community Development	1,660,148	1,655,178	1,900,323	(245,145)
Parks and Recreation:				
Parks and Grounds	246,996	272,296	310,247	(37,951)
Senior Center	13,000	15,000	16,284	(1,284)
Community Center	7,500	7,500	3,060	4,440
Total Parks and Recreation	267,496	294,796	329,591	(34,795)
Capital Outlay:				
Information Technology	501,786	501,786	523,531	(21,745)
Non-Department	5,000	36,000	370	35,630
Parks and Grounds	40,000	40,000	3,354	36,646
Public Services	72,000	71,600	38,280	33,320
Public Safety	5,000			0
Total Capital Outlay	623,786	649,386	565,535	83,851
Total Expenditures	17,958,722	18,637,253	19,337,234	(699,981)
Excess (Deficiency) of Revenues over Expenditures	(3,783,592)	(3,691,340)	(6,047,037)	(2,355,697)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	100,000	100,000		(100,000)
Transfers In	4,083,840	3,738,840	2,309,648	(1,429,192)
Transfers Out		(215,500)	(179,000)	36,500
Total Other Financing Sources (Uses)	4,183,840	3,623,340	2,130,648	(1,492,692)
Net Change in Fund Balance	\$ 400,248	\$ (68,000)	(3,916,389)	\$ (3,848,389)
Fund Balance - Beginning, As Previously Reported			\$ 23,535,918	
Prior Period Adjustment			256,609	
Fund Balance - Beginning, As Restated			23,792,527	
Fund Balance - Ending			\$ 19,876,138	

City of Adelanto, California
Notes to Required Supplementary Information
Year Ended June 30, 2018

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.

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SUPPLEMENTARY SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Capital Project Fund:

Capital Improvement Projects - is used to account for miscellaneous improvement projects.

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.

Road Maintenance & Rehabilitation SB-1 - is used to account for the funds received and expenditures for the road maintenance and rehabilitation account (RMRA) under SB-1.

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.

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.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds - Continued

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.

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City of Adelanto, California
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2018

	<u>Capital Projects</u>		<u>Special Revenue</u>	
	<u>Capital Improvement Projects</u>	<u>Mavericks Stadium</u>	<u>Park Development Impact</u>	<u>Drainage Impact</u>
ASSETS				
Cash and Investments	\$	\$	\$ 1,551,984	\$ 4,854,649
Cash and Investments with Fiscal Agent	208,156			
Accounts Receivable		35,604		
Due from Other Funds		576		
Advances to Other Funds				241,240
				<u>241,240</u>
Total Assets	<u>\$ 208,156</u>	<u>\$ 36,180</u>	<u>\$ 1,551,984</u>	<u>\$ 5,095,889</u>
LIABILITIES				
Accounts Payable	\$	\$ 160,932	\$	\$
Due to Other Funds		372,638		
Advances from Other Funds		3,094,853		
				<u>0</u>
Total Liabilities	<u>0</u>	<u>3,628,423</u>	<u>0</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Developer Fees				
Unavailable Revenue - Intergovernmental				
				<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES				
Restricted for:				
Development	208,156		1,551,984	5,095,889
Streets and Roads				
Air Quality Management				
Law Enforcement				
Public Safety				
Community Development				
Lighting and Landscape Maintenance				
Unassigned		(3,592,243)		
				<u>0</u>
Total Fund Balances	<u>208,156</u>	<u>(3,592,243)</u>	<u>1,551,984</u>	<u>5,095,889</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 208,156</u>	<u>\$ 36,180</u>	<u>\$ 1,551,984</u>	<u>\$ 5,095,889</u>

Special Revenue

Traffic Impact	Fire Mitigation Impact	Gas Tax	TDA Article 8	Road Maintenance & Rehabilitation SB-1
\$ 4,020,677	\$ 232,269	\$ 834,314	\$ 390,516	\$ 128,183
697,787	99,123		999,174	72,641
<u>\$ 4,718,464</u>	<u>\$ 331,392</u>	<u>\$ 834,314</u>	<u>\$ 1,389,690</u>	<u>\$ 200,824</u>
\$ 4,658	\$	\$	\$	\$
<u>4,658</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
697,787	99,123		999,174	
<u>697,787</u>	<u>99,123</u>	<u>0</u>	<u>999,174</u>	<u>0</u>
4,016,019	232,269	834,314	390,516	200,824
<u>4,016,019</u>	<u>232,269</u>	<u>834,314</u>	<u>390,516</u>	<u>200,824</u>
<u>\$ 4,718,464</u>	<u>\$ 331,392</u>	<u>\$ 834,314</u>	<u>\$ 1,389,690</u>	<u>\$ 200,824</u>

Continued

City of Adelanto, California
Combining Balance Sheet - Continued
Non-major Governmental Funds
June 30, 2018

	Special Revenue			
	Federal Grants	Community Development Block Grant	AQMD/ California AB Distributions	Police Asset Seizure
ASSETS				
Cash and Investments	\$	\$	\$ 120,771	\$ 16,330
Cash and Investments with Fiscal Agent				
Accounts Receivable		20,342		
Due from Other Funds				
Advances to Other Funds				
Total Assets	<u>\$ 0</u>	<u>\$ 20,342</u>	<u>\$ 120,771</u>	<u>\$ 16,330</u>
LIABILITIES				
Accounts Payable	\$	\$ 11,005	\$	\$
Due to Other Funds	21,475	20,587		
Advances from Other Funds				
Total Liabilities	<u>21,475</u>	<u>31,592</u>	<u>0</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Developer Fees				
Unavailable Revenue - Intergovernmental		20,342		
Total Deferred Inflows of Resources	<u>0</u>	<u>20,342</u>	<u>0</u>	<u>0</u>
FUND BALANCES				
Restricted for:				
Development				
Streets and Roads				
Air Quality Management			120,771	
Law Enforcement				16,330
Public Safety				
Community Development				
Lighting and Landscape Maintenance				
Unassigned	(21,475)	(31,592)		
Total Fund Balances	<u>(21,475)</u>	<u>(31,592)</u>	<u>120,771</u>	<u>16,330</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 0</u>	<u>\$ 20,342</u>	<u>\$ 120,771</u>	<u>\$ 16,330</u>

Special Revenue

Public Safety 1/2 Cent	Traffic Offender	COPS Grant	Measure I 1990-2010	Measure I 70% Local
\$ 95,401	\$	\$ 197,318	\$ 2,317,549	\$ 2,043,773
11,522				118,206 32,499
<u>\$ 106,923</u>	<u>\$ 0</u>	<u>\$ 197,318</u>	<u>\$ 2,317,549</u>	<u>\$ 2,194,478</u>
\$	\$ 1,528	\$	\$	\$ 362,179
<u>0</u>	<u>1,528</u>	<u>0</u>	<u>0</u>	<u>362,179</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
106,923		197,318	2,317,549	1,832,299
	(1,528)			
<u>106,923</u>	<u>(1,528)</u>	<u>197,318</u>	<u>2,317,549</u>	<u>1,832,299</u>
<u>\$ 106,923</u>	<u>\$ 0</u>	<u>\$ 197,318</u>	<u>\$ 2,317,549</u>	<u>\$ 2,194,478</u>

Continued

City of Adelanto, California
Combining Balance Sheet - Continued
Non-major Governmental Funds
June 30, 2018

	Special Revenue		Total Non-major Governmental Funds
	Community Facilities District	LLMD Annexation	
ASSETS			
Cash and Investments	\$ 485,785	\$ 357,052	\$ 17,646,571
Cash and Investments with Fiscal Agent			208,156
Accounts Receivable	1,184	2,040	2,057,623
Due from Other Funds			33,075
Advances to Other Funds			241,240
Total Assets	\$ 486,969	\$ 359,092	\$ 20,186,665
LIABILITIES			
Accounts Payable	\$	\$	\$ 538,774
Due to Other Funds			416,228
Advances from Other Funds			3,094,853
Total Liabilities	0	0	4,049,855
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Developer Fees			796,910
Unavailable Revenue - Intergovernmental			1,019,516
Total Deferred Inflows of Resources	0	0	1,816,426
FUND BALANCES			
Restricted for:			
Development			7,088,298
Streets and Roads			9,591,521
Air Quality Management			120,771
Law Enforcement			213,648
Public Safety			106,923
Community Development	486,969		486,969
Lighting and Landscape Maintenance		359,092	359,092
Unassigned			(3,646,838)
Total Fund Balances	486,969	359,092	14,320,384
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 486,969	\$ 359,092	\$ 20,186,665

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City of Adelanto, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year Ended June 30, 2018

	Capital Projects	Special Revenue		
	Capital Improvement Projects	Mavericks Stadium	Park Development Impact	Drainage Impact
REVENUES				
Taxes	\$	\$	\$	\$
Investment Earnings	2,275			
Charges for Current Services		83,442		
Developer Fees			75,140	122,665
Intergovernmental Revenues				
Miscellaneous Revenue	5,817			
Total Revenues	<u>8,092</u>	<u>83,442</u>	<u>75,140</u>	<u>122,665</u>
EXPENDITURES				
Current:				
Public Safety				
Public Works				
Community Development				
Parks and Recreation		487,142		
Capital Outlay			42,860	
Total Expenditures	<u>0</u>	<u>487,142</u>	<u>42,860</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,092</u>	<u>(403,700)</u>	<u>32,280</u>	<u>122,665</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		179,000		666
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>179,000</u>	<u>0</u>	<u>666</u>
Net Change in Fund Balances	8,092	(224,700)	32,280	123,331
Fund Balances - Beginning	<u>200,064</u>	<u>(3,367,543)</u>	<u>1,519,704</u>	<u>4,972,558</u>
Fund Balances - Ending	<u>\$ 208,156</u>	<u>\$ (3,592,243)</u>	<u>\$ 1,551,984</u>	<u>\$ 5,095,889</u>

Special Revenue

Traffic Impact	Fire Mitigation Impact	Gas Tax	TDA Article 8	Road Maintenance & Rehabilitation SB-1
\$	\$	\$	\$	\$
		4,068		
174,376	9,774	688,801		200,824
174,376	9,774	692,869	0	200,824
15,515				
15,515	0	0	0	0
158,861	9,774	692,869	0	200,824
		(900,000)	(20,000)	
0	0	(900,000)	(20,000)	0
158,861	9,774	(207,131)	(20,000)	200,824
3,857,158	222,495	1,041,445	410,516	0
\$ 4,016,019	\$ 232,269	\$ 834,314	\$ 390,516	\$ 200,824

Continued

City of Adelanto, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued
Non-major Governmental Funds
Year Ended June 30, 2018

	Special Revenue			
	Federal Grants	Community Development Block Grant	AQMD/ California AB Distributions	Police Asset Seizure
REVENUES				
Taxes	\$	\$	\$	\$
Investment Earnings				
Charges for Current Services				
Developer Fees				
Intergovernmental Revenues		76,887		
Miscellaneous Revenues				
Total Revenues	0	76,887	0	0
EXPENDITURES				
Current:				
Public Safety	3,222			
Public Works			94,491	
Community Development		28,592		
Parks and Recreation				
Capital Outlay				
Total Expenditures	3,222	28,592	94,491	0
Excess (Deficiency) of Revenues Over Expenditures	(3,222)	48,295	(94,491)	0
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out		(88,887)		
Total Other Financing Sources (Uses)	0	(88,887)	0	0
Net Change in Fund Balances	(3,222)	(40,592)	(94,491)	0
Fund Balances - Beginning	(18,253)	9,000	215,262	16,330
Fund Balances - Ending	\$ (21,475)	\$ (31,592)	\$ 120,771	\$ 16,330

Special Revenue

Public Safety 1/2 Cent	Traffic Offender	COPS Grant	Measure I 1990-2010	Measure I 70% Local
\$ 152,365	\$ 3,472	\$ 139,490	\$ 699	\$ 725,989 90
<u>152,365</u>	<u>3,472</u>	<u>139,490</u>	<u>699</u>	<u>726,079</u>
				266,531
			45	<u>323,362</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>45</u>	<u>589,893</u>
<u>152,365</u>	<u>3,472</u>	<u>139,490</u>	<u>654</u>	<u>136,186</u>
<u>(125,000)</u>	<u>(5,000)</u>	<u>(100,000)</u>		
<u>(125,000)</u>	<u>(5,000)</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>
27,365	(1,528)	39,490	654	136,186
<u>79,558</u>	<u>0</u>	<u>157,828</u>	<u>2,316,895</u>	<u>1,696,113</u>
<u>\$ 106,923</u>	<u>\$ (1,528)</u>	<u>\$ 197,318</u>	<u>\$ 2,317,549</u>	<u>\$ 1,832,299</u>

Continued

City of Adelanto, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued
Non-major Governmental Funds
Year Ended June 30, 2018

	Special Revenue		Total Non-major Governmental Funds
	Community Facilities District	LLMD Annexation	
REVENUES			
Taxes	\$ 187,600	\$ 178,860	\$ 1,244,814
Investment Earnings			7,132
Charges for Current Services			86,914
Developer Fees			381,955
Intergovernmental Revenues			1,106,002
Miscellaneous Revenue	52,757		58,574
	240,357	178,860	2,885,391
EXPENDITURES			
Current:			
Public Safety			3,222
Public Works			376,537
Community Development	1,579		30,216
Parks and Recreation			487,142
Capital Outlay			366,222
	1,579	0	1,263,339
Excess (Deficiency) of Revenues Over Expenditures	238,778	178,860	1,622,052
OTHER FINANCING SOURCES (USES)			
Transfers In			179,666
Transfers Out	(135,000)	(150,000)	(1,523,887)
	(135,000)	(150,000)	(1,344,221)
Net Change in Fund Balances	103,778	28,860	277,831
Fund Balances - Beginning	383,191	330,232	14,042,553
Fund Balances - Ending	\$ 486,969	\$ 359,092	\$ 14,320,384

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Improvement Projects Capital Projects Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 2,275	\$ 2,275
Miscellaneous Revenue			5,817	5,817
Total Revenues	0	0	8,092	8,092
EXPENDITURES				
Capital Outlay				0
Total Expenditures	0	0	0	0
Net Change in Fund Balance	\$ 0	\$ 0	8,092	\$ 8,092
Fund Balance - Beginning			200,064	
Fund Balance - Ending			\$ 208,156	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Current Services	\$ 20,000	\$ 20,000	\$ 83,442	\$ 63,442
Total Revenues	20,000	20,000	83,442	63,442
EXPENDITURES				
Current:				
Parks and Recreation	30,000	269,500	487,142	(217,642)
Total Expenditures	30,000	269,500	487,142	(217,642)
Excess (Deficiency) of Revenues over Expenditures	(10,000)	(249,500)	(403,700)	(154,200)
OTHER FINANCING SOURCES (USES)				
Transfers In		179,000	179,000	0
Total Other Financing Sources (Uses)	0	179,000	179,000	0
Net Change in Fund Balance	<u>\$ (10,000)</u>	<u>\$ (70,500)</u>	(224,700)	<u>\$ (154,200)</u>
Fund Balance - Beginning			<u>(3,367,543)</u>	
Fund Balance - Ending			<u>\$ (3,592,243)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Developer Fees	\$ 193,486	\$ 193,486	\$ 75,140	\$ (118,346)
Total Revenues	<u>193,486</u>	<u>193,486</u>	<u>75,140</u>	<u>(118,346)</u>
EXPENDITURES				
Capital Outlay			42,860	(42,860)
Total Expenditures	<u>0</u>	<u>0</u>	<u>42,860</u>	<u>(42,860)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>193,486</u>	<u>193,486</u>	<u>32,280</u>	<u>(161,206)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(40,000)</u>	<u>(40,000)</u>		<u>40,000</u>
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>0</u>	<u>40,000</u>
Net Change in Fund Balance	<u>\$ 153,486</u>	<u>\$ 153,486</u>	32,280	<u>\$ (121,206)</u>
Fund Balance - Beginning			<u>1,519,704</u>	
Fund Balance - Ending			<u>\$ 1,551,984</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Developer Fees	\$ 335,677	\$ 335,677	\$ 122,665	\$ (213,012)
Total Revenues	<u>335,677</u>	<u>335,677</u>	<u>122,665</u>	<u>(213,012)</u>
EXPENDITURES				
Current:				
Public Works				0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>335,677</u>	<u>335,677</u>	<u>122,665</u>	<u>(213,012)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			666	666
Transfers Out	<u>(436,786)</u>	<u>(436,786)</u>		<u>436,786</u>
Total Other Financing Sources (Uses)	<u>(436,786)</u>	<u>(436,786)</u>	<u>666</u>	<u>437,452</u>
Net Change in Fund Balance	<u>\$ 772,463</u>	<u>\$ (101,109)</u>	123,331	<u>\$ 224,440</u>
Fund Balance - Beginning			<u>4,972,558</u>	
Fund Balance - Ending			<u>\$ 5,095,889</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Developer Fees	\$ 380,688	\$ 380,688	\$ 174,376	\$ (206,312)
Total Revenues	<u>380,688</u>	<u>380,688</u>	<u>174,376</u>	<u>(206,312)</u>
EXPENDITURES				
Current:				
Public Works			15,515	(15,515)
Capital Outlay	<u>2,900,000</u>	<u>2,900,000</u>		<u>2,900,000</u>
Total Expenditures	<u>2,900,000</u>	<u>2,900,000</u>	<u>15,515</u>	<u>2,884,485</u>
Net Change in Fund Balance	<u>\$ (2,519,312)</u>	<u>\$ (2,519,312)</u>	158,861	<u>\$ 2,678,173</u>
Fund Balance - Beginning			<u>3,857,158</u>	
Fund Balance - Ending			<u>\$ 4,016,019</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Developer Fees	\$ 25,556	\$ 25,556	\$ 9,774	\$ (15,782)
Total Revenues	<u>25,556</u>	<u>25,556</u>	<u>9,774</u>	<u>(15,782)</u>
EXPENDITURES				
Current:				
Public Works				<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 25,556</u>	<u>\$ 25,556</u>	9,774	<u>\$ (15,782)</u>
Fund Balance - Beginning			<u>222,495</u>	
Fund Balance - Ending			<u>\$ 232,269</u>	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 6,121	\$ 6,121	\$ 4,068	\$ (2,053)
Intergovernmental Revenue	599,204	599,204	688,801	89,597
Total Revenues	<u>605,325</u>	<u>605,325</u>	<u>692,869</u>	<u>87,544</u>
EXPENDITURES				
Current:				
Public Works				0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>605,325</u>	<u>605,325</u>	<u>692,869</u>	<u>87,544</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(900,000)</u>	<u>(900,000)</u>	<u>(900,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(900,000)</u>	<u>(900,000)</u>	<u>(900,000)</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ (294,675)</u>	<u>\$ (294,675)</u>	(207,131)	<u>\$ 87,544</u>
Fund Balance - Beginning			<u>1,041,445</u>	
Fund Balance - Ending			<u>\$ 834,314</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$	\$ 999,174	\$	\$ (999,174)
Total Revenues	0	999,174	0	(999,174)
EXPENDITURES				
Capital Outlay		1,202,864		1,202,864
Total Expenditures	0	1,202,864	0	1,202,864
Excess (Deficiency) of Revenues over Expenditures	0	(203,690)	0	203,690
OTHER FINANCING SOURCES (USES)				
Transfers Out	(20,000)	(20,000)	(20,000)	0
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(20,000)	0
Net Change in Fund Balance	<u>\$ (20,000)</u>	<u>\$ (223,690)</u>	(20,000)	<u>\$ 203,690</u>
Fund Balance - Beginning			410,516	
Fund Balance - Ending			<u>\$ 390,516</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road Maintenance & Rehabilitation SB-1 Special Revenue Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$	\$	\$ 200,824	\$ 200,824
Total Revenues	0	0	200,824	200,824
EXPENDITURES				
Current:				
Public Works				0
Total Expenditures	0	0	0	0
Net Change in Fund Balance	\$ 0	\$ 0	200,824	\$ 200,824
Fund Balance - Beginning			0	
Fund Balance - Ending			\$ 200,824	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 15,000	\$ 15,000	\$	\$ (15,000)
Total Revenues	15,000	15,000	0	(15,000)
EXPENDITURES				
Current:				
Public Safety	12,000	12,000	3,222	8,778
Total Expenditures	12,000	12,000	3,222	8,778
Net Change in Fund Balance	<u>\$ 3,000</u>	<u>\$ 3,000</u>	(3,222)	<u>\$ (6,222)</u>
Fund Balance - Beginning			<u>(18,253)</u>	
Fund Balance - Ending			<u>\$ (21,475)</u>	

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 290,652	\$ 290,652	\$ 76,887	\$ (213,765)
Total Revenues	290,652	290,652	76,887	(213,765)
EXPENDITURES				
Current:				
Community Development			28,592	(28,592)
Total Expenditures	0	0	28,592	(28,592)
Excess (Deficiency) of Revenues over Expenditures	290,652	290,652	48,295	(242,357)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(290,652)	(290,652)	(88,887)	201,765
Total Other Financing Sources (Uses)	(290,652)	(290,652)	(88,887)	201,765
Net Change in Fund Balance	\$ 0	\$ 0	(40,592)	\$ (40,592)
Fund Balance - Beginning			9,000	
Fund Balance - Ending			\$ (31,592)	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ 12,000	\$ 12,000	\$	\$ (12,000)
Total Revenues	12,000	12,000	0	(12,000)
EXPENDITURES				
Current:				
Public Works	6,000	6,000	94,491	(88,491)
Total Expenditures	6,000	6,000	94,491	(88,491)
Net Change in Fund Balance	<u>\$ 6,000</u>	<u>\$ 6,000</u>	(94,491)	<u>\$ (100,491)</u>
Fund Balance - Beginning			<u>215,262</u>	
Fund Balance - Ending			<u>\$ 120,771</u>	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$	\$	\$	\$ 0
Total Revenues	0	0	0	0
EXPENDITURES				
Current:				
Public Safety				0
Total Expenditures	0	0	0	0
Net Change in Fund Balance	\$ 0	\$ 0	0	\$ 0
Fund Balance - Beginning			16,330	
Fund Balance - Ending			\$ 16,330	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 127,500	\$ 127,500	\$ 152,365	\$ 24,865
Total Revenues	127,500	127,500	152,365	24,865
EXPENDITURES				
Current:				
Public Safety				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues over Expenditures	127,500	127,500	152,365	24,865
OTHER FINANCING SOURCES (USES)				
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>\$ 2,500</u>	<u>\$ 2,500</u>	27,365	<u>\$ 24,865</u>
Fund Balance - Beginning			79,558	
Fund Balance - Ending			<u>\$ 106,923</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Current Services	\$ 8,000	\$ 8,000	\$ 3,472	\$ (4,528)
Total Revenues	<u>8,000</u>	<u>8,000</u>	<u>3,472</u>	<u>(4,528)</u>
EXPENDITURES				
Current:				
Public Safety				<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,000</u>	<u>8,000</u>	<u>3,472</u>	<u>(4,528)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 3,000</u>	<u>\$ 3,000</u>	(1,528)	<u>\$ (4,528)</u>
Fund Balance - Beginning			<u>0</u>	
Fund Balance - Ending			<u>\$ (1,528)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 100,000	\$ 100,000	\$ 139,490	\$ 39,490
Total Revenues	100,000	100,000	139,490	39,490
EXPENDITURES				
Current:				
Public Safety				0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues over Expenditures	100,000	100,000	139,490	39,490
EXPENDITURES				
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	<u>\$ 0</u>	<u>\$ 0</u>	39,490	<u>\$ 39,490</u>
Fund Balance - Beginning			<u>157,828</u>	
Fund Balance - Ending			<u>\$ 197,318</u>	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 350	\$ 350	\$ 699	\$ 349
Total Revenues	<u>350</u>	<u>350</u>	<u>699</u>	<u>349</u>
EXPENDITURES				
Current:				
Community Development			45	(45)
Total Expenditures	<u>0</u>	<u>0</u>	<u>45</u>	<u>(45)</u>
Net Change in Fund Balance	<u>\$ 350</u>	<u>\$ 350</u>	654	<u>\$ 304</u>
Fund Balance - Beginning			<u>2,316,895</u>	
Fund Balance - Ending			<u>\$ 2,317,549</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 599,900	\$ 599,900	\$ 725,989	\$ 126,089
Investment Earnings	350	350	90	(260)
Total Revenues	<u>600,250</u>	<u>600,250</u>	<u>726,079</u>	<u>125,829</u>
EXPENDITURES				
Current:				
Public Works	400,000	400,000	266,531	133,469
Capital Outlay	<u>430,000</u>	<u>430,000</u>	<u>323,362</u>	<u>106,638</u>
Total Expenditures	<u>830,000</u>	<u>830,000</u>	<u>589,893</u>	<u>240,107</u>
Net Change in Fund Balance	<u>\$ (229,750)</u>	<u>\$ (229,750)</u>	136,186	<u>\$ 365,936</u>
Fund Balance - Beginning			<u>1,696,113</u>	
Fund Balance - Ending			<u>\$ 1,832,299</u>	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 741,000	\$ 741,000	\$ 187,600	\$ (553,400)
Investment Earnings	5,000	5,000		(5,000)
Miscellaneous Revenue			52,757	52,757
Total Revenues	<u>746,000</u>	<u>746,000</u>	<u>240,357</u>	<u>(505,643)</u>
EXPENDITURES				
Current:				
Community Development	<u>597,000</u>	<u>597,000</u>	<u>1,579</u>	<u>595,421</u>
Total Expenditures	<u>597,000</u>	<u>597,000</u>	<u>1,579</u>	<u>595,421</u>
Excess (Deficiency) of Revenues over Expenditures	<u>149,000</u>	<u>149,000</u>	<u>238,778</u>	<u>89,778</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(135,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(135,000)</u>	<u>(135,000)</u>	<u>(135,000)</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 14,000</u>	<u>\$ 14,000</u>	103,778	<u>\$ 89,778</u>
Fund Balance - Beginning			<u>383,191</u>	
Fund Balance - Ending			<u>\$ 486,969</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 173,000	\$ 173,000	\$ 178,860	\$ 5,860
Total Revenues	<u>173,000</u>	<u>173,000</u>	<u>178,860</u>	<u>5,860</u>
EXPENDITURES				
Current:				
Public Works				0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>173,000</u>	<u>173,000</u>	<u>178,860</u>	<u>5,860</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 23,000</u>	<u>\$ 23,000</u>	28,860	<u>\$ 5,860</u>
Fund Balance - Beginning			<u>330,232</u>	
Fund Balance - Ending			<u>\$ 359,092</u>	

City of Adelanto, California
Statement of Changes in Fiduciary Assets and Liabilities
Assessment District 1A
Year Ended June 30, 2018

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Investments	\$ 1,061,345	\$ 1,310,261	\$ 1,142,048	\$ 1,229,558
Accounts Receivable	0	1,039		1,039
	<u>\$ 1,061,345</u>	<u>\$ 1,311,300</u>	<u>\$ 1,142,048</u>	<u>\$ 1,230,597</u>
LIABILITIES				
Due to Other Funds	\$ 0	\$ 79,299	\$	\$ 79,299
Due to Bondholders	1,061,345	1,232,001	1,142,048	1,151,298
	<u>\$ 1,061,345</u>	<u>\$ 1,311,300</u>	<u>\$ 1,142,048</u>	<u>\$ 1,230,597</u>

City of Adelanto, California
Statement of Changes in Fiduciary Assets and Liabilities
CFD 2006-2 Bond Fund
Year Ended June 30, 2018

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Investments	\$ 374,267	\$ 668,576	\$ 686,380	\$ 356,463
Cash and Investments with Fiscal Agent	915,583	29,594	1,857	943,320
Accounts Receivable	3,075	2,545	3,075	2,545
	<u>\$ 1,292,925</u>	<u>\$ 700,715</u>	<u>\$ 691,312</u>	<u>\$ 1,302,328</u>
LIABILITIES				
Due to Bondholders	<u>\$ 1,292,925</u>	<u>\$ 700,715</u>	<u>\$ 691,312</u>	<u>\$ 1,302,328</u>
	<u>\$ 1,292,925</u>	<u>\$ 700,715</u>	<u>\$ 691,312</u>	<u>\$ 1,302,328</u>

City of Adelanto, California
Statement of Changes in Fiduciary Assets and Liabilities
Total Agency Funds
Year Ended June 30, 2018

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Investments	\$ 1,435,612	\$ 1,978,837	\$ 1,828,428	\$ 1,586,021
Cash and Investments with Fiscal Agent	915,583	29,594.00	1,857.00	943,320
Accounts Receivable	3,075	3,584.00	3,075.00	3,584
	<u>3,075</u>	<u>3,584.00</u>	<u>3,075.00</u>	<u>3,584</u>
Total Assets	<u>\$ 2,354,270</u>	<u>\$ 2,012,015</u>	<u>\$ 1,833,360</u>	<u>\$ 2,532,925</u>
LIABILITIES				
Due to Other Funds	\$ 0	\$ 79,299	\$	\$ 79,299
Due to Bondholders	2,354,270	1,932,716	1,833,360	2,453,626
	<u>2,354,270</u>	<u>1,932,716</u>	<u>1,833,360</u>	<u>2,453,626</u>
Total Liabilities	<u>\$ 2,354,270</u>	<u>\$ 2,012,015</u>	<u>\$ 1,833,360</u>	<u>\$ 2,532,925</u>