

CITY OF ADELANTO, CALIFORNIA

ANNUAL AUDIT REPORT

Year Ended June 30, 2019

City of Adelanto, California
Annual Audit Report
Year Ended June 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California, as of June 30, 2019, 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. 83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. 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 64 - 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 February 25, 2021, 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
February 25, 2021

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BASIC FINANCIAL STATEMENTS

City of Adelanto, California
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 18,071,268	\$ 16,390,389	\$ 34,461,657
Cash and Investments with Fiscal Agent	212,526	11,857,130	12,069,656
Accounts Receivable, Net	3,155,724	2,394,040	5,549,764
Interest Receivable		29,232	29,232
Prepaid Items		2,087,148	2,087,148
Internal Balances	5,998,884	(5,998,884)	0
Due from Fiduciary Funds	471,368		471,368
Deposits	600,497		600,497
Advances to Fiduciary Funds	2,524,243		2,524,243
Successor Agency Loans Receivable		12,116,378	12,116,378
Net Pension Asset		6,723	6,723
Capital Assets, Not Being Depreciated	16,393,452	8,194,457	24,587,909
Capital Assets, Net of Depreciation	55,748,537	52,334,913	108,083,450
	<u>103,176,499</u>	<u>99,411,526</u>	<u>202,588,025</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	573,533	82,467	656,000
OPEB Related Items	208,527		208,527
Deferred Loss on Bond Refunding		10,067,005	10,067,005
	<u>782,060</u>	<u>10,149,472</u>	<u>10,931,532</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	1,487,237	474,857	1,962,094
Interest Payable		1,857,753	1,857,753
Deposits	1,473,461	1,266,976	2,740,437
Litigation Liability	2,083,334	333,334	2,416,668
Long-term Liabilities:			
Due Within One Year	134,580	2,298,073	2,432,653
Due in More Than One Year	2,718,709	81,197,605	83,916,314
	<u>7,897,321</u>	<u>87,428,598</u>	<u>95,325,919</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	283,339	34,857	318,196
OPEB Related Items	12,415		12,415
	<u>295,754</u>	<u>34,857</u>	<u>330,611</u>
NET POSITION			
Net Investment in Capital Assets	72,141,989	(2,722,897)	69,419,092
Restricted for:			
Development	7,329,861		7,329,861
Streets and Roads	9,509,170		9,509,170
Community Development	653,326		653,326
Other Purposes	905,596	31,711	937,307
Unrestricted	5,225,542	24,788,729	30,014,271
	<u>\$ 95,765,484</u>	<u>\$ 22,097,543</u>	<u>\$ 117,863,027</u>

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 4,678,768	\$ 963,781	\$ 12,734	\$
Public Safety	11,447,931	270,229	266,978	20,783
Public Works	5,680,892	2,194,838	2,564,929	1,367,511
Community Development	997,723	1,306,757		
Parks and Recreation	4,870,513	129,618	17,559	118,490
Total Governmental Activities	27,675,827	4,865,223	2,862,200	1,506,784
Business-type Activities:				
Adelanto Community Benefit Corporation	15,666		14,364	
Public Utility Authority	11,799,472	18,601,958		
Total Business-type Activities	11,815,138	18,601,958	14,364	0
Total Primary Government	\$ 39,490,965	\$ 23,467,181	\$ 2,876,564	\$ 1,506,784

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

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>
\$ (3,702,253)	\$	\$ (3,702,253)
(10,889,941)		(10,889,941)
446,386		446,386
309,034		309,034
<u>(4,604,846)</u>		<u>(4,604,846)</u>
<u>(18,441,620)</u>	<u>0</u>	<u>(18,441,620)</u>
	(1,302)	(1,302)
	<u>6,802,486</u>	<u>6,802,486</u>
<u>0</u>	<u>6,801,184</u>	<u>6,801,184</u>
<u>(18,441,620)</u>	<u>6,801,184</u>	<u>(11,640,436)</u>
2,133,652		2,133,652
256,737		256,737
1,703,009		1,703,009
91,313		91,313
33,313		33,313
2,696,275		2,696,275
1,265,449		1,265,449
252,299	1,450,206	1,702,505
302,553		302,553
701,698	<u>(701,698)</u>	<u>0</u>
<u>9,436,298</u>	<u>748,508</u>	<u>10,184,806</u>
(9,005,322)	7,549,692	(1,455,630)
<u>104,770,806</u>	<u>14,547,851</u>	<u>119,318,657</u>
<u>\$ 95,765,484</u>	<u>\$ 22,097,543</u>	<u>\$ 117,863,027</u>

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Mavericks Stadium	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 837,296	\$	\$ 17,233,972	\$ 18,071,268
Cash and Investments with Fiscal Agent			212,526	212,526
Accounts Receivable, Net	1,112,368	15,000	2,028,356	3,155,724
Due from Other Funds	1,243,648	576	382,775	1,626,999
Due from Fiduciary Funds	471,368			471,368
Deposits with Other Agencies	600,497			600,497
Advances to Other Funds	11,817,857		226,454	12,044,311
Advances to Fiduciary Funds	2,524,243			2,524,243
Total Assets	\$ 18,607,277	\$ 15,576	\$ 20,084,083	\$ 38,706,936
LIABILITIES				
Accounts Payable	\$ 730,503	\$ 10,577	\$ 664,992	\$ 1,406,072
Accrued Liabilities	81,165			81,165
Litigation Liability		1,916,667		1,916,667
Due to Other Funds	269,837	288,811	1,068,351	1,626,999
Deposits	1,465,401	8,060		1,473,461
Advances from Other Funds	2,950,574	3,094,853		6,045,427
Total Liabilities	5,497,480	5,318,968	1,733,343	12,549,791
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	19,834		59,898	79,732
Unavailable Revenue - Developer Fees			796,910	796,910
Unavailable Revenue - Intergovernmental			775,442	775,442
Total Deferred Inflows of Resources	19,834	0	1,632,250	1,652,084
FUND BALANCES				
Nonspendable	14,942,597			14,942,597
Restricted For:				
Development			7,230,738	7,230,738
Streets and Roads			8,751,485	8,751,485
Air Quality Management			133,541	133,541
Law Enforcement			263,762	263,762
Public Safety			146,168	146,168
Community Development			653,326	653,326
Lighting and Landscape Maintenance			305,930	305,930
Unassigned	(1,852,634)	(5,303,392)	(766,460)	(7,922,486)
Total Fund Balances	13,089,963	(5,303,392)	16,718,490	24,505,061
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 18,607,277	\$ 15,576	\$ 20,084,083	\$ 38,706,936

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, 2019

Fund Balances of Governmental Funds	\$	24,505,061
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.		72,141,989
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,652,084
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		573,533
OPEB Related Deferred Outflows of Resources		208,527
Pension Related Deferred Inflows of Resources		(283,339)
OPEB Related Deferred Inflows of Resources		(12,415)
Liabilities that are not due and payable in the current period and are not reported in the funds.		
Litigation Liability		(166,667)
Compensated Absences		(276,958)
Net Pension Liability		(76,769)
Net OPEB Liability		(2,067,483)
Claims Payable		(292,079)
Notes Payable		(140,000)
		(4,420,241)
Net Position of Governmental Activities	\$	95,765,484

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, 2019

	General Fund	Mavericks Stadium	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,283,209	\$	\$ 1,322,947	\$ 9,606,156
Licenses, Permits and Fees	2,305,820			2,305,820
Fines, Forfeitures and Penalties	177,589			177,589
Investment Earnings	228,056		196,626	424,682
Charges for Current Services	1,763,435	129,617		1,893,052
Developer Fees			794,784	794,784
Intergovernmental Revenues	70,339		2,569,349	2,639,688
Miscellaneous	302,553			302,553
Total Revenues	13,131,001	129,617	4,883,706	18,144,324
EXPENDITURES				
Current:				
General Government	4,898,197			4,898,197
Public Safety	11,377,047		35,217	11,412,264
Public Works	2,696,057		232,779	2,928,836
Community Development	953,993		51,392	1,005,385
Parks and Recreation	386,169	4,327,220	3,674	4,717,063
Capital Outlay	484,903		4,229,408	4,714,311
Total Expenditures	20,796,366	4,327,220	4,552,470	29,676,056
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,665,365)	(4,197,603)	331,236	(11,531,732)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	998,573			998,573
Transfers In	2,367,181	2,486,454	627	4,854,262
Transfers Out	(2,486,564)		(1,666,000)	(4,152,564)
Notes Payable Issued			140,000	140,000
Total Other Financing Sources (Uses)	879,190	2,486,454	(1,525,373)	1,840,271
Net Change in Fund Balances	(6,786,175)	(1,711,149)	(1,194,137)	(9,691,461)
Fund Balances - Beginning	19,876,138	(3,592,243)	17,912,627	34,196,522
Fund Balances - Ending	\$ 13,089,963	\$ (5,303,392)	\$ 16,718,490	\$ 24,505,061

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, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (9,691,461)

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	4,697,588
Depreciation	(3,084,616)
Gain on Sale of Capital Assets	(895,166)

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	249,999
Compensated Absences	7,674
Net Change in the Net Pension Liability	135,323
Net Change in the Net OPEB Liability	9,576
Net Change in the Net Claims Payable	(128,893)
Notes Payable Issued	(140,000)

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

Unavailable Revenues	(278,924)
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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	(22,479)
Net Change in Deferred Outflows and Inflows of Resources Related to OPEB	136,057

Change in Net Position of Governmental Activities \$ (9,005,322)

City of Adelanto, California
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
ASSETS			
Current Assets:			
Cash and Investments	\$ 31,711	\$ 16,358,678	\$ 16,390,389
Accounts Receivable, Net		2,394,040	2,394,040
Interest Receivable		29,232	29,232
Prepaid Items		2,087,148	2,087,148
Total Current Assets	31,711	20,869,098	20,900,809
Noncurrent Assets:			
Cash and Investments with Fiscal Agent		11,857,130	11,857,130
Advances to Other Funds		2,779,659	2,779,659
Successor Agency Loans Receivable		12,116,378	12,116,378
Net Pension Asset		6,723	6,723
Land and Water Rights, Not Being Depreciated		8,194,457	8,194,457
Capital Assets, Net of Depreciation		52,334,913	52,334,913
Total Noncurrent Assets	0	87,289,260	87,289,260
Total Assets	31,711	108,158,358	108,190,069
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items		82,467	82,467
Deferred Loss on Bond Refunding		10,067,005	10,067,005
Total Deferred Outflows of Resources	0	10,149,472	10,149,472
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities		474,857	474,857
Interest Payable		1,857,753	1,857,753
Deposits		1,266,976	1,266,976
Litigation Liability		333,334	333,334
Current Portion of Advances from Other Funds		1,876,950	1,876,950
Current Portion of Compensated Absences		28,073	28,073
Current Portion of Bonds Payable		2,270,000	2,270,000
Total Current Liabilities	0	8,107,943	8,107,943
Noncurrent Liabilities:			
Advances from Other Funds		6,901,593	6,901,593
Compensated Absences		4,258	4,258
Bonds Payable		81,193,347	81,193,347
Total Noncurrent Liabilities	0	88,099,198	88,099,198
Total Liabilities	0	96,207,141	96,207,141
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items		34,857	34,857
Total Deferred Inflows of Resources	0	34,857	34,857
NET POSITION			
Net Investment in Capital Assets		(2,722,897)	(2,722,897)
Restricted for Community Benefits	31,711		31,711
Unrestricted		24,788,729	24,788,729
Total Net Position	\$ 31,711	\$ 22,065,832	\$ 22,097,543

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, 2019

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
OPERATING REVENUES			
Service Charges	\$	\$ 15,166,198	\$ 15,166,198
Availability Charges		893,289	893,289
Connection Fees		1,047,313	1,047,313
Other Revenue	14,364	1,495,158	1,509,522
Total Operating Revenues	14,364	18,601,958	18,616,322
OPERATING EXPENSES			
General and Administrative	6,791	540,163	546,954
Salaries and Benefits		559,772	559,772
Contractual Services		33,658	33,658
Water Operations		2,485,666	2,485,666
Sewer Operations		1,353,042	1,353,042
Utilities		885,597	885,597
Community Events	8,875		8,875
Depreciation		1,576,051	1,576,051
Total Operating Expenses	15,666	7,433,949	7,449,615
Operating Income (Loss)	(1,302)	11,168,009	11,166,707
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	234	1,449,972	1,450,206
Amortization and Other Nonoperating Expenses		(628,596)	(628,596)
Interest Expense and Fiscal Charges		(3,736,927)	(3,736,927)
Total Nonoperating Revenues (Expenses)	234	(2,915,551)	(2,915,317)
Income (Loss) before Transfers	(1,068)	8,252,458	8,251,390
Transfers Out		(701,698)	(701,698)
Change in Net Position	(1,068)	7,550,760	7,549,692
Total Net Position - Beginning	32,779	14,515,072	14,547,851
Total Net Position - Ending	\$ 31,711	\$ 22,065,832	\$ 22,097,543

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$	\$ 18,271,217	\$ 18,271,217
Other Receipts (Payments)	14,364	18,970	33,334
Payments to Suppliers for Goods and Services	(16,098)	(5,654,655)	(5,670,753)
Payments to Employees for Services		(599,244)	(599,244)
Net Cash Provided by (Used for) Operating Activities	(1,734)	12,036,288	12,034,554
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to Other Funds		(250,000)	(250,000)
Advances to and Payments on Interfund Advances		(848,230)	(848,230)
Net Cash Provided by (Used for) Noncapital Financing Activities	0	(1,098,230)	(1,098,230)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets		(4,474,286)	(4,474,286)
Payment on Interfund Advances		(2,230,517)	(2,230,517)
Principal Payments on Capital Debt		(2,460,000)	(2,460,000)
Interest Paid on Capital Debt		(3,808,271)	(3,808,271)
Net Cash Provided by (Used for) Capital and Related Financing Activities	0	(12,973,074)	(12,973,074)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	234	1,964,010	1,964,244
Net Cash Provided by (Used for) from Investing Activities	234	1,964,010	1,964,244
Net Increase (Decrease) in Cash and Cash Equivalents	(1,500)	(71,006)	(72,506)
Cash and Cash Equivalents - Beginning of the Year	33,211	28,286,814	28,320,025
Cash and Cash Equivalents - End of the Year	\$ 31,711	\$ 28,215,808	\$ 28,247,519
Reconciliation to Statement of Net Position:			
Cash and Investments	\$ 31,711	\$ 16,358,678	\$ 16,390,389
Cash and Investments with Fiscal Agent		11,857,130	11,857,130
Cash and Cash Equivalents	\$ 31,711	\$ 28,215,808	\$ 28,247,519

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, 2019

	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)	\$ (1,302)	\$ 11,168,009	\$ 11,166,707
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation		1,576,051	1,576,051
Other Receipts		18,970	18,970
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable		44,907	44,907
(Increase) Decrease in Prepaid Items		(500,000)	(500,000)
(Increase) Decrease in Net Pension Asset		(6,723)	(6,723)
(Increase) Decrease in Pension Related Deferred Outflows of Resources		(22,004)	(22,004)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(432)	114,562	114,130
Increase (Decrease) in Deposit Payables		124,350	124,350
Increase (Decrease) in Litigation Liability		(500,000)	(500,000)
Increase (Decrease) in Compensated Absences		2,972	2,972
Increase (Decrease) in Net Pension Liability		(127)	(127)
Increase (Decrease) in Pension Related Deferred Inflows of Resources		15,321	15,321
Total Adjustments	(432)	868,279	867,847
TOTAL CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (1,734)	\$ 12,036,288	\$ 12,034,554
Schedule of Noncash Capital and Related Financing Activities:			
Amortization of Deferred Loss on Refunding	\$ 0	\$ 672,022	\$ 672,022
Amortization of Bond Premiums and Discounts	\$ 0	\$ (215,248)	\$ (215,248)
Amortization of Prepaid Bond Insurance	\$ 0	\$ 134,932	\$ 134,932

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private-Purpose Trust Funds		Agency Funds
	Luetke Foundation	Successor Agency	
ASSETS			
Cash and Investments	\$ 38,422	\$ 10,070,145	\$ 1,642,082
Cash and Investments with Fiscal Agent		4,792,913	943,739
Accounts Receivable			916
Notes Receivable		542,355	
		<u>15,405,413</u>	<u>2,586,737</u>
Total Assets	<u>38,422</u>	<u>15,405,413</u>	<u>2,586,737</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Debt Refunding		370,953	
		<u>370,953</u>	
Total Deferred Outflows of Resources	<u>0</u>	<u>370,953</u>	<u>0</u>
LIABILITIES			
Accounts Payable		100	
Due to Other Funds	10,565	381,504	79,299
Due to Bondholders			2,507,438
Bonds and Other Loans Interest Payable		807,410	
San Bernardino County Loan Interest Payable		24,787,519	
Advances from Other Funds		2,524,243	
Bonds Payable		7,875,711	
Loans Payable		25,817,644	
Other Long-term Liabilities		15,346,076	
		<u>77,540,207</u>	<u>\$ 2,586,737</u>
Total Liabilities	<u>10,565</u>	<u>77,540,207</u>	<u>\$ 2,586,737</u>
NET POSITION			
Net Position (Deficit) Held in Trust for Redevelopment & Other Purposes	<u>27,857</u>	<u>(61,763,841)</u>	
Total Net Position	<u>\$ 27,857</u>	<u>\$ (61,763,841)</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, 2019

	Private-Purpose Trust Funds	
	Luetke Foundation	Successor Agency
ADDITIONS		
Taxes	\$	\$ 5,435,570
Investment Earnings	3,401	234,245
Other Revenues		43,426
		<hr/>
Total Additions	<hr/> 3,401	<hr/> 5,713,241
DEDUCTIONS		
Administration		85,867
Interest Expense		4,918,030
		<hr/>
Total Deductions	<hr/> 0	<hr/> 5,003,897
Change in Net Position	3,401	709,344
Net Position - Beginning, As Previously Reported	<hr/> 24,456	<hr/> (62,473,185)
Net Position - Ending	<hr/> <u>\$ 27,857</u>	<hr/> <u>\$ (61,763,841)</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, 2019

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City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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. The City 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, 2019

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. 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 to early implement GASB No. 83 and, currently, has no 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. 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

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

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 to early implement GASB No. 88 which is reflected in 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.

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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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. 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.

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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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. 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.
- 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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. 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. 96 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.

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

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

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

C) Basis of Presentation - Continued

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

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

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

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

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

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

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 *Mavericks Stadium* is used to account for the operations and maintenance of the Mavericks Stadium.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

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

The City reports the following major proprietary funds:

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

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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

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.

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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

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 acquisition value rather than 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	10 - 50 years
Machinery and Equipment	5 - 30 years
Vehicles	8 - 10 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 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

L) Deferred Outflows/Inflows of Resources - Continued

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.

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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

P) Fund Balance - Continued

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, 2019

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, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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, 2019

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Fund Deficits

The following funds contained a deficit fund balance or net position as of June 30, 2019.

Major Funds:	
Mavericks Stadium	\$ 5,303,392
Nonmajor Governmental Funds:	
Federal Grants	\$ 33,957
State/County Grants	\$ 715,932
Community Development Block Grant	\$ 15,050
Traffic Offender	\$ 1,521
Private-Purpose Trust Fund:	
Successor Agency	\$ 61,763,841

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 Attorney	\$ 1,361,000	\$ 1,562,777	\$ (201,777)
Human Resources	40,000	75,207	(35,207)
Non-Department	1,221,300	1,315,831	(94,531)
Fire	4,510,755	4,511,488	(733)
Public Safety	0	68,674	(68,674)
LLMD	580,991	638,411	(57,420)
Engineering	449,194	582,450	(133,256)
Public Services	0	124,509	(124,509)
Community Services	0	28,995	(28,995)
Community Center	14,155	15,865	(1,710)
Capital Outlay - Non-Department	102,884	386,117	(283,233)
Special Revenue Funds:			
Mavericks Stadium	2,483,773	4,327,220	(1,843,447)
Nonmajor Funds			
Special Revenue Funds:			
Park Development Impact	268,543	428,633	(160,090)
Drainage Impact	0	636	(636)
Traffic Impact	2,612,434	2,824,034	(211,600)
Fire Mitigation Impact	0	13	(13)
Gas Tax	0	186	(186)
TDA Article 8	0	134	(134)
Road Maintenance & Rehabilitation SB-1	0	61	(61)
Federal Grants	29,703	31,185	(1,482)
State/County Grants	712,000	715,932	(3,932)
Police Asset Seizure	0	3	(3)
Public Safety ½ Cent	0	40	(40)
Traffic Offender	0	1	(1)
COPS Grant	0	56	(56)
Measure I 70% Local	300,000	474,654	(174,654)
Community Facilities District	11,500	13,373	(1,873)

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

3) CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and Investments	\$ 34,461,657
Cash and Investments with Fiscal Agent	12,069,656
Statement of Fiduciary Net Position:	
Cash and Investments	11,750,649
Cash and Investments with Fiscal Agent	<u>5,736,652</u>
Total Cash and Investments	<u>\$ 64,018,614</u>

Cash and Investments consist of the following:

Petty Cash	\$ 4,350
Deposits with Financial Institutions	31,172,155
Investments	<u>32,842,109</u>
Total Cash and Investments	<u>\$ 64,018,614</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	None
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, 2019

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	\$ 4,574,826	\$ 4,574,826	\$	\$
Money Market Mutual Funds	1,965,068	1,965,068		
California Community Foundation Investment Pool ⁽¹⁾	38,422	38,422		
U.S. Agency Obligations	3,003,752	3,003,752		
Commercial Paper	1,996,060	1,996,060		
Certificates of Deposit	3,457,673	2,987,338	470,335	
Held by Bond Trustee:				
Money Market Mutual Funds	16,345,808	16,345,808		
Investment Agreements	1,460,500			1,460,500
Total	<u>\$ 32,842,109</u>	<u>\$ 30,911,274</u>	<u>\$ 470,335</u>	<u>\$ 0</u>
			<u>\$ 1,460,500</u>	

⁽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, 2019

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	\$ 4,574,826	N/A	\$	\$	\$ 4,574,826
Money Market Mutual Funds	1,965,068	AAA		1,965,068	
California Community Foundation Investment Pool	38,422	N/A			38,422
U.S. Agency Obligations	3,003,752	N/A		3,003,752	
Commercial Paper	1,996,060	N/A			1,996,060
Certificates of Deposit	3,457,673	N/A			3,457,673
Held by Bond Trustee:					
Money Market Mutual Funds	16,345,808	N/A		16,345,808	
Investment Agreements	1,460,500	N/A			1,460,500
Total	\$ 32,842,109		\$ 0	\$ 21,314,628	\$ 11,527,481

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Agency Obligations	\$ 2,001,341

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, 2019

3) CASH AND INVESTMENTS - Continued

Custodial Credit Risk - Continued

As of June 30, 2019, 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	\$ 1,965,068
U.S. Agency Obligations	3,003,752
Commercial Paper	1,996,060
Certificates of Deposit	3,457,673
Held by Bond Trustee:	
Money Market Mutual Funds	16,345,808
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, 2019 was 2.43%. The carrying value and estimated market value of the LAIF Pool at June 30, 2019 was \$105,633,660,465 and \$105,814,483,092, respectively. The City's share of the Pool at June 30, 2019 was approximately 0.0043 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 \$900,000,000 and asset-backed securities totaling \$977,182,000. 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

4) FAIR VALUE MEASUREMENTS - Continued

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.

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, 2019, are as follows:

	Fair Value	Significant Other Observable Inputs (Level 2)	Uncategorized
Investments:			
State Investment Pool	\$ 4,574,826	\$	\$ 4,574,826
Money Market Mutual Funds	1,965,068		1,965,068
California Community Foundation Investment Pool	38,422		38,422
U.S. Agency Obligations	3,003,752	3,003,752	
Commercial Paper	1,996,060	1,996,060	
Certificates of Deposit	3,457,673	3,457,673	
Held by Bond Trustee:			
Money Market Funds	16,345,808		16,345,808
Investment Agreements	1,460,500		1,460,500
	<u>32,842,109</u>	<u>8,457,485</u>	<u>24,384,624</u>
Total Investments	<u>\$ 32,842,109</u>	<u>\$ 8,457,485</u>	<u>\$ 24,384,624</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, 2019

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	\$ 1,715,016 ⁽¹⁾	\$ 269,837
Mavericks Stadium	576	288,811
Non-Major Governmental Funds:		
Federal Grant		33,957
State/County Grants		639,319
Community Development Block Grant	350,276	386,957
Traffic Offender		8,118
Measure I 2010-2040	32,499	
Fiduciary Funds		
Luetke Foundation		10,565
Successor Agency		381,504
Agency Funds		79,299
Totals	<u>\$ 2,098,367</u>	<u>\$ 2,098,367</u>

⁽¹⁾ The General Fund receivable amounts include \$1,243,648 due from governmental funds, and \$471,368 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	\$ 14,342,100 ⁽¹⁾	\$ 2,950,574
Mavericks Stadium		3,094,853
Non-major Governmental Funds:		
Drainage Impact	226,454	
Major Enterprise Funds:		
Public Utility Authority	2,779,659	8,778,543 ⁽²⁾
Fiduciary Funds:		
Successor Agency		2,524,243
Totals	<u>\$ 17,348,213</u>	<u>\$ 17,348,213</u>

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

⁽²⁾ The current portion of \$1,876,950 is separated in the Proprietary Funds Statement of Net Position.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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, 2019. The General Fund also has an advance provided to the Public Utility Authority of \$1,478,216 related to water and wastewater operations. This advance is not expected to be repaid within a year and has no minimum required repayments or interest accrued on the loan.

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 \$813,619 at June 30, 2019.

The future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 813,619	\$	\$ 813,619
Total	\$ 813,619	\$ 0	\$ 813,619

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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, 2019.

The future debt service requirements are as of follows:

Year Ending June 30,	Principal	Interest	Total
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	<u>\$ 6,431,169</u>	<u>\$ 869,718</u>	<u>\$ 7,300,887</u>

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 \$86,053 from the General Fund and \$140,401 from the Public Utility Authority as of June 30, 2019.

Public Utility Authority Advances

The General Fund has an operating loan of \$2,779,659 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, 2019

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	\$ 2,367,181	\$ 2,486,564 ⁽¹⁾
Maverick Stadium	2,486,454 ⁽¹⁾	
Non-Major Governmental Funds:		
Drainage Impact	627	
Gas Tax		680,000
TDA Article 8		20,000
Road Maintenance & Rehab SB-1		500,000
Public Safety ½ Cent		125,000
COPS Grant		100,000
Community Facilities District		20,000
LLMD Annexation		221,000
Major Enterprise Funds:		
Public Utility Authority		701,698 ⁽²⁾
	\$ 4,854,262	\$ 4,854,262
Totals		

⁽¹⁾ The transfers between the General Fund and the Maverick Stadium Special Revenue Fund was to provide amounts to make the payments on the litigation settlement with Main Street LLC.

⁽²⁾ Included in the Public Utility Authority transfers out is \$451,180 of interest paid to the General Fund on the water and wastewater systems note payable.

⁽³⁾ 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 \$12,116,378. This amount includes \$9,918,093 of accreted interest.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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	\$ 405,000	\$	\$ 16,393,452
Construction in Progress	1,038,560		1,038,560	0
Total Capital Assets, Not Depreciated	<u>17,027,012</u>	<u>405,000</u>	<u>1,038,560</u>	<u>16,393,452</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	14,404,004	90,316	1,455,958	13,038,362
Machinery and Equipment	1,741,740	103,224	120,180	1,724,784
Vehicles	2,073,433	204,545		2,277,978
Infrastructure	98,774,235	4,933,063		103,707,298
Total Capital Assets, Being Depreciated	<u>116,993,412</u>	<u>5,331,148</u>	<u>1,576,138</u>	<u>120,748,422</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(7,867,901)	(342,386)	(601,381)	(7,608,906)
Machinery and Equipment	(1,615,125)	(24,295)	(79,591)	(1,559,829)
Vehicles	(1,887,980)	(48,833)		(1,936,813)
Infrastructure	(51,225,235)	(2,669,102)		(53,894,337)
Total Accumulated Depreciation	<u>(62,596,241)</u>	<u>(3,084,616)</u>	<u>(680,972)</u>	<u>(64,999,885)</u>
Total Capital Assets, Being Depreciated, Net	<u>54,397,171</u>	<u>2,246,532</u>	<u>895,166</u>	<u>55,748,537</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 71,424,183</u>	<u>\$ 2,651,532</u>	<u>\$ 1,933,726</u>	<u>\$ 72,141,989</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 82,936
Public Safety	56,114
Public Works	2,790,987
Parks and Recreation	154,579
Total Depreciation Expense - Governmental Activities	<u>\$ 3,084,616</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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	3,876,000		7,000,800
Construction in Progress	0	285,357		285,357
Total Capital Assets, Not Depreciated	<u>4,033,100</u>	<u>4,161,357</u>	<u>0</u>	<u>8,194,457</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	20,933,701	38,400		20,972,101
Machinery and Equipment	8,763,905			8,763,905
Computer Equipment	341,081			341,081
Vehicles	32,325			32,325
Infrastructure	48,844,054	274,528		49,118,582
Total Capital Assets, Being Depreciated	<u>78,915,066</u>	<u>312,928</u>	<u>0</u>	<u>79,227,994</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(7,816,600)	(413,320)		(8,229,920)
Machinery and Equipment	(3,859,607)	(291,664)		(4,151,271)
Computer Equipment	(34,108)	(102,324)		(136,432)
Vehicles	(3,233)	(3,232)		(6,465)
Infrastructure	(13,603,482)	(765,511)		(14,368,993)
Total Accumulated Depreciation	<u>(25,317,030)</u>	<u>(1,576,051)</u>	<u>0</u>	<u>(26,893,081)</u>
Total Capital Assets, Being Depreciated, Net	<u>53,598,036</u>	<u>(1,263,123)</u>	<u>0</u>	<u>52,334,913</u>
Business-type Activities Capital Assets, Net of Depreciation ⁽¹⁾	<u>\$ 57,631,136</u>	<u>\$ 2,898,234</u>	<u>\$ 0</u>	<u>\$ 60,529,370</u>

Depreciation was charged to functions/programs as follows:

Business-type Activities:	
Public Utility Authority	<u>\$ 1,576,051</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,576,051</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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)	\$ 284,632	\$ 63,484	\$ 71,158 ⁽¹⁾	\$ 276,958	\$ 69,240
Net Pension Liability (Note 11)	212,092	142,908	278,231	76,769	
Net OPEB Liability (Note 12)	2,077,059	69,019	78,595 ⁽¹⁾	2,067,483	
Claims Payable (Note 13)	163,186	184,347	55,454 ⁽¹⁾	292,079	65,340
Direct Borrowings:					
Note Payable	0	140,000		140,000	
	<u>0</u>	<u>140,000</u>		<u>140,000</u>	
Governmental Activities Long-term Liabilities	<u>\$ 2,736,969</u>	<u>\$ 599,758</u>	<u>\$ 483,438</u>	<u>\$ 2,853,289</u>	<u>\$ 134,580</u>
Business-type Activities:					
Compensated Absences (Note 1.N)	\$ 29,359	\$ 15,466	\$ 12,494 ⁽¹⁾	\$ 32,331	\$ 28,073
Net Pension Liability	127		127	0	
Fixed Rate Revenue Bonds,					
2014 Series A	12,030,000		775,000	11,255,000	815,000
Unamortized Premium	302,534		16,043	286,491	
Fixed Rate Refunding Bonds,					
2017 Series A	29,145,000			29,145,000	
Unamortized Premium	3,370,200		235,130	3,135,070	
Fixed Rate Refunding Bonds,					
2017 Series B	41,710,000		1,685,000	40,025,000	1,455,000
Unamortized Discount	(419,140)		(35,926)	(383,214)	
	<u>41,710,000</u>		<u>1,685,000</u>	<u>40,025,000</u>	<u>1,455,000</u>
	<u>(419,140)</u>		<u>(35,926)</u>	<u>(383,214)</u>	
Business-type Activities Long-term Liabilities	<u>\$ 86,168,080</u>	<u>\$ 15,466</u>	<u>\$ 2,687,868</u>	<u>\$ 83,495,678</u>	<u>\$ 2,298,073</u>

⁽¹⁾ 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.

Notes Payable

On October 29, 2018, the City entered into a note payable with Sovel Group, LLC for the purchase of property near the Adelanto Stadium. Interest on the note payable accrues at a rate of 5.00% per annum. Principal on the note payable is due three years from the agreement date with interest paid in semi-annual payments. Currently, there is no debt service schedule available. The outstanding balance on the note payable is \$140,000 at June 30, 2019.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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, 2019, 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
2020	\$ 815,000	\$ 542,375	\$ 1,357,375
2021	855,000	500,625	1,355,625
2022	900,000	456,750	1,356,750
2023	940,000	410,750	1,350,750
2024	990,000	362,500	1,352,500
2025-2029	2,180,000	1,343,500	3,523,500
2030-2034	1,770,000	931,250	2,701,250
2035-2039	2,275,000	428,625	2,703,625
2040	530,000	13,250	543,250
Total	<u>\$ 11,255,000</u>	<u>\$ 4,989,625</u>	<u>\$ 16,244,625</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 \$16,244,625 payable through fiscal year 2040. For the current year, principal and interest paid by the water and wastewater operating revenues was \$775,000 and \$582,125.

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, 2019, 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, 2019

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
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	645,000	1,344,375	1,989,375
2025-2029	3,155,000	6,245,125	9,400,125
2030-2034	3,100,000	5,462,500	8,562,500
2035-2039	15,160,000	3,814,750	18,974,750
2040	5,150,000	128,750	5,278,750
Total	\$ 29,145,000	\$ 22,679,375	\$ 51,824,375

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 \$51,824,375 payable through fiscal year 2040. For the current year, only interest was due and paid by water and wastewater operating revenues for \$1,469,394.

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, 2019, 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
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	1,795,000	1,453,878	3,248,878
2025-2029	10,650,000	6,113,419	16,763,419
2030-2034	14,270,000	3,410,384	17,680,384
2035-2036	7,010,000	337,963	7,347,963
Total	\$ 40,025,000	\$ 17,700,953	\$ 57,725,953

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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 \$57,725,953 payable through fiscal year 2036. For the current year, principal and interest paid by the water and wastewater operating revenues was \$1,685,000 and \$1,735,332.

Defeased Debt

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% to advance refund the Fixed Rate Refunding Revenue Bonds, 2009 Series A. The net proceeds were deposited in an irrevocable trust to provide funds for the future debt service payment on the refunded bonds. Accordingly, those trust account assets and the liability for those defeased bonds are not included in the Authority's financial statements. At June 30, 2019, \$67,530,000 of defeased bonds remain outstanding.

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.

<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	\$ 3,510,000
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>2,395,000</u>
Total	<u>\$ 9,770,000</u>	<u>\$ 9,620,000</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

9) CONDUIT DEBT - Continued

Adelanto Public Financing Authority Bonds

The Adelanto Public Financing Authority (the “PFA”) issued local agency subordinated revenue bonds to provide loans to the former Adelanto Improvement Agency. The loans were used to finance various redevelopment activities which include refunding previous long-term liabilities. The bonds are secured from the former Adelanto Improvement Agency (Successor Agency) loan payments (tax revenues). See Note 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	\$ 2,460,000
Local Agency 2 nd Subordinated Revenue Bonds, 1995 Series B	17,560,000	11,295,000
Local Agency 3 rd Subordinated Revenue Bonds, 1995 Series C	11,786,856	12,116,378 ⁽¹⁾
	<u>\$ 36,746,856</u>	<u>\$ 25,871,378</u>

⁽¹⁾ This amount includes \$9,918,093 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	\$ 133,541	\$
Law Enforcement	319,957	
Public Safety	146,168	
Lighting and Landscape Maintenance	305,930	
Community Benefits		31,711
	<u> </u>	<u> </u>
Total	<u>\$ 905,596</u>	<u>\$ 31,711</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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, 2019, 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	7.634%	6.842%

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

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

A) General Information about the Pension Plans - Continued

	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

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

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, 2019 were \$202,218.

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

As of June 30, 2019, the City reported a net pension liability (asset) for its proportionate shares of the net pension liability of the Plan of \$70,046. This was the net of governmental activities having a net pension liability of \$76,769 and the business-type activities have a net pension liability (asset) of \$(6,723).

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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2018 and 2019 was as follows:

Proportion		Change Increase (Decrease)
Fiscal Year June 30, 2019	Fiscal Year June 30, 2018	
0.00073%	0.00214%	(0.00141)%

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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, 2019, the City recognized pension expense (credit) of \$(51,010). At June 30, 2019, 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	\$ 202,218	\$
Differences between actual and expected experience	1,283	
Changes in assumptions	5,993	(113)
Change in employer's proportion and differences between the employer's contributions and the employer's Proportionate share of contributions	445,931	(318,083)
Net differences between projected and actual earnings on plan investments	575	
Total	\$ 656,000	\$ (318,196)

The City reported \$202,218 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, 2020. 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	Deferred Outflows/(Inflows) of Resources
2020	\$ 6,938
2021	53,998
2022	75,021
2023	(371)

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
<i>Actuarial Assumptions:</i>	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality ⁽¹⁾	CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

⁽¹⁾The Mortality Rate Table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumptions - The discount rate remained the same at 7.15%.

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

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

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

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 ^(a)	New Strategic Allocation	Real Return Years 1 - 10 ^(b)	Real Return Years 11+ ^(c)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Infrastructure and Forestland	-	-	5.36%
Liquidity	1.0%	-	-0.92%
Total	<u>100%</u>		

^(a)In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.0% used for this period.

^(c) An expected inflation of 2.92% used for this period.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of project benefit payments to determine the total pension liability.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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)	\$	1,535,059
Current Discount Rate		7.15%
Net Pension Liability (Asset)	\$	70,046
1% Increase		8.15%
Net Pension Liability (Asset)	\$	(1,138,903)

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, 2019, the City reported a payable of \$36,846, which is included in accrued liabilities, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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, 2019

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.

<u>Description</u>	
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, 2019 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	<u>52</u>

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, 2019, the City's cash contributions were \$208,527.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

12) OTHER POST EMPLOYMENT BENEFITS - Continued

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 based on the following actuarial methods and assumptions:

Actuarial Assumptions

Valuation Date	June 30, 2018
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	3.62%
Investment Rate of Return	N/A
General Inflation	2.50%
Salary Increases	2.75%
Healthcare Cost Trend	6.00% in the first year, trending down to 3.84% over 55 years
Mortality	Mortality rates were based on tables from CalPERS OPEB Assumption Model for Public Agencies and Schools, revised May 14, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.62 percent. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, 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, 2018 <i>(Measurement Date June 30, 2017)</i>	\$ 2,077,059	\$ 0	\$ 2,077,059
Changes Recognized for the Measurement Period:			
Service Cost	23,571		23,571
Interest	73,383		73,383
Differences Between Expected and Actual Experience	(15,328)		(15,328)
Changes of Assumptions	(12,607)		(12,607)
Benefit Payments	(78,595)		(78,595)
Net Changes	(9,576)	0	(9,576)
Balance at June 30, 2019 <i>(Measurement Date June 30, 2018)</i>	\$ 2,067,483	\$ 0	\$ 2,067,483

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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, 2018:

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Net OPEB Liability	\$ 2,342,337	\$ 2,067,483	\$ 1,839,569

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, 2018:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 1,882,362	\$ 2,067,483	\$ 2,243,425

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, 2019

12) OTHER POST EMPLOYMENT BENEFITS - Continued

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

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$62,894. As of fiscal year ended June 30, 2019, 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	\$ 208,527	\$
Changes in Assumptions		(5,603)
Differences Between Actual and Expected Experience		(6,812)
Total	\$ 208,527	\$ (12,415)

The \$208,527 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. 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
2020	\$ (12,415)
2021	0
2022	0
2023	0
2024	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, 2019

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, 2019, the City had an excess of funds of \$594,688 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, 2019	Year Ended June 30, 2018
Claims Payable, Beginning of Year	\$ 163,186	\$ 217,068
Incurred Claims (Including IBNRs)	135,092	117,393
Claim Payments	(55,454)	(66,039)
Changes in Estimates	49,255	(105,236)
Claims Payable, End of Year	\$ 292,079	\$ 163,186

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, 2019

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 \$500,000 related to two 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.

Main Street, California, LLC

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. The outstanding balance is \$1,916,667 at June 30, 2019.

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 IX 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

15) SUCCESSOR AGENCY - Continued

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

Notes Receivable

The notes receivable consists of mostly agreements for the sale of land parcels by the former Adelanto Improvement Agency. Interest on the agreements varies from no interest to 5% per annum. The outstanding balance of notes receivable was \$542,355 as of June 30, 2019.

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	\$ 6,065,000	\$	\$ 830,000	\$ 5,235,000
Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds Discounts	2,870,000 (177,490)		80,000 (28,201)	2,790,000 (149,289)
Total Tax Allocation Bonds	<u>8,757,510</u>	<u>0</u>	<u>881,799</u>	<u>7,875,711</u>
Loans Payable:				
Adelanto Public Financing Authority Discounts	26,923,422 (60,311)	947,882 ⁽¹⁾	1,999,926 (6,577)	25,871,378 (53,734)
Total Loans Payable	<u>26,863,111</u>	<u>947,882</u>	<u>1,993,349</u>	<u>25,817,644</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>\$ 50,966,697</u>	<u>\$ 947,882</u>	<u>\$ 2,875,148</u>	<u>\$ 49,039,431</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, 2019

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, 2019, is \$ 1,232,684 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
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	\$ 5,235,000	\$ 750,063	\$ 5,985,063

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, 2019, is \$254,039, which is sufficient to cover the Bond Indenture Reserve Requirement.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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
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	105,000	142,050	247,050
2025-2029	620,000	606,000	1,226,000
2030-2034	830,000	389,400	1,219,400
2035-2038	865,000	107,250	972,250
Total	\$ 2,790,000	\$ 1,866,940	\$ 4,656,940

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	\$ 2,460,000
1995 Series B Issue	17,560,000	11,295,000
1995 Series C Issue	11,786,856	12,116,378 ⁽¹⁾
Total	\$ 36,746,856	\$ 25,871,378

⁽¹⁾ This amount includes accreted interest of \$9,918,093.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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, 2019, is \$747,060, 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
2020	\$	\$ 177,120	\$ 177,120
2021		177,120	177,120
2022		177,120	177,120
2023		177,120	177,120
2024		177,120	177,120
2025-2026	2,460,000	180,360	2,640,360
Total	\$ 2,460,000	\$ 1,065,960	\$ 3,525,960

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, 2019, is \$1,460,508, which is sufficient to cover the Bond Indenture Reserve Requirement.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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
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	645,000	552,352	1,197,352
2025-2029	8,445,000	1,646,348	10,091,348
Total	<u>\$ 11,295,000</u>	<u>\$ 4,778,078</u>	<u>\$ 16,073,078</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, 2019 is \$2,198,285 with accreted interest payable of \$9,918,093.

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

Year Ending June 30,	Principal	Interest	Total
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	232,754	1,582,543	1,815,297
2025-2029	930,565	7,947,877	8,878,442
Total	<u>\$ 2,198,285</u>	<u>\$ 15,207,514</u>	<u>\$ 17,405,799</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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, 2019.

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, 2019 was \$13,356,686 with interest payable of \$24,787,519.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

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

During the fiscal years 2020 and 2021, 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.

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, 2019

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%
2019	0.00073%	\$ 70,046	\$ 2,144,959	2.61%	99.35%

Notes to Schedule:

Benefit Changes. In fiscal years 2015-2019, 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) Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.
- (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, 2019

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	\$ 183,392	\$ (183,392)	\$ 0	\$ 1,823,881	10.06%
2016	\$ 120,950	\$ (120,957)	\$ (8)	\$ 1,651,349	7.32%
2017	\$ 147,493	\$ (147,496)	\$ (3)	\$ 2,011,038	7.33%
2018	\$ 198,968	\$ (198,999)	\$ (32)	\$ 2,684,367	7.41%
2019	\$ 202,155	\$ (202,218)	\$ (62)	\$ 2,144,959	9.43%

*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

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	2018
Total OPEB Liability		
Service Cost	\$ 22,912	\$ 23,571
Interest on the Total OPEB Liability	72,802	73,383
Actual and Expected Experience Difference	56,642	(15,328)
Changes in Assumptions	(98,357)	(12,607)
Changes in Benefit Terms	0	0
Benefit Payments	(81,502)	(78,595)
	(27,503)	(9,576)
Net Change in Total OPEB Liability	(27,503)	(9,576)
Total OPEB Liability - Beginning	2,104,562	2,077,059
Total OPEB Liability - Ending (a)	\$ 2,077,059	\$ 2,067,483
Plan Fiduciary Net Position		
Contribution - Employer	\$ 0	\$ 0
Net Investment Income	0	0
Benefit Payments	0	0
Administrative Expense	0	0
	0	0
Net Change in Plan Fiduciary Net Position	0	0
Plan Fiduciary Net Position - Beginning	0	0
Plan Fiduciary Net Position - Ending (b)	\$ 0	\$ 0
	0	0
Net OPEB Liability (Asset) - Ending (a)-(b)	\$ 2,077,059	\$ 2,067,483
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0%	0%
Covered-employee Payroll	\$ 1,024,839	\$ 1,053,022
Net OPEB Liability as a Percentage of Covered-employee Payroll	202.67%	196.3%

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, 2019

Fiscal Year Ended June 30,	2018	2019
Actuarially Determined Contribution (ADC)	\$ N/A	\$ N/A
Contributions in Relation to the ADC	N/A	N/A
Contribution Deficiency (Excess)	\$ N/A	\$ N/A
Covered-Employee Payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule:

For the fiscal years 2018 and 2019, 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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,869,260	\$ 7,195,000	\$ 8,283,209	\$ 1,088,209
Licenses, Permits and Fees	3,328,950	2,978,150	2,305,820	(672,330)
Fines, Forfeitures and Penalties	74,785	153,500	177,589	24,089
Investment Earnings	654,000	563,000	228,056	(334,944)
Charges for Current Services	2,178,150	1,062,610	1,763,435	700,825
Intergovernmental Revenues	26,000	21,676	70,339	48,663
Miscellaneous	154,000	22,209	302,553	280,344
Total Revenues	<u>14,285,145</u>	<u>11,996,145</u>	<u>13,131,001</u>	<u>1,134,856</u>
EXPENDITURES				
Current:				
General Government:				
City Council	139,851	139,851	94,506	45,345
Administration	624,920	667,638	555,985	111,653
Finance	569,910	923,350	777,248	146,102
City Attorney	740,000	1,361,000	1,562,777	(201,777)
Human Resources	7,800	40,000	75,207	(35,207)
Information Technology	300,312	469,908	399,995	69,913
Non-Department	1,118,986	1,221,300	1,315,831	(94,531)
Vehicle Maintenance	148,308	161,934	116,648	45,286
Total General Government	<u>3,650,087</u>	<u>4,984,981</u>	<u>4,898,197</u>	<u>86,784</u>
Public Safety:				
Police	6,232,760	6,272,310	6,223,801	48,509
Fire	4,516,855	4,510,755	4,511,488	(733)
Code Enforcement	601,872	515,063	434,889	80,174
Animal Control	126,939	144,942	138,195	6,747
Public Safety			68,674	(68,674)
Total Public Safety	<u>11,478,426</u>	<u>11,443,070</u>	<u>11,377,047</u>	<u>66,023</u>
Public Works:				
Streets	986,897	825,657	623,204	202,453
Facility Maintenance	328,159	409,819	325,122	84,697
LLMD	167,854	580,991	638,411	(57,420)
Building and Safety	423,302	476,253	402,361	73,892
Engineering	553,194	449,194	582,450	(133,256)
Public Services			124,509	(124,509)
Total Public Services	<u>2,459,406</u>	<u>2,741,914</u>	<u>2,696,057</u>	<u>45,857</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Development:				
Planning and Economic Development	\$ 1,023,353	\$ 927,504	\$ 924,998	\$ 2,506
Community Services			28,995	(28,995)
Total Community Development	<u>1,023,353</u>	<u>927,504</u>	<u>953,993</u>	<u>(26,489)</u>
Parks and Recreation:				
Parks and Grounds	333,541	398,544	337,360	61,184
Senior Center	10,216	44,116	32,944	11,172
Community Center	3,455	14,155	15,865	(1,710)
Total Parks and Recreation	<u>347,212</u>	<u>456,815</u>	<u>386,169</u>	<u>70,646</u>
Capital Outlay:				
Information Technology	79,000	84,000	83,986	14
Non-Department	23,000	102,884	386,117	(283,233)
Police		29,600	14,800	14,800
Streets	2,500			0
Total Capital Outlay	<u>104,500</u>	<u>216,484</u>	<u>484,903</u>	<u>(268,419)</u>
Total Expenditures	<u>19,062,984</u>	<u>20,770,768</u>	<u>20,796,366</u>	<u>(25,598)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(4,777,839)</u>	<u>(8,774,623)</u>	<u>(7,665,365)</u>	<u>1,109,258</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	1,000,000	1,000,000	998,573	(1,427)
Transfers In	5,319,434	3,699,819	2,367,181	(1,332,638)
Transfers Out	(397,000)	(215,500)	(2,486,564)	(2,271,064)
Total Other Financing Sources (Uses)	<u>5,922,434</u>	<u>4,484,319</u>	<u>879,190</u>	<u>(3,605,129)</u>
Net Change in Fund Balance	<u>\$ 1,144,595</u>	<u>\$ (4,290,304)</u>	<u>(6,786,175)</u>	<u>\$ (2,495,871)</u>
Fund Balance - Beginning			<u>19,876,138</u>	
Fund Balance - Ending			<u>\$ 13,089,963</u>	

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Current Services	\$ 522,000	\$ 130,919	\$ 129,617	\$ (1,302)
Miscellaneous	3,000	1,000		(1,000)
Total Revenues	<u>525,000</u>	<u>131,919</u>	<u>129,617</u>	<u>(2,302)</u>
EXPENDITURES				
Current:				
Parks and Recreation	525,000	2,483,773	4,327,220	(1,843,447)
Total Expenditures	<u>525,000</u>	<u>2,483,773</u>	<u>4,327,220</u>	<u>(1,843,447)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>0</u>	<u>(2,351,854)</u>	<u>(4,197,603)</u>	<u>(1,845,749)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		2,486,455	2,486,454	(1)
Total Other Financing Sources (Uses)	<u>0</u>	<u>2,486,455</u>	<u>2,486,454</u>	<u>(1)</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 134,601</u>	(1,711,149)	<u>\$ (1,845,750)</u>
Fund Balance - Beginning			<u>(3,592,243)</u>	
Fund Balance - Ending			<u>\$ (5,303,392)</u>	

City of Adelanto, California
Notes to Required Supplementary Information
Year Ended June 30, 2019

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.

SUPPLEMENTARY SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Capital Project Fund:

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

Special Revenue Funds:

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.

State/County Grants - is used to account for monies received for miscellaneous State and County 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 1/2 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, 2019

	<u>Capital Projects</u>	<u>Special Revenue</u>			
	<u>Capital Improvement Projects</u>	<u>Park Development Impact</u>	<u>Drainage Impact</u>	<u>Traffic Impact</u>	
ASSETS					
Cash and Investments	\$		\$ 1,399,400	\$ 5,134,962	\$ 2,017,283
Cash and Investments with Fiscal Agent	212,526				
Accounts Receivable					697,787
Due from Other Funds					
Advances to Other Funds			226,454		
			<u>226,454</u>		
Total Assets	<u>\$ 212,526</u>	<u>\$ 1,399,400</u>	<u>\$ 5,361,416</u>		<u>\$ 2,715,070</u>
LIABILITIES					
Accounts Payable	\$		\$		\$ 359,057
Due to Other Funds					
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>		<u>359,057</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes					
Unavailable Revenue - Developer Fees					697,787
Unavailable Revenue - Intergovernmental					
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>		<u>697,787</u>
FUND BALANCES					
Restricted for:					
Development	212,526	1,399,400	5,361,416		
Streets and Roads					1,658,226
Air Quality Management					
Law Enforcement					
Public Safety					
Community Development					
Lighting and Landscape Maintenance					
Unassigned					
Total Fund Balances	<u>212,526</u>	<u>1,399,400</u>	<u>5,361,416</u>		<u>1,658,226</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 212,526</u>	<u>\$ 1,399,400</u>	<u>\$ 5,361,416</u>		<u>\$ 2,715,070</u>

Special Revenue

Fire Mitigation Impact	Gas Tax	TDA Article 8	Road Maintenance & Rehabilitation SB-1	Federal Grants
\$ 257,396	\$ 786,061	\$ 1,387,445	\$ 188,721	\$
99,123	65,403		164,331	
<u>\$ 356,519</u>	<u>\$ 851,464</u>	<u>\$ 1,387,445</u>	<u>\$ 353,052</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$
				33,957
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,957</u>
99,123				
<u>99,123</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
257,396	851,464	1,387,445	353,052	
				(33,957)
<u>257,396</u>	<u>851,464</u>	<u>1,387,445</u>	<u>353,052</u>	<u>(33,957)</u>
<u>\$ 356,519</u>	<u>\$ 851,464</u>	<u>\$ 1,387,445</u>	<u>\$ 353,052</u>	<u>\$ 0</u>

Continued

City of Adelanto, California
Combining Balance Sheet - Continued
Non-major Governmental Funds
June 30, 2019

	Special Revenue			
	State/County Grants	Community Development Block Grant	AQMD/ California AB Distributions	Police Asset Seizure
ASSETS				
Cash and Investments	\$	\$	\$ 133,541	\$ 16,368
Cash and Investments with Fiscal Agent				
Accounts Receivable	712,000	38,019		
Due from Other Funds		350,276		
Advances to Other Funds				
Total Assets	<u>\$ 712,000</u>	<u>\$ 388,295</u>	<u>\$ 133,541</u>	<u>\$ 16,368</u>
LIABILITIES				
Accounts Payable	\$ 76,613	\$ 9,141	\$	\$
Due to Other Funds	639,319	386,957		
Total Liabilities	<u>715,932</u>	<u>396,098</u>	<u>0</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes				
Unavailable Revenue - Developer Fees				
Unavailable Revenue - Intergovernmental	712,000	7,247		
Total Deferred Inflows of Resources	<u>712,000</u>	<u>7,247</u>	<u>0</u>	<u>0</u>
FUND BALANCES				
Restricted for:				
Development				
Streets and Roads				
Air Quality Management			133,541	
Law Enforcement				16,368
Public Safety				
Community Development				
Lighting and Landscape Maintenance				
Unassigned	(715,932)	(15,050)		
Total Fund Balances	<u>(715,932)</u>	<u>(15,050)</u>	<u>133,541</u>	<u>16,368</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 712,000</u>	<u>\$ 388,295</u>	<u>\$ 133,541</u>	<u>\$ 16,368</u>

Special Revenue

Public Safety 1/2 Cent	Traffic Offender	COPS Grant	Measure I 1990-2010	Measure I 70% Local
\$ 133,436	\$ 6,597	\$ 247,394	\$ 2,339,819	\$ 2,228,366
12,732		56,195		180,693 32,499
<u>\$ 146,168</u>	<u>\$ 6,597</u>	<u>\$ 303,589</u>	<u>\$ 2,339,819</u>	<u>\$ 2,441,558</u>
\$	\$ 8,118	\$	\$	\$ 220,181
<u>0</u>	<u>8,118</u>	<u>0</u>	<u>0</u>	<u>220,181</u>
		56,195		59,898
<u>0</u>	<u>0</u>	<u>56,195</u>	<u>0</u>	<u>59,898</u>
146,168		247,394	2,339,819	2,161,479
	(1,521)			
<u>146,168</u>	<u>(1,521)</u>	<u>247,394</u>	<u>2,339,819</u>	<u>2,161,479</u>
<u>\$ 146,168</u>	<u>\$ 6,597</u>	<u>\$ 303,589</u>	<u>\$ 2,339,819</u>	<u>\$ 2,441,558</u>

Continued

City of Adelanto, California
Combining Balance Sheet - Continued
Non-major Governmental Funds
June 30, 2019

	Special Revenue		Total Non-major Governmental Funds
	Community Facilities District	LLMD Annexation	
ASSETS			
Cash and Investments	\$ 653,123	\$ 304,060	\$ 17,233,972
Cash and Investments with Fiscal Agent			212,526
Accounts Receivable	203	1,870	2,028,356
Due from Other Funds			382,775
Advances to Other Funds			226,454
Total Assets	\$ 653,326	\$ 305,930	\$ 20,084,083
LIABILITIES			
Accounts Payable	\$	\$	\$ 664,992
Due to Other Funds			1,068,351
Total Liabilities	0	0	1,733,343
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes			59,898
Unavailable Revenue - Developer Fees			796,910
Unavailable Revenue - Intergovernmental			775,442
Total Deferred Inflows of Resources	0	0	1,632,250
FUND BALANCES			
Restricted for:			
Development			7,230,738
Streets and Roads			8,751,485
Air Quality Management			133,541
Law Enforcement			263,762
Public Safety			146,168
Community Development	653,326		653,326
Lighting and Landscape Maintenance		305,930	305,930
Unassigned			(766,460)
Total Fund Balances	653,326	305,930	16,718,490
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 653,326	\$ 305,930	\$ 20,084,083

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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, 2019

	Capital Projects	Special Revenue		
	Capital Improvement Projects	Park Development Impact	Drainage Impact	Traffic Impact
REVENUES				
Taxes	\$	\$	\$	\$
Investment Earnings	4,370	17,559	54,337	21,929
Developer Fees		118,490	211,199	444,312
Intergovernmental Revenues				
Total Revenues	<u>4,370</u>	<u>136,049</u>	<u>265,536</u>	<u>466,241</u>
EXPENDITURES				
Current:				
Public Safety				
Public Works			636	516
Community Development				
Parks and Recreation		3,674		
Capital Outlay		424,959		2,823,518
Total Expenditures	<u>0</u>	<u>428,633</u>	<u>636</u>	<u>2,824,034</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,370</u>	<u>(292,584)</u>	<u>264,900</u>	<u>(2,357,793)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			627	
Transfers Out				
Notes Payable Issued		140,000		
Total Other Financing Sources (Uses)	<u>0</u>	<u>140,000</u>	<u>627</u>	<u>0</u>
Net Change in Fund Balances	4,370	(152,584)	265,527	(2,357,793)
Fund Balances - Beginning	<u>208,156</u>	<u>1,551,984</u>	<u>5,095,889</u>	<u>4,016,019</u>
Fund Balances - Ending	<u>\$ 212,526</u>	<u>\$ 1,399,400</u>	<u>\$ 5,361,416</u>	<u>\$ 1,658,226</u>

Special Revenue

Fire Mitigation Impact	Gas Tax	TDA Article 8	Road Maintenance & Rehabilitation SB-1	Federal Grants
\$ 4,357	\$ 9,269	\$ 17,889	\$ 5,079	\$
20,783	688,067	999,174	647,210	18,703
<u>25,140</u>	<u>697,336</u>	<u>1,017,063</u>	<u>652,289</u>	<u>18,703</u>
13	186	134	61	31,185
<u>13</u>	<u>186</u>	<u>134</u>	<u>61</u>	<u>31,185</u>
25,127	697,150	1,016,929	652,228	(12,482)
0	(680,000)	(20,000)	(500,000)	0
<u>0</u>	<u>(680,000)</u>	<u>(20,000)</u>	<u>(500,000)</u>	<u>0</u>
25,127	17,150	996,929	152,228	(12,482)
232,269	834,314	390,516	200,824	(21,475)
<u>\$ 257,396</u>	<u>\$ 851,464</u>	<u>\$ 1,387,445</u>	<u>\$ 353,052</u>	<u>\$ (33,957)</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, 2019

	Special Revenue			
	State/County Grants	Community Development Block Grant	AQMD/ California AB Distributions	Police Asset Seizure
REVENUES				
Taxes	\$	\$	\$	\$
Investment Earnings			318	41
Developer Fees				
Intergovernmental Revenues		54,561	12,480	
Total Revenues	<u>0</u>	<u>54,561</u>	<u>12,798</u>	<u>41</u>
EXPENDITURES				
Current:				
Public Safety	3,932			3
Public Works			28	
Community Development		38,019		
Parks and Recreation				
Capital Outlay	<u>712,000</u>			
Total Expenditures	<u>715,932</u>	<u>38,019</u>	<u>28</u>	<u>3</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(715,932)</u>	<u>16,542</u>	<u>12,770</u>	<u>38</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Notes Payable Issued				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(715,932)</u>	<u>16,542</u>	<u>12,770</u>	<u>38</u>
Fund Balances - Beginning	<u>0</u>	<u>(31,592)</u>	<u>120,771</u>	<u>16,330</u>
Fund Balances - Ending	<u><u>\$ (715,932)</u></u>	<u><u>\$ (15,050)</u></u>	<u><u>\$ 133,541</u></u>	<u><u>\$ 16,368</u></u>

Special Revenue

Public Safety 1/2 Cent	Traffic Offender	COPS Grant	Measure I 1990-2010	Measure I 70% Local
\$ 163,852	\$ 8	\$ 978	\$ 26,746	\$ 780,977
433	8	978	26,746	22,857
		149,154		
<u>164,285</u>	<u>8</u>	<u>150,132</u>	<u>26,746</u>	<u>803,834</u>
40	1	56	281	209,918
			4,195	264,736
<u>40</u>	<u>1</u>	<u>56</u>	<u>4,476</u>	<u>474,654</u>
<u>164,245</u>	<u>7</u>	<u>150,076</u>	<u>22,270</u>	<u>329,180</u>
(125,000)		(100,000)		
<u>(125,000)</u>	<u>0</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>
39,245	7	50,076	22,270	329,180
<u>106,923</u>	<u>(1,528)</u>	<u>197,318</u>	<u>2,317,549</u>	<u>1,832,299</u>
<u>\$ 146,168</u>	<u>\$ (1,521)</u>	<u>\$ 247,394</u>	<u>\$ 2,339,819</u>	<u>\$ 2,161,479</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, 2019

	Special Revenue		Total Non-major Governmental Funds
	Community Facilities District	LLMD Annexation	
REVENUES			
Taxes	\$ 194,407	\$ 183,711	\$ 1,322,947
Investment Earnings	5,323	5,133	196,626
Developer Fees			794,784
Intergovernmental Revenues			2,569,349
	<u>199,730</u>	<u>188,844</u>	<u>4,883,706</u>
EXPENDITURES			
Current:			
Public Safety			35,217
Public Works		21,006	232,779
Community Development	13,373		51,392
Parks and Recreation			3,674
Capital Outlay			4,229,408
	<u>13,373</u>	<u>21,006</u>	<u>4,552,470</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>186,357</u>	<u>167,838</u>	<u>331,236</u>
OTHER FINANCING SOURCES (USES)			
Transfers In			627
Transfers Out	(20,000)	(221,000)	(1,666,000)
Notes Payable Issued			140,000
	<u>(20,000)</u>	<u>(221,000)</u>	<u>(1,525,373)</u>
Net Change in Fund Balances	166,357	(53,162)	(1,194,137)
Fund Balances - Beginning	<u>486,969</u>	<u>359,092</u>	<u>17,912,627</u>
Fund Balances - Ending	<u>\$ 653,326</u>	<u>\$ 305,930</u>	<u>\$ 16,718,490</u>

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 4,370	\$ 4,370
Total Revenues	0	0	4,370	4,370
EXPENDITURES				
Capital Outlay				0
Total Expenditures	0	0	0	0
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	4,370	<u>\$ 4,370</u>
Fund Balance - Beginning			<u>208,156</u>	
Fund Balance - Ending			<u>\$ 212,526</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$		\$ 17,559	\$ 17,559
Developer Fees	335,240	150,000	118,490	(31,510)
Total Revenues	<u>335,240</u>	<u>150,000</u>	<u>136,049</u>	<u>(13,951)</u>
EXPENDITURES				
Current:				
Parks and Recreation			3,674	(3,674)
Capital Outlay		268,543	424,959	(156,416)
Total Expenditures	<u>0</u>	<u>268,543</u>	<u>428,633</u>	<u>(160,090)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>335,240</u>	<u>(118,543)</u>	<u>(292,584)</u>	<u>(174,041)</u>
OTHER FINANCING SOURCES (USES)				
Notes Payable Issued			140,000	140,000
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>140,000</u>	<u>140,000</u>
Net Change in Fund Balance	<u>\$ 335,240</u>	<u>\$ (118,543)</u>	(152,584)	<u>\$ (34,041)</u>
Fund Balance - Beginning			<u>1,551,984</u>	
Fund Balance - Ending			<u>\$ 1,399,400</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 54,337	\$ 54,337
Developer Fees	363,312	220,000	211,199	(8,801)
Total Revenues	363,312	220,000	265,536	45,536
EXPENDITURES				
Current:				
Public Works			636	(636)
Total Expenditures	0	0	636	(636)
Excess (Deficiency) of Revenues over Expenditures	363,312	220,000	264,900	44,900
OTHER FINANCING SOURCES (USES)				
Transfers In			627	627
Total Other Financing Sources (Uses)	0	0	627	627
Net Change in Fund Balance	\$ 363,312	\$ 220,000	265,527	\$ 45,527
Fund Balance - Beginning			5,095,889	
Fund Balance - Ending			\$ 5,361,416	

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 21,929	\$ 21,929
Developer Fees	516,432	425,000	444,312	19,312
Total Revenues	516,432	425,000	466,241	41,241
EXPENDITURES				
Current:				
Public Works	15,000		516	(516)
Capital Outlay		2,612,434	2,823,518	(211,084)
Total Expenditures	15,000	2,612,434	2,824,034	(211,600)
Excess (Deficiency) of Revenues over Expenditures	501,432	(2,187,434)	(2,357,793)	(170,359)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(750,000)	(765,000)		765,000
Total Other Financing Sources (Uses)	(750,000)	(765,000)	0	765,000
Net Change in Fund Balance	\$ (248,568)	\$ (2,952,434)	(2,357,793)	\$ 594,641
Fund Balance - Beginning			4,016,019	
Fund Balance - Ending			\$ 1,658,226	

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$ 500	\$ 4,357	\$ 3,857
Developer Fees	27,260	23,000	20,783	(2,217)
Total Revenues	27,260	23,500	25,140	1,640
EXPENDITURES				
Current:				
Public Works			13	(13)
Total Expenditures	0	0	13	(13)
Excess (Deficiency) of Revenues over Expenditures	27,260	23,500	25,127	1,653
OTHER FINANCING SOURCES (USES)				
Transfers Out	(150,000)	(150,000)		150,000
Total Other Financing Sources (Uses)	(150,000)	(150,000)	0	150,000
Net Change in Fund Balance	<u>\$ (122,740)</u>	<u>\$ (126,500)</u>	25,127	<u>\$ 151,653</u>
Fund Balance - Beginning			<u>232,269</u>	
Fund Balance - Ending			<u>\$ 257,396</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$ 1,310	\$ 9,269	\$ 7,959
Intergovernmental Revenue	790,740	673,000	688,067	15,067
Total Revenues	790,740	674,310	697,336	23,026
EXPENDITURES				
Current:				
Public Works			186	(186)
Total Expenditures	0	0	186	(186)
Excess (Deficiency) of Revenues over Expenditures	790,740	674,310	697,150	22,840
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,000,000)	(680,000)	(680,000)	0
Total Other Financing Sources (Uses)	(1,000,000)	(680,000)	(680,000)	0
Net Change in Fund Balance	<u>\$ (209,260)</u>	<u>\$ (5,690)</u>	17,150	<u>\$ 22,840</u>
Fund Balance - Beginning			834,314	
Fund Balance - Ending			<u>\$ 851,464</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 17,889	\$ 17,889
Intergovernmental Revenue	650,000	999,174	999,174	0
Total Revenues	650,000	999,174	1,017,063	17,889
EXPENDITURES				
Capital Outlay	1,648,744		134	(134)
Total Expenditures	1,648,744	0	134	(134)
Excess (Deficiency) of Revenues over Expenditures	(998,744)	999,174	1,016,929	17,755
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>\$ (1,018,744)</u>	<u>\$ 979,174</u>	996,929	<u>\$ 17,755</u>
Fund Balance - Beginning			390,516	
Fund Balance - Ending			<u>\$ 1,387,445</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 5,079	\$ 5,079
Intergovernmental Revenue	567,750	537,000	647,210	110,210
Total Revenues	567,750	537,000	652,289	115,289
EXPENDITURES				
Current:				
Public Works			61	(61)
Capital Outlay	442,000			
Total Expenditures	442,000	0	61	(61)
Excess (Deficiency) of Revenues over Expenditures	125,750	537,000	652,228	115,228
OTHER FINANCING SOURCES (USES)				
Transfers Out		(500,000)	(500,000)	0
Total Other Financing Sources (Uses)	0	(500,000)	(500,000)	0
Net Change in Fund Balance	\$ 125,750	\$ 37,000	152,228	\$ 115,228
Fund Balance - Beginning			200,824	
Fund Balance - Ending			\$ 353,052	

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	<u>\$ 14,000</u>	<u>\$ 30,000</u>	<u>\$ 18,703</u>	<u>\$ (11,297)</u>
Total Revenues	<u>14,000</u>	<u>30,000</u>	<u>18,703</u>	<u>(11,297)</u>
EXPENDITURES				
Current:				
Public Safety	<u>13,500</u>	<u>29,703</u>	<u>31,185</u>	<u>(1,482)</u>
Total Expenditures	<u>13,500</u>	<u>29,703</u>	<u>31,185</u>	<u>(1,482)</u>
Net Change in Fund Balance	<u>\$ 500</u>	<u>\$ 297</u>	(12,482)	<u>\$ (12,779)</u>
Fund Balance - Beginning			<u>(21,475)</u>	
Fund Balance - Ending			<u>\$ (33,957)</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - State/County Grants Special Revenue Fund
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 740,000	\$ 9,058	\$	\$ (9,058)
Total Revenues	<u>740,000</u>	<u>9,058</u>	<u>0</u>	<u>(9,058)</u>
EXPENDITURES				
Current:				
Public Safety			3,932	(3,932)
Capital Outlay	<u>712,000</u>	<u>712,000</u>	<u>712,000</u>	<u>0</u>
Total Expenditures	<u>712,000</u>	<u>712,000</u>	<u>715,932</u>	<u>(3,932)</u>
Net Change in Fund Balance	<u>\$ 28,000</u>	<u>\$ (702,942)</u>	(715,932)	<u>\$ (12,990)</u>
Fund Balance - Beginning			<u>0</u>	
Fund Balance - Ending			<u>\$ (715,932)</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 544,334	\$ 50,000	\$ 54,561	\$ 4,561
Total Revenues	<u>544,334</u>	<u>50,000</u>	<u>54,561</u>	<u>4,561</u>
EXPENDITURES				
Current:				
Community Development		50,000	38,019	11,981
Total Expenditures	<u>0</u>	<u>50,000</u>	<u>38,019</u>	<u>11,981</u>
Excess (Deficiency) of Revenues over Expenditures	<u>544,334</u>	<u>0</u>	<u>16,542</u>	<u>16,542</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(544,334)</u>	<u>(50,000)</u>		<u>50,000</u>
Total Other Financing Sources (Uses)	<u>(544,334)</u>	<u>(50,000)</u>	<u>0</u>	<u>50,000</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ (50,000)</u>	16,542	<u>\$ 66,542</u>
Fund Balance - Beginning			<u>(31,592)</u>	
Fund Balance - Ending			<u>\$ (15,050)</u>	

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 318	\$ 318
Intergovernmental Revenues	12,500	12,480	12,480	0
Total Revenues	12,500	12,480	12,798	318
EXPENDITURES				
Current:				
Public Works	6,000	6,000	28	5,972
Total Expenditures	6,000	6,000	28	5,972
Net Change in Fund Balance	<u>\$ 6,500</u>	<u>\$ 6,480</u>	12,770	<u>\$ 6,290</u>
Fund Balance - Beginning			<u>120,771</u>	
Fund Balance - Ending			<u>\$ 133,541</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 41	\$ 41
Total Revenues	0	0	41	41
EXPENDITURES				
Current:				
Public Safety			3	(3)
Total Expenditures	0	0	3	(3)
Net Change in Fund Balance	\$ 0	\$ 0	38	\$ 44
Fund Balance - Beginning			16,330	
Fund Balance - Ending			\$ 16,368	

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 148,500	\$ 140,000	\$ 163,852	\$ 23,852
Investment Earnings			433	433
Total Revenues	<u>148,500</u>	<u>140,000</u>	<u>164,285</u>	<u>24,285</u>
EXPENDITURES				
Current:				
Public Safety			40	(40)
Total Expenditures	<u>0</u>	<u>0</u>	<u>40</u>	<u>(40)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>148,500</u>	<u>140,000</u>	<u>164,245</u>	<u>24,245</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(125,000)</u>	<u>(142,000)</u>	<u>(125,000)</u>	<u>17,000</u>
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>(142,000)</u>	<u>(125,000)</u>	<u>17,000</u>
Net Change in Fund Balances	<u>\$ 23,500</u>	<u>\$ (2,000)</u>	39,245	<u>\$ 41,245</u>
Fund Balance - Beginning			<u>106,923</u>	
Fund Balance - Ending			<u>\$ 146,168</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 8	\$ 8
Charges for Current Services	8,000			0
Total Revenues	8,000	0	8	8
EXPENDITURES				
Current:				
Public Safety			1	(1)
Total Expenditures	0	0	1	(1)
Excess (Deficiency) of Revenues over Expenditures	8,000	0	7	7
OTHER FINANCING SOURCES (USES)				
Transfers Out	(5,000)	(5,000)		5,000
Total Other Financing Sources (Uses)	(5,000)	(5,000)	0	5,000
Net Change in Fund Balance	<u>\$ 3,000</u>	<u>\$ (5,000)</u>	7	<u>\$ 5,007</u>
Fund Balance - Beginning			(1,528)	
Fund Balance - Ending			<u>\$ (1,521)</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$	\$	\$ 978	\$ 978
Intergovernmental Revenue	110,000	88,000	149,154	61,154
Total Revenues	110,000	88,000	150,132	62,132
EXPENDITURES				
Current:				
Public Safety			56	(56)
Total Expenditures	0	0	56	(56)
Excess (Deficiency) of Revenues over Expenditures	110,000	88,000	150,076	62,076
OTHER FINANCING SOURCES (USES)				
Transfers Out	(150,000)	(150,000)	(100,000)	50,000
Total Other Financing Sources (Uses)	(150,000)	(150,000)	(100,000)	50,000
Net Change in Fund Balance	<u>\$ (40,000)</u>	<u>\$ (62,000)</u>	50,076	<u>\$ 112,076</u>
Fund Balance - Beginning			197,318	
Fund Balance - Ending			<u>\$ 247,394</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 305	\$ 750	\$ 26,746	\$ 25,996
Total Revenues	<u>305</u>	<u>750</u>	<u>26,746</u>	<u>25,996</u>
EXPENDITURES				
Current:				
Public Works			281	(281)
Capital Outlay	2,317,800	8,200	4,195	4,005
Total Expenditures	<u>2,317,800</u>	<u>8,200</u>	<u>4,476</u>	<u>3,724</u>
Net Change in Fund Balance	<u>\$ (2,317,495)</u>	<u>\$ (7,450)</u>	22,270	<u>\$ 29,720</u>
Fund Balance - Beginning			<u>2,317,549</u>	
Fund Balance - Ending			<u>\$ 2,339,819</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 650,000	\$ 650,000	\$ 780,977	\$ 130,977
Investment Earnings	100	700	22,857	22,157
Total Revenues	<u>650,100</u>	<u>650,700</u>	<u>803,834</u>	<u>153,134</u>
EXPENDITURES				
Current:				
Public Works	300,000	300,000	209,918	90,082
Capital Outlay	<u>682,200</u>	<u> </u>	<u>264,736</u>	<u>(264,736)</u>
Total Expenditures	<u>982,200</u>	<u>300,000</u>	<u>474,654</u>	<u>(174,654)</u>
Net Change in Fund Balance	<u>\$ (332,100)</u>	<u>\$ 350,700</u>	329,180	<u>\$ (21,520)</u>
Fund Balance - Beginning			<u>1,832,299</u>	
Fund Balance - Ending			<u>\$ 2,161,479</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 16,000	\$ 16,000	\$ 194,407	\$ 178,407
Investment Earnings			5,323	5,323
Total Revenues	<u>16,000</u>	<u>16,000</u>	<u>199,730</u>	<u>183,730</u>
EXPENDITURES				
Current:				
Community Development	<u>1,600</u>	<u>11,500</u>	<u>13,373</u>	<u>(1,873)</u>
Total Expenditures	<u>1,600</u>	<u>11,500</u>	<u>13,373</u>	<u>(1,873)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>14,400</u>	<u>4,500</u>	<u>186,357</u>	<u>181,857</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ (5,600)</u>	<u>\$ (15,500)</u>	166,357	<u>\$ 181,857</u>
Fund Balance - Beginning			<u>486,969</u>	
Fund Balance - Ending			<u>\$ 653,326</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 175,000	\$ 175,000	\$ 183,711	\$ 8,711
Investment Earnings			5,133	5,133
Total Revenues	<u>175,000</u>	<u>175,000</u>	<u>188,844</u>	<u>13,844</u>
EXPENDITURES				
Current:				
Public Works	<u>28,000</u>	<u>24,500</u>	<u>21,006</u>	<u>3,494</u>
Total Expenditures	<u>28,000</u>	<u>24,500</u>	<u>21,006</u>	<u>3,494</u>
Excess (Deficiency) of Revenues over Expenditures	<u>147,000</u>	<u>150,500</u>	<u>167,838</u>	<u>17,338</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(200,000)</u>	<u>(217,500)</u>	<u>(221,000)</u>	<u>(3,500)</u>
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(217,500)</u>	<u>(221,000)</u>	<u>(3,500)</u>
Net Change in Fund Balance	<u>\$ (53,000)</u>	<u>\$ (67,000)</u>	(53,162)	<u>\$ 13,838</u>
Fund Balance - Beginning			<u>359,092</u>	
Fund Balance - Ending			<u>\$ 305,930</u>	

City of Adelanto, California
Statement of Changes in Fiduciary Assets and Liabilities
Assessment District 1A
Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Investments	\$ 1,229,558	\$ 8,056	\$ 4,359	\$ 1,233,255
Accounts Receivable	1,039	300	1,039	300
	<u>1,039</u>	<u>300</u>	<u>1,039</u>	<u>300</u>
Total Assets	<u>\$ 1,230,597</u>	<u>\$ 8,356</u>	<u>\$ 5,398</u>	<u>\$ 1,233,555</u>
LIABILITIES				
Due to Other Funds	\$ 79,299	\$	\$	\$ 79,299
Due to Bondholders	1,151,298	8,356	5,398	1,154,256
	<u>1,151,298</u>	<u>8,356</u>	<u>5,398</u>	<u>1,154,256</u>
Total Liabilities	<u>\$ 1,230,597</u>	<u>\$ 8,356</u>	<u>\$ 5,398</u>	<u>\$ 1,233,555</u>

City of Adelanto, California
Statement of Changes in Fiduciary Assets and Liabilities
CFD 2006-2 Bond Fund
Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Investments	\$ 356,463	\$ 1,088,412	\$ 1,036,048	\$ 408,827
Cash and Investments with Fiscal Agent	943,320	430,358	429,939	943,739
Accounts Receivable	2,545	616	2,545	616
	<u>\$ 1,302,328</u>	<u>\$ 1,519,386</u>	<u>\$ 1,468,532</u>	<u>\$ 1,353,182</u>
LIABILITIES				
Due to Bondholders	<u>\$ 1,302,328</u>	<u>\$ 1,519,386</u>	<u>\$ 1,468,532</u>	<u>\$ 1,353,182</u>
	<u>\$ 1,302,328</u>	<u>\$ 1,519,386</u>	<u>\$ 1,468,532</u>	<u>\$ 1,353,182</u>

City of Adelanto, California
Statement of Changes in Fiduciary Assets and Liabilities
Total Agency Funds
Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Investments	\$ 1,586,021	\$ 1,096,468	\$ 1,040,407	\$ 1,642,082
Cash and Investments with Fiscal Agent	943,320	430,358	429,939	943,739
Accounts Receivable	3,584	916	3,584	916
	<u>3,584</u>	<u>916</u>	<u>3,584</u>	<u>916</u>
Total Assets	<u>\$ 2,532,925</u>	<u>\$ 1,527,742</u>	<u>\$ 1,473,930</u>	<u>\$ 2,586,737</u>
LIABILITIES				
Due to Other Funds	\$ 79,299	\$	\$	\$ 79,299
Due to Bondholders	2,453,626	1,527,742	1,473,930	2,507,438
	<u>2,453,626</u>	<u>1,527,742</u>	<u>1,473,930</u>	<u>2,507,438</u>
Total Liabilities	<u>\$ 2,532,925</u>	<u>\$ 1,527,742</u>	<u>\$ 1,473,930</u>	<u>\$ 2,586,737</u>