

**City of Adelanto
Annual Financial Report
For the Fiscal Year Ended June 30, 2009**

CITY OF ADELANTO, CALIFORNIA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2009

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FINANCIAL
SECTION



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INDEPENDENT AUDITOR'S REPORT

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

We were engaged to audit 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 (City) as of and for the fiscal year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management.

The City's system of internal control, in our opinion, is not adequate to provide safeguarding of assets and assure proper recording of transactions. Accordingly, it was impracticable to extend our procedures sufficiently to determine the extent to which the basic financial statements may have been affected by these conditions.

Since the City does not maintain an adequate system of internal control, as described in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, opinions on the basic financial statements referred to above.

As discussed in Note 1 to the financial statements, the City has not recorded capital assets in the governmental activities except for the Redevelopment Agency's capital assets, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. With capitalization of capital assets, the expenses of the governmental activities would also decrease due to the capital outlay being capitalized. These amounts are not reasonably determinable.

As discussed in note 1 of the notes to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*; GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowment*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, effective July 1, 2008.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 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.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Sanitation Special Revenue Fund 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

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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.

The combining nonmajor fund financial statements, major debt service fund budgetary comparison schedule, and nonmajor funds budgetary comparison schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining nonmajor fund financial statements, major debt service fund budgetary comparison schedule, and nonmajor funds budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
April 26, 2013

CITY OF ADELANTO
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 10,419,960	\$ 13,866,422	\$ 24,286,382
Cash and investments with fiscal agents	9,932,870	19,298,084	29,230,954
Receivables:			
Accounts receivable - net	2,299,055	3,107,527	5,406,582
Notes/Contracts	1,857,045		1,857,045
Interest	4,305	30,431	34,736
Deposits	77,358		77,358
Internal balances	5,196,177	(3,886,038)	1,310,139
Due from agency funds		1,310,139	1,310,139
Inventory		72,420	72,420
Investment in Adelanto Public Financing Authority bonds		13,849,905	13,849,905
Land held for resale	1,514,300		1,514,300
Deferred charges - net of accumulated amortization	1,362,613	8,177,841	9,540,454
Capital assets not being depreciated	8,700	14,241,833	14,250,533
Capital assets - net of accumulated depreciation	979,690	29,031,841	30,011,531
Total assets	33,652,073	97,790,266	131,442,339
LIABILITIES			
Accounts payable	2,758,507	1,406,959	4,165,466
Interest payable	714,319	196,460	910,779
Accrued expenses	174,028	281,111	455,139
Deposits payable	753,712	432,591	1,186,303
Unearned revenue	351,026		351,026
Due to other governments			
Noncurrent liabilities:			
Due within one year	1,223,877	2,799,545	4,023,422
Due in more than one year	64,239,832	67,885,069	132,124,901
Total liabilities	70,215,301	73,001,735	143,217,036
NET ASSETS			
Invested in capital assets, net of related debt		5,919,146	5,919,146
Restricted for:			
Construction	6,297,533		6,297,533
Debt service	8,913,188	8,149,353	17,062,541
Streets, highways, bikeways, public transit, and other related purposes	4,386,357		4,386,357
Housing	967,365		967,365
Parks	2,040,103		2,040,103
Public safety	1,313,556		1,313,556
Unrestricted	(60,481,330)	9,409,893	(51,071,437)
Total net assets <deficit>	\$ (36,563,228)	\$ 23,478,392	\$ (13,084,836)

See Notes to the Basic Financial Statements

**CITY OF ADELANTO
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 2,670,512	\$ 2,454,193	\$ 1,328,411	\$ -
Public safety	8,702,966	529,720	1,129,432	
Public works	5,845,711	4,358,017	4,284,121	
Community development	1,056,177	1,480	237,725	269,070
Parks and recreation	655,796	64,365	107,545	
Pass through payments	237,122			
Interest on long-term debt	3,225,590			
Total Governmental Activities	<u>22,393,874</u>	<u>7,407,775</u>	<u>7,087,234</u>	<u>269,070</u>
Business-type Activities:				
Correctional facility	9,262,883	9,300,564		
Public Utility Authority	16,315,696	7,777,285		
Total Business-type Activities	<u>25,578,579</u>	<u>17,077,849</u>		
Total Primary Government	<u>\$ 47,972,453</u>	<u>\$ 24,485,624</u>	<u>\$ 7,087,234</u>	<u>\$ 269,070</u>

General Revenues:

Taxes:

Sales taxes

Property taxes

Franchise taxes

Transient occupancy taxes

Business license taxes

Motor vehicle in lieu, unrestricted

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets (deficit) - July 1, 2008

Net assets (deficit) - June 30, 2009

See Notes to the Basic Financial Statements

Net (Expenses) Revenues
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 1,112,092	\$ -	\$ 1,112,092
(7,043,814)		(7,043,814)
2,796,427		2,796,427
(547,902)		(547,902)
(483,886)		(483,886)
(237,122)		(237,122)
<u>(3,225,590)</u>		<u>(3,225,590)</u>
<u>(7,629,795)</u>		<u>(7,629,795)</u>
	37,681	37,681
	<u>(8,538,411)</u>	<u>(8,538,411)</u>
	<u>(8,500,730)</u>	<u>(8,500,730)</u>
<u>(7,629,795)</u>	<u>(8,500,730)</u>	<u>(16,130,525)</u>
1,332,119		1,332,119
334,250		334,250
395,837		395,837
5,245		5,245
68,482		68,482
2,995,734		2,995,734
1,771,808	633,473	2,405,281
161,034		161,034
<u>3,711,372</u>	<u>(3,711,372)</u>	
<u>10,775,881</u>	<u>(3,077,899)</u>	<u>7,697,982</u>
3,146,086	(11,578,629)	(8,432,543)
<u>(39,709,314)</u>	<u>35,058,021</u>	<u>(4,651,293)</u>
<u>\$ (36,563,228)</u>	<u>\$ 23,479,392</u>	<u>\$ (13,083,836)</u>

**CITY OF ADELANTO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Sanitation Special Revenue Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ -	\$ -	\$ 227,785	\$ 10,192,175	\$ 10,419,960
Cash and investments with fiscal agents			9,679,612	253,258	9,932,870
Accounts receivable - net	692,873	225,763	149,719	1,230,700	2,299,055
Due from other funds	7,009,156	3,944,746		8,211,049	19,164,951
Interest receivable	3,735			570	4,305
Notes/Contracts receivable	14,028			1,843,017	1,857,045
Deposits receivable	77,358				77,358
Advances to other funds	2,524,243				2,524,243
Land held for resale				1,514,300	1,514,300
Total assets	\$ 10,321,393	\$ 4,170,509	\$ 10,057,116	\$ 23,245,069	\$ 47,794,087
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,571,476	\$ 297,712	\$ 535,365	\$ 353,954	\$ 2,758,507
Accrued expenditures	170,141	1,124		2,763	174,028
Due to other funds	6,412,614	4,187,186	293,963	2,884,985	13,778,748
Deposits payable	537,442	128,739		87,531	753,712
Deferred revenue				2,208,071	2,208,071
Advances from other funds				2,524,243	2,524,243
Total liabilities	8,691,673	4,614,761	829,328	8,061,547	22,197,309
Fund balances					
Reserved:					
Debt service			9,227,788	399,719	9,627,507
Notes/Contracts	14,028				14,028
Land held for resale				1,514,300	1,514,300
Advances to other funds	2,524,243				2,524,243
Unreserved:					
Designated - special revenue funds				12,658,816	12,658,816
Undesignated - general fund	(908,551)				(908,551)
Undesignated - capital projects funds				2,926,188	2,926,188
Undesignated - special revenue funds		(444,252)		(2,315,501)	(2,759,753)
Total fund balances (deficit)	1,629,720	(444,252)	9,227,788	15,183,522	25,596,778
Total liabilities and fund balances	\$ 10,321,393	\$ 4,170,509	\$ 10,057,116	\$ 23,245,069	\$ 47,794,087

See Notes to the Basic Financial Statements

**CITY OF ADELANTO
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Fund balances of governmental funds	\$	25,596,778
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.		307,700
Certain accounts receivable, intergovernmental receivables, and notes receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.		1,857,045
Long-term debt and compensated absences have not been included in the governmental funds:		
Tax allocation bonds and revenue bonds		(46,964,905)
Intermountain Power Agency settlement		(1,989,390)
San Bernardino County tax increment loans		(17,291,314)
Compensated absences		(190,853)
Deferred charges, net of accumulated amortization for debt issuance costs and discounts on long-term debt have not been reported in the governmental funds.		1,362,613
Deferred losses on refunding, net of accumulated amortization for long-term debt issuance have not been reported in the governmental funds.		972,753
Accrued interest payable due on long-term debt has not been reported in the governmental funds.		(714,319)
The internal service fund is used by management to charge the costs of equipment maintenance and repair to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.		490,664
Net assets (deficit) of governmental activities	\$	(36,563,228)

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund	Sanitation Special Revenue Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and assessments	\$ 2,082,521	\$ -	\$ 6,958,513	\$ 1,836,592	\$ 10,877,626
Licenses and permits	407,877			640,795	1,048,672
Fines, forfeitures, and penalties	162,997			162,509	325,506
Investment earnings	1,497,075	581	123,232	150,920	1,771,808
Charges for current services	403,510	3,072,172		135,914	3,611,596
Intergovernmental revenue	4,820,029	3,410		1,840,303	6,663,742
Other revenues	156,574			4,460	161,034
Total revenues	9,530,583	3,076,163	7,081,745	4,771,493	24,459,984
EXPENDITURES					
Current:					
General government	2,585,320				2,585,320
Public safety	8,646,059			5,148	8,651,207
Public works	1,874,289	3,247,550		668,522	5,790,361
Community development	549,798			496,811	1,046,609
Parks and recreation	438,517			217,279	655,796
Pass-through payments			237,122		237,122
Capital outlay				55,350	55,350
Debt service:					
Principal retirement			2,478,636		2,478,636
Interest and other charges			1,718,884	307,545	2,026,429
Total expenditures	14,093,983	3,247,550	4,434,642	1,750,655	23,526,830
Excess of revenues over (under) expenditures	(4,563,400)	(171,387)	2,647,103	3,020,838	933,154
OTHER FINANCING SOURCES (USES)					
Transfers in	4,908,433			230,000	5,138,433
Transfers out		(150,000)	(100,000)	(1,177,061)	(1,427,061)
Total other financing sources (uses)	4,908,433	(150,000)	(100,000)	(947,061)	3,711,372
Net change in fund balances	345,033	(321,387)	2,547,103	2,073,777	4,644,526
Fund balances (deficit) - July 1, 2008	1,284,687	(122,865)	6,680,685	13,109,745	20,952,252
Fund balances (deficit) - June 30, 2009	<u>\$ 1,629,720</u>	<u>\$ (444,252)</u>	<u>\$ 9,227,788</u>	<u>\$ 15,183,522</u>	<u>\$ 25,596,778</u>

See Notes to the Basic Financial Statements

CITY OF ADELANTO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Net change in fund balances - total governmental funds	\$	4,644,526
Amounts reported for governmental activities in the statement of activities differ because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.		(9,568)
Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected, it is reflected in revenue. This is the net change between notes receivable collected and issued.		(78,852)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and issuance cost of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal and issuance cost are expenditures in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets.		(1,131,789)
Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized on the statement of net assets. This is the net change in debt issuance costs in the current period which represents its annual amortization and deferred issuance costs incurred during the period.		(138,095)
Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period.		(3,185)
Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.		(56,870)
The internal service fund is used by management to charge the costs of equipment repair and maintenance to individual funds. The net revenues (expenses) of the internal service fund is reported with governmental activities.		<u>(80,081)</u>
Change in net assets of governmental activities	\$	<u><u>3,146,086</u></u>

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Enterprise Funds			Governmental Activities
	Correctional Facility	Public Utility Authority	Total	Internal Service Fund
ASSETS				
Current Assets:				
Cash and cash investments	\$ 2,216,563	\$ 11,649,859	\$ 13,866,422	\$ -
Restricted cash and investments with fiscal agents	939,672	18,358,412	19,298,084	
Accounts receivable, net	1,423,937	1,683,590	3,107,527	
Interest receivable		30,431	30,431	
Inventory		72,420	72,420	
Due from other funds	735,203	19,820,886	20,556,089	
Total Current Assets	<u>5,315,375</u>	<u>51,615,598</u>	<u>56,930,973</u>	
Noncurrent Assets:				
Deferred issuance costs	60,938	8,116,903	8,177,841	
Investment in Adelanto Public Financing Authority Bonds		13,849,905	13,849,905	
Capital assets:				
Land and water rights	104,660	4,282,395	4,387,055	
Depreciable buildings and improvements, net	6,013,174	22,343,064	28,356,238	
Depreciable equipment, net	367,640	307,963	675,603	680,690
Construction in progress		9,854,778	9,854,778	
Total Noncurrent Assets	<u>6,546,412</u>	<u>58,755,008</u>	<u>65,301,420</u>	<u>680,690</u>
Total Assets	<u>11,861,787</u>	<u>110,370,606</u>	<u>122,232,393</u>	<u>680,690</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	353,072	1,053,887	1,406,959	
Accrued liabilities	133,438	147,673	281,111	
Accrued interest payable	18,619	177,841	196,460	
Deposits payable		432,591	432,591	
Due to other funds	1,347,355	24,404,911	25,752,266	190,026
Current portion of long-term obligations	1,219,545	1,580,000	2,799,545	
Total Current Liabilities	<u>3,072,029</u>	<u>27,796,903</u>	<u>30,868,932</u>	<u>190,026</u>
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations:				
Compensated absences	305,190	44,879	350,069	
Bonds payable		67,535,000	67,535,000	
Total Noncurrent Liabilities	<u>305,190</u>	<u>67,579,879</u>	<u>67,885,069</u>	
Total Liabilities	<u>3,377,219</u>	<u>95,376,782</u>	<u>98,754,001</u>	<u>190,026</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,326,867	592,279	5,919,146	
Restricted for debt service	921,053	7,228,300	8,149,353	
Unrestricted	2,236,648	7,173,245	9,409,893	490,664
Total Net Assets	<u>\$ 8,484,568</u>	<u>\$ 14,993,824</u>	<u>\$ 23,478,392</u>	<u>\$ 490,664</u>

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Enterprise Funds			Governmental
	Correctional Facility	Public Utility Authority	Total	Activities Internal Service Fund
Operating Revenues:				
Sales and service charges	\$ 8,778,981	\$ 6,721,210	\$ 15,500,191	\$ -
Rents	521,583		521,583	
Other		1,056,075	1,056,075	
Total Operating Revenues	9,300,564	7,777,285	17,077,849	
Operating Expenses:				
Salaries and benefits	5,912,366	1,005,118	6,917,484	
Contractual services	253,458	2,009,221	2,262,679	
Utilities	481,805	1,005,111	1,486,916	
Maintenance and supplies	1,057,682		1,057,682	
Sewer operations		238,357	238,357	
Water operations		514,269	514,269	
Allocated overhead	1,166,523		1,166,523	
Administration		250,935	250,935	
Depreciation	242,081	605,187	847,268	80,081
Total Operating Expenses	9,113,915	5,628,198	14,742,113	80,081
Operating Income (Loss)	186,649	2,149,087	2,335,736	(80,081)
Nonoperating Revenues (Expenses):				
Interest revenue	79,613	553,860	633,473	
Interest expense and fiscal charges	(107,104)	(10,367,094)	(10,474,198)	
Amortization expense	(41,864)	(320,404)	(362,268)	
Total Nonoperating Revenues (Expenses)	(69,355)	(10,133,638)	(10,202,993)	
Income (Loss) Before Transfers	117,294	(7,984,551)	(7,867,257)	(80,081)
Transfers out		(3,711,372)	(3,711,372)	
Net Transfers		(3,711,372)	(3,711,372)	
Changes in Net Assets	117,294	(11,695,923)	(11,578,629)	(80,081)
Net Assets				
Beginning of fiscal year, July 1, 2008	8,367,274	26,690,747	35,058,021	570,745
End of fiscal year, June 30, 2009	<u>\$ 8,484,568</u>	<u>\$ 14,994,824</u>	<u>\$ 23,479,392</u>	<u>\$ 490,664</u>

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Enterprise Funds			Governmental
	Correctional Facility	Public Utility Authority	Total	Activities Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 9,011,326	\$ 7,234,341	\$ 16,245,667	\$ -
Cash paid to suppliers for goods and services	(4,853,197)	(3,491,272)	(8,344,469)	
Cash paid to employees for services	(5,672,231)	(983,741)	(6,655,972)	
Net Cash Provided (Used) by Operating Activities	(1,514,102)	2,759,328	1,245,226	
Cash Flows from Non-Capital Financing Activities:				
Cash transfers from/(to) other funds		(3,711,372)	(3,711,372)	
Due from other funds	(152,355)	(1,251,592)	(1,403,947)	
Due to other funds	1,347,355		1,347,355	
Net Cash Provided (Used) by Non-Capital Financing Activities	1,195,000	(4,962,964)	(3,767,964)	
Cash Flows from Capital and Related Financing Activities:				
Purchases of capital assets	(21,074)	(7,645,897)	(7,666,971)	
Principal paid on long term debt	(1,130,000)	(1,520,000)	(2,650,000)	
Interest paid on long term debt	(128,423)	(10,316,885)	(10,445,308)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,279,497)	(19,482,782)	(20,762,279)	
Cash Flows from Investing Activities:				
Interest received	79,613	583,256	662,869	
Principal repayment on bond investment		1,192,123	1,192,123	
Net Cash Provided (Used) by Investing Activities	79,613	1,775,379	1,854,992	
Net Increase (Decrease) in Cash and Cash Equivalents	(1,518,986)	(19,911,039)	(21,430,025)	
Cash and Cash Equivalents at Beginning of Fiscal Year	4,675,221	49,919,310	54,594,531	
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 3,156,235</u>	<u>\$ 30,008,271</u>	<u>\$ 33,164,506</u>	<u>\$ -</u>
Reconciliation to Statement of Net Assets:				
Cash and investments	\$ 2,216,563	\$ 11,649,859	\$ 13,866,422	\$ -
Restricted cash and investments with fiscal agents	939,672	18,358,412	19,298,084	
Cash and Cash Equivalents	<u>\$ 3,156,235</u>	<u>\$ 30,008,271</u>	<u>\$ 33,164,506</u>	<u>\$ -</u>

(Continued)

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009
(Continued)

	Enterprise Funds			Governmental
	Correctional Facility	Public Utility Authority	Total	Activities Internal Service Fund
Reconciliation of Operating Income (loss) to net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 186,649	\$ 2,149,087	\$ 2,335,736	\$ (80,081)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	242,081	605,187	847,268	80,081
(Increase) decrease in accounts receivable	(289,238)	(185,416)	(474,654)	
Increase (decrease) in inventory		(12,168)	(12,168)	
Increase (decrease) in accounts payable	(1,727,683)	538,789	(1,188,894)	
Increase (decrease) in accrued liabilities	(32,608)	7,910	(24,698)	
Increase (decrease) in compensated absences	106,697	13,467	120,164	
Increase (decrease) in deposits payable		(357,528)	(357,528)	
Total Adjustments	(1,700,751)	610,241	(1,090,510)	80,081
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,514,102)</u>	<u>\$ 2,759,328</u>	<u>\$ 1,245,226</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Private Purpose Trust	Pension Trust	Agency Funds	
	Luetke Foundation	Inmate Welfare Benefit	Assessment District 1A	Inmate Trust
ASSETS				
Cash and investments	\$ 23,264	\$ 753,470	\$ 928,495	\$ 53,241
Restricted cash and investments with fiscal agents			1,129,626	
Accounts receivable		1,372,536	50,611	
Total assets	\$ 23,264	\$ 2,126,006	\$ 2,108,732	\$ 53,241
LIABILITIES				
Accounts payable	\$ 15,621	\$ 64,607	\$ 2,638	\$ 63,650
Due to bondholders			2,106,094	(10,409)
Total liabilities	15,621	64,607	\$ 2,108,732	\$ 53,241
NET ASSETS				
Unrestricted	7,643	2,061,399		
Total net assets	\$ 7,643	\$ 2,061,399		

See Notes to the Basic Financial Statements

**CITY OF ADELANTO
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Private-Purpose Trust</u>	<u>Pension Trust</u>	
	<u>Luetke Foundation</u>	<u>Inmate Welfare Benefit</u>	
Additions			
Inmate phone increment charges	\$ -	\$ 251,739	
Other		14,072	
Total additions		265,811	
Deletions			
General government		340,249	
Total deletions		340,249	
Change in net assets		(74,438)	
Net assets - July 1, 2008	7,643	2,135,837	
Net assets - June 30, 2009	\$ 7,643	\$ 2,061,399	

See Notes to the Basic Financial Statements

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Notes to Basic Financial Statements

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies**

The financial statements of the City of Adelanto (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

a. Description of the Reporting Entity

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

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

The Adelanto Redevelopment Agency (Agency) was established on October 14, 1976, pursuant to the State of California Health and Safety Code, Section 33000. The Agency established two redevelopment project areas, known as Project Area 76-1 and Project Area 80-1. The two project areas were merged in 1995. In July 2002, the Agency established Project Area #3. Its purpose is to prepare and carry out plans for the improvement, rehabilitation, and development of blighted areas within the territorial limits of the City of Adelanto.

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 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. The Authority has the power to issue bonds to pay the cost of any public capital improvements.

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, 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 of the outstanding prior water bonds and assumption 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.

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

a. Description of the Reporting Entity (Continued)

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 board for the Agency and the Authority. The blended component 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 Redevelopment Agency and the Adelanto Public Utility Authority issue separate component unit statements. The financial statements of the component units can be obtained at City Hall.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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 not properly included among program revenues are reported instead as general revenues.

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.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, proprietary, agency and fiduciary fund financial statements have no measurement focus and are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 collectible within the current period. For this purpose, the government 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 the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Therefore, they have been 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 government.

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 those required to be accounted for in other funds.

The Sanitation Special Revenue Fund – This fund accounts for the operation and maintenance of the solid waste system within the City's boundaries.

The Redevelopment Agency Debt Service Fund – This fund accounts for the property tax increment received by the Agency and also for the repayment of the Agency's indebtedness.

The City reports the following major proprietary funds:

The Correctional Facility Enterprise Fund – This fund accounts for the operation of the community correctional facility.

The Public Utility Authority Enterprise Fund – This fund accounts for the operation and maintenance of the wastewater and water system within the City's boundaries.

Additionally, the City reports the following fund types:

Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private Purpose/Pension 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.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). For enterprise fund activities, the City has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

As a general rule, the effect of interfund 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 of 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Assets, Liabilities, Net Assets or Equity

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 changes in interest rates. Cash equivalents have an original maturity date of three months or less from the date of purchase.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

d. Assets, Liabilities, Net Assets or Equity (Continued)

Cash and Investments

Investments are reported in the accompanying financial statements at fair value, except for nonparticipating certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Additionally, the value of the Public Financing Authority Bonds are stated at cost.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of an investment.

The City pools cash and investments of all funds, except assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

Authorized investments include:

- United States Treasury notes, bonds, and bills
- Securities of U.S. government agencies including obligations issued by Federal Home Loan Bank (FHLB), Tennessee Valley Authority (TVA), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Student Loan Marketing Association (SLMA)
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan associations
- Passbook savings accounts
- Commercial paper of prime quality
- State Treasurer's Local Agency Investment Fund (LAIF)
- Medium term corporate notes of prime quality
- Bankers Acceptances
- Mutual Funds (Must be comprised of eligible securities permitted under the investment policy)
- Money Market Funds (Must be comprised of eligible securities permitted under the investment policy)
- Local Agency Bonds

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

d. Assets, Liabilities, Net Assets or Equity (Continued)

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 fund balance reserve 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.

Property Taxes

Property taxes in the State of California are administered for all local agencies at the County level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of San Bernardino for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of purchase price or value in 1978, whichever is later. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value, which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the County tax collector. Taxes and assessments on secured and utility tax rolls which constitute a lien against the property, may be paid in two installments; the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

d. Assets, Liabilities, Net Assets or Equity (Continued)

Property Taxes (Continued)

Tax Levy Apportionments – due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees – the State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded net of administrative fees withheld during the fiscal year.

Inventories

Inventories of materials and supplies are carried at cost on an average cost basis. The City uses the consumption method of accounting for inventories.

Land held for resale or exchange

Costs of project land and improvements held for resale or exchange are recorded in the Redevelopment Agency Capital Projects Fund as inventory at the lower of acquisition cost or net realizable value. The fund balance is reserved in an amount equal to the carrying value of land held for resale or exchange because such assets are not available to finance the City's current operations.

Restricted Assets

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

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

Capital Assets

Capital assets, which include property, plant, equipment, fine art, and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 (\$100,000 for infrastructure) or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

d. Assets, Liabilities, Net Assets or Equity (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects that are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2009.

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

Assets	Years
Structures and improvements	50
Public domain infrastructure	50
System infrastructure	50
Vehicles	10
Other equipment and furnishings	10
Computer equipment	10

Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

The City does not maintain a complete record of the historical costs of capital assets for governmental activities except for the Redevelopment Agency and Transit Fund. Due to the lack of records, no opinion has been given on the capital assets, accumulated depreciation, or depreciation expense related to governmental activities in the government-wide statements.

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.

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.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense in the Statement of Activities.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

d. Assets, Liabilities, Net Assets or Equity (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets and Fund Equity

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

e. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

f. New Accounting Pronouncements

GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions

This Statement is effective for periods beginning after December 15, 2007 for a Phase 2 government (1999 total revenue less than \$100 million and more than \$10 million). This Statement establishes standards for accounting and financial reporting for state and local government employers that offer "Other Postemployment Benefits" (OPEB) and requires accrual basis measurement and recognition of OPEB expenses and liabilities that will result in recognition of expenses over periods that approximate employees' years of service.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

f. New Accounting Pronouncements (Continued)

GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations

This Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care and nuclear power plant decommissioning.

GASB Statement No. 52 – Land and Other Real Estate Held as Investments by Endowments

This Statement is effective for periods beginning after June 15, 2008. The Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

This Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB Statement No. 56 – Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standards

This Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

g. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets reported in the *Statement of Net Assets* are as follows:

Land	\$	8,700
Depreciable buildings and improvements, net		979,690
		988,390
		988,390

The governmental funds balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets.

Deferred charges are not available to pay for current-period expenditures and therefore, are not reported as governmental fund assets. These deferred charges, net of accumulated amortization, are as follows:

Deferred issuance costs, net of accumulated amortization of \$980,013	\$	1,362,613
Deferred losses on refunding, net of accumulated amortization of \$812,430		972,753
		2,335,366
		2,335,366

Certain liabilities, including bonds payable, interest on bonds, and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds. These liabilities are as follows:

County debt	\$	(17,291,314)
Tax allocation refunding bonds		(14,765,000)
Revenue bonds		(32,199,905)
Settlement agreement payable		(1,989,390)
Compensated absences		(190,852)
		(66,436,461)
		(66,436,461)

2. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this difference is as follows:

Current fiscal year depreciation	\$	(9,568)
		(9,568)

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 **Summary of Significant Accounting Policies (Continued)**

g. Reconciliation of Government-wide and Fund Financial Statements (Continued)

2. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued):

Another element of that reconciliation states that “The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets”. The details of this adjustment are as follow:

Debt issued or incurred			
Issuance of loans relating to County debt	\$	2,552,544	
Appreciation/Accretion of revenue bonds		1,057,880	
Total debt incurred	\$	3,610,424	
Debt principal repayment:			
Tax allocation bonds	\$	(110,000)	
Revenue bonds		(2,368,636)	
	\$	(2,478,636)	

Note 2 **Stewardship, Compliance, and Accountability**

General Budget Policies

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

Budgets were adopted for all general, special revenue, capital projects, and debt service funds except for the Community Facilities District Special Revenue Fund, FEMA/OES Special Revenue Fund, LLMD Annexation Special Revenue Fund, Traffic Impact Fees Special Revenue Fund, Fire Mitigation Fees Special Revenue Fund, Adelanto Portion of VVEDA Low/Moderate Income Housing Special Revenue Fund, Adelanto Portion of VVEDA Redevelopment Agency Special Revenue Fund, and Proposition 1B Special Revenue Fund.

Encumbrances

Encumbrance 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. Encumbrances outstanding at fiscal year end are reported as reservations of fund balance and do not constitute expenditures or liabilities, because the commitments will be honored during the subsequent fiscal year.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2 Stewardship, Compliance, and Accountability (Continued)

Fund Deficits

The following funds contained a deficit fund balance as of June 30, 2009:

<u>Major Fund</u>			
Sanitation		\$	(444,252)
<u>Nonmajor Funds</u>			
Special Revenue Funds:			
Community Development Block Grant			(27,906)
Maverick Stadium			(2,265,194)
LLMD Annexation			(9,672)
Transit			(12,729)

The above deficit fund balances/net assets occurred due to the spending of funds prior to the receipt of revenues. The fund balances/net assets will be restored in the future as revenues are received.

The City has a deficit in governmental net assets of \$36,748,136 at June 30, 2009. The City projects that future resources will be sufficient to pay long-term obligations as they become due. The City anticipates having an appraisal of governmental capital assets which would alleviate all or part of the deficit.

Excess of Expenditures over Appropriations

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

<u>Fund</u>	<u>Final Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
<u>MAJOR FUNDS</u>			
General Fund	\$ 14,136,394	\$ 14,188,347	\$ 51,953
Sanitation Special Revenue Fund	3,091,285	3,247,550	156,265
<u>NONMAJOR GOVERNMENTAL FUNDS:</u>			
Redevelopment Agency Project Area 3 Housing Set A-Side Special Revenue Fund		352	352
California AB Distributions Special Revenue Fund	4,800	6,050	1,250
Redevelopment Agency Project Area 3 Debt Service Fund	300,000	307,545	7,545

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 **Cash and Investments**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 24,286,382
Restricted cash and investments with fiscal agents	29,230,954
Investment in Adelanto Public Financing Authority Bonds	13,849,904
Fiduciary funds:	
Cash and investments	1,758,470
Restricted cash and investments with fiscal agents	1,129,626
Total cash and investments	\$ 70,255,336

Cash and investments as of June 30, 2009 consist of the following:

Petty cash	\$ 7,535
Deposits with financial institutions	24,094,795
Investments	46,153,006
Total cash and investments	\$ 70,255,336

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

The table below identifies the investment types that are authorized for the City of Adelanto 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$40 million
Local Agency Bonds	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	\$100,000
Certificates of Deposit	1 year	None	\$100,000
Bankers Acceptances	N/A	None	None
Commercial Paper	N/A	None	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Medium Term Corporate Notes	N/A	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Public Financing Authority Bonds	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 **Cash and Investments (Continued)**

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the Investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	\$100,000
Certificates of Deposit	1 year	None	\$100,000
Commercial Paper	270 days	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Investment Agreements	N/A	None	None
Repurchase agreements	N/A	None	None
State Bonds	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

C. 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 rate 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 distribution of the City's investments by maturity:

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool	\$ 9,241,972	\$ 9,241,972	\$ -	\$ -	\$ -
Held by Bond Trustees:					
Money Market Funds	21,679,360	21,679,360			
Investment Agreements	7,551,594		918,500		6,633,094
Bonds *	7,680,080				7,680,080
	<u>\$ 46,153,006</u>	<u>\$ 30,921,332</u>	<u>\$ 918,500</u>	<u>\$ -</u>	<u>\$ 14,313,174</u>

* The value of the bonds are stated at cost as there is no readily determinable market value.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 **Cash and Investments (Continued)**

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 9,241,972	N/A	\$ -	\$ -	\$ -	\$ -	\$ 9,241,972
Held by bond trustee:							
Money Market Funds	21,679,360	N/A		7,345,912			14,333,448
Investment Agreements	7,551,594	N/A			1,600,000		5,951,594
Bonds	7,680,080						7,680,080
Total	\$ 46,153,006		\$ -	\$ 7,345,912	\$ 1,600,000	\$ -	\$ 37,207,094

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
IXIS Investment Agreements	Investment Agreements	\$ 5,033,094
Adelanto Public Financing Authority Bonds	Bonds	13,849,904

Investments in any one issuer that represent 5% or more of total investments by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.) are as follows:

The Adelanto Public Utility Authority holds investments in IXIS Investment Agreements equal to \$4,280,094. The agreements mature on September 30, 2015 and pay interest at 4.360%.

The Adelanto Water Authority holds investments (including amounts held by bond trustees) in Public Financing Authority bonds in the amount of \$13,849,904. This investment is in the 1995 Series C Bonds.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 **Cash and Investments (Continued)**

F. Concentration of Credit Risk (Continued)

Business type activities hold investments in IXIS Investment Agreements equal to \$4,280,094 (agreements mature on September 30, 2015 and pay interest at 4.360%) and in Public Financing Authority Bonds in the amount of \$13,849,904 (consisting of \$13,849,904 in the 1995 Series C Bonds).

The Fiduciary funds hold investments in IXISFC Investment Agreement equal to \$753,000 (agreement matures on September 15, 2015 and pays interest at 4.310%).

G. 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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2009, \$23,995,218 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

As of June 30, 2009, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Money market funds	\$ 15,509,536
Investment Agreements	7,551,594

Note 4 **Notes Receivable**

Notes receivable aggregating \$24,686,188 from the sale of the Water and Wastewater System at fair value are discussed as follows:

- The \$18,255,019 note receivable from the Public Utility Authority is for the purchase of the City's water operations. The purchase of the City's water operations and related note was originally established by the Adelanto Water Authority, which was acquired by the Public Utility Authority. Payment of not less than \$500,000 annually (plus available surplus water revenues) is required under the terms of this note. The Authority is a component unit of the City and therefore, the note has been eliminated for reporting purposes.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 4 **Notes Receivable (Continued)**

The original purchase note accrued interest at 7.5% on the outstanding balance. Because the purchase note payable to the City is subordinate to the Public Utility Authority Bonds, interest on the note would be substantially in excess of the minimum annual payment. Prior to January 1998, management did not anticipate that any payment in excess of the minimum annual payments due on the note would be made prior to the final repayment of the 1995 Water Authority Bonds in 2028. Accordingly, in January 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 1996, until such time as all outstanding Water Authority Bonds are repaid (presently scheduled for September 1, 2028). The unpaid balance of the 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 a subsequent amendment dated September 2005, the purchase agreement was amended and the interest rate was changed to accrue on the unpaid balance at the rate of 5.0% per annum, from the date of delivery of the 2005 Bonds, to the date on which the full balance has been paid. Subsequent to the fiscal year ended June 30, 2009, an amendment dated November 2009 was issued that updates the terms of the agreement to reflect the issuance of the 2009 Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds and the issuance of the amendment dated November 2009 and replaces the 2009 Bond information in place of the 2005 Bond.

- A \$6,431,169 note receivable from the Public Utility Authority is for the purchase of the City's wastewater operations. Annual payment of amounts equal to surplus revenues, which are defined as gross wastewater revenues, plus amounts on deposit in the wastewater rate stabilization fund, less payment of operating and maintenance costs, and debt service requirements of the Public Utility Authority is required under the terms of this note. The original purchase note accrued interest at 7.5% on the outstanding balance. Because the purchase note payable to the City is subordinate to the Public Utility Authority Bonds, interest on the note would be substantially in excess of the annual payment. Prior to January 1998, management did not anticipate that any payment in excess of the annual payments due on the note would be made prior to the final repayment of the Public Utility Authority Bonds in 2026. Accordingly, in January 1998, the Governing Board of the Public Utility Authority and the City Council agreed to amend the purchase note on a retroactive basis to eliminate the accrual to interest from July 1996, until such time as all outstanding Public Utility Authority Bonds are repaid (presently scheduled for November 1, 2026). The unpaid balance of the note 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, from the date of delivery of the 2005 Bonds, to the date on which the full balance has been paid. The Authority is a component unit of the City and therefore, the Note has been eliminated for reporting purposes. Subsequent to the fiscal year ended June 30, 2008, an amendment dated November 2009 was issued that updates the terms of the agreement to reflect the issuance of the 2009 Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds and the issuance of the amendment dated November 2009 and replaces the 2009 Bond information in place of the 2005 Bond.

All principal payments on the notes are recorded as transfers from the Authority to the City.

At June 30, 2009, \$1,857,045 of various long-term notes receivable were outstanding. These are composed of notes that were created from the sale of parcels in the Industrial Park No. 2 and Industrial Park No. 3. Such notes bear various interest rates. Due to the nature of the notes receivable, the City has offset the receivable with a corresponding deferred revenue amount.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 5 **Accounts Receivable**

The following is a list of accounts receivable, net of allowances at June 30, 2009:

	Receivable
Governmental Activities - Accounts	\$ 2,168,761
Business-type Activities - Accounts	3,107,526
Totals	\$ 5,276,287

Note 6 **Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2009:

a. Transfers

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General	\$ 4,908,433	\$ -
Sanitation		150,000
Redevelopment Agency Debt Service		100,000
Nonmajor Governmental Funds:		
Gas Tax		550,000
Measure "I"	90,000	40,000
Community Development Block Grant		75,000
Traffic Offender		30,000
TDA Article 8		225,000
Asset Forfeiture State		7,061
Public Safety		120,000
LLMD Annexation		30,000
COPS Grant		100,000
Transit	40,000	
Redevelopment Agency Capital Projects	100,000	
Major Enterprise Fund:		
Public Utility Authority		3,711,372
Totals	\$ 5,138,433	\$ 5,138,433

Transfers to/from other funds have been made in the normal course of business to assist the receiving fund in covering costs incurred by the receiving fund. Disbursing funds receive money which is to be used to fund expenditures in other funds.

Transfers from the Public Utility Authority consisting of \$3,586,372 were made during the fiscal year ended June 30, 2009 in accordance with the note payable agreement between the City and the Public Utility Authority for the purchase of the water and wastewater operations. Please see Note 4 for more details regarding the note.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 6 **Interfund Activity (Continued)**

b. Due To/ From Other Funds

General	\$ 7,009,156	\$ 6,412,614
Sanitation	3,944,746	4,187,186
Redevelopment Agency Debt Service		293,963
Nonmajor Governmental Funds:		
Measure "I"	3,729,889	213,362
Community Development Block Grant		46,656
Special Park	2,053,654	
VVEDA Low/Mod Income Housing	41,098	2,861
Maverick Stadium	44,565	2,333,181
Drainage Impact	2,090,951	
VVEDA Redevelopment Agency	406	41,098
LLMD Annexation		10,624
Transit	6,995	
Redevelopment Agency Capital Projects	239,963	237,203
Redevelopment Agency Project Area 3 Capital Projects	3,528	
Major Enterprise Fund:		
Public Utility Authority	19,820,886	24,404,911
Correctional Facility	735,203	1,347,355
Internal Service Fund		190,026
	\$ 39,721,040	\$ 39,721,040

Amounts due to/from other funds represent short-term loans between funds to assist funds in covering current fiscal year expenditures.

c. Advances

At June 30, 2009, the funds below have made/received advances that were not expected to be repaid within one year.

Fund	Receivable	Payable
Major Fund:		
General	\$ 2,524,243	\$ -
Nonmajor Funds:		
Redevelopment Agency Project Area 3 Capital Projects		600,000
Redevelopment Agency Capital Projects		1,924,243
	\$ 2,524,243	\$ 2,524,243

The advances between the City of Adelanto and the Redevelopment Agency have no stated interest rate. There is no future minimum debt service requirement as repayment will be made when funds are available.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 7 Capital Assets

a. Governmental Activities (Redevelopment Agency , Transit Fund, and Internal Service Fund Only)

Capital assets of governmental activities for the fiscal year ended June 30, 2009 was as follows:

Redevelopment Agency	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Capital Assets, not being depreciated:				
Land	\$ 8,700	\$ -	\$ -	\$ 8,700
Total	<u>8,700</u>			<u>8,700</u>
Capital Assets, being depreciated:				
Buildings	458,400			458,400
Structures and Improvements	20,000			20,000
Total	<u>478,400</u>			<u>478,400</u>
Less accumulated depreciation for:				
Buildings	(162,732)	(9,168)		(171,900)
Structures and Improvements	(7,100)	(400)		(7,500)
Total	<u>(169,832)</u>	<u>(9,568)</u>		<u>(179,400)</u>
Capital Assets being depreciated, net	<u>308,568</u>	<u>(9,568)</u>		<u>299,000</u>
Capital Assets, net	<u>\$ 317,268</u>	<u>\$ (9,568)</u>	<u>\$ -</u>	<u>\$ 307,700</u>

Transit Fund

Capital Assets, being depreciated:				
Machinery and equipment	\$ 270,941	\$ -	\$ -	\$ 270,941
Less-Accumulated depreciation	<u>(270,941)</u>			<u>(270,941)</u>
Total Capital Assets, being depreciated				
Total Transit Capital Assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Internal Service Fund

Capital Assets, being depreciated:				
Machinery and equipment	\$ 800,812	\$ -	\$ -	\$ 800,812
Less - Accumulated Depreciation	<u>(40,041)</u>	<u>(80,081)</u>		<u>(120,122)</u>
Total Capital Assets, being depreciated	<u>760,771</u>	<u>(80,081)</u>		<u>680,690</u>
Total Capital Assets, net	<u>\$ 760,771</u>	<u>\$ (80,081)</u>	<u>\$ -</u>	<u>\$ 680,690</u>

Depreciation for the Redevelopment Agency is charged to community development expense in the Statement of Activities.

Depreciation for the internal service fund is charged to general government expense and public safety expense in the Statement of Activities.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 7 Capital Assets (Continued)

b. Business-type activities

Capital assets of business-type activities for the fiscal year ended June 30, 2009 was as follows:

	Balance at July 1, 2008	Additions	Deletions	Transfers	Balance at June 30, 2009
Correctional Facility					
Capital Assets, not being depreciated:					
Land	\$ 104,660	\$ -	\$ -	\$ -	\$ 104,660
Capital Assets, being depreciated:					
Fields and grounds	9,370,926				9,370,926
Machinery and equipment	1,414,367	21,074			1,435,441
Less - Accumulated depreciation	(4,183,472)	(242,081)			(4,425,553)
Total Capital					
Assets, being depreciated	6,601,821	(221,007)			6,380,814
Total Correctional Facility					
Capital Assets, net	<u>\$ 6,706,481</u>	<u>\$ (221,007)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,485,474</u>
Public Utility Authority Activity					
Capital Assets, not being depreciated:					
Land	\$ 1,155,096	\$ 2,500	\$ -	\$ -	\$ 1,157,596
Water rights	3,124,799				3,124,799
Construction in progress	6,627,033	7,548,576		(4,320,831)	9,854,778
Total Capital Assets, not being depreciated	<u>10,906,928</u>	<u>7,551,076</u>		<u>(4,320,831)</u>	<u>14,137,173</u>
Capital Assets, being depreciated:					
Fields and grounds	7,105,847			130,128	7,235,975
Wells and pump stations	4,669,378			4,190,703	8,860,081
Reservoirs	387,863				387,863
Machinery and equipment	386,264				386,264
Pipelines	12,553,861				12,553,861
Vehicles	389,178	94,821			483,999
Less - Accumulated Depreciation	(6,723,663)	(605,187)			(7,328,850)
Total Capital Assets, being depreciated	<u>18,768,728</u>	<u>(510,366)</u>		<u>4,320,831</u>	<u>22,579,193</u>
Total Authority Capital Assets, net	<u>\$ 29,675,656</u>	<u>\$ 7,040,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,716,366</u>
Total Enterprise Funds					
Capital Assets, not being depreciated:					
Land	\$ 1,259,756	\$ 2,500	\$ -	\$ -	\$ 1,262,256
Water rights	3,124,799				3,124,799
Construction in progress	6,627,033	7,548,576		(4,320,831)	9,854,778
Total Capital Assets, not being depreciated	<u>11,011,588</u>	<u>7,551,076</u>		<u>(4,320,831)</u>	<u>14,241,833</u>
Capital Assets, being depreciated:					
Fields and grounds	16,476,773			130,128	16,606,901
Wells and pump stations	4,669,378			4,190,703	8,860,081
Reservoirs	387,863				387,863
Machinery and equipment	1,800,631	21,074			1,821,705
Pipelines	12,553,861				12,553,861
Vehicles	389,178	94,821			483,999
Less - Accumulated depreciation	(10,835,301)	(847,268)			(11,682,569)
Total Capital Assets, being depreciated	<u>25,442,383</u>	<u>(731,373)</u>		<u>4,320,831</u>	<u>29,031,841</u>
Total Capital Assets, net	<u>\$ 36,453,971</u>	<u>\$ 6,819,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,273,674</u>

Depreciation for the correctional facility is charged to the correctional facility expense in the Statement of Activities and depreciation for the public utility authority is charged to public utility authority expense in the Statement of Activities.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8 **Long-Term Liabilities – Governmental Funds**

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions/ Accretions	Repayments	Balance June 30, 2009	Due within one year
Adelanto Improvement Project, Tax Allocation Bonds, Issue 1993B	\$ 11,315,000	\$ -	\$ -	\$ 11,315,000	\$ -
Adelanto Public Financing Authority, Local Agency Taxable Subordinated Revenue Bonds 1995 Series A	3,625,000		485,000	3,140,000	520,000
Adelanto Public Financing Authority, Local Agency Second Subordinated Revenue Bonds 1995 Series B	15,490,000		280,000	15,210,000	295,000
Adelanto Public Financing Authority, Local Agency Third Subordinated Revenue Bonds 1995 Series C	13,757,530	1,033,947	941,572	13,849,905	353,877
Adelanto Public Financing Authority, Local Agency Fourth Subordinated Revenue Bonds 1995 Series D	638,131	23,933	662,064		
Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds	3,560,000		110,000	3,450,000	55,000
Total bonded indebtedness	<u>48,385,661</u>	<u>1,057,880</u>	<u>2,478,636</u>	<u>46,964,905</u>	<u>1,223,877</u>
Compensated Absences	133,982	123,862	66,991	190,853	47,713
Intermountain Power Agency Settlement Agreement	1,989,390			1,989,390	
San Bernardino County Tax Increment Loans	14,738,770	2,552,544		17,291,314	
Total other long-term liabilities	<u>16,862,142</u>	<u>2,676,406</u>	<u>66,991</u>	<u>19,471,557</u>	<u>47,713</u>
Total long-term liabilities	<u>\$ 65,247,803</u>	<u>\$ 3,734,286</u>	<u>\$ 2,545,627</u>	<u>\$ 66,436,462</u>	<u>\$ 1,271,590</u>

A description of individual long-term obligations outstanding at June 30, 2009 is as follows:

A. 1995 Bonds

In January, 1996, the Redevelopment Agency, through the Adelanto Public Financing Authority, issued \$7,400,000 of Adelanto Public Financing Authority Local Agency Taxable Subordinated Revenue Bonds 1995 Series A (the 1995 Series A Bonds); \$17,560,000 Adelanto Public Financing Authority Local Agency Second Subordinated Revenue Bonds 1995 Series B (the 1995 Series B Bonds); \$11,786,856 Adelanto Public Financing Authority Local Agency Third Subordinated Revenue Bonds 1995 Series C (the 1995 Series C Bonds); and \$3,619,668 Adelanto Public Financing Authority Local Agency Fourth Subordinated Revenue Bonds 1995 Series D (the 1995 Series D Bonds). Net proceeds of \$38,714,310 (after original issue discount of \$234,494 and underwriter fees and other issue costs of \$1,417,720) were used, together with \$3,764,929 of 1993 Series B and C debt service and reserve fund monies, to advance refund the 1993 Series B Capital Appreciation Bonds (\$2,260,422 original principal), the 1993 Series C Term Bonds maturing in 2029 (\$21,510,000), and \$10,060,000 of outstanding 1993 Series C Serial Bonds maturing after December 1, 1996, as well as to pay the County of San Bernardino settlement agreement (\$4,439,871, net) and other costs of implementing the Redevelopment Plan of \$41,165.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8 **Long-Term Liabilities – Governmental Funds (Continued)**

A. 1995 Bonds (Continued)

The 1995 Series A, B, C, and D bonds are collateralized by loans between the Redevelopment Agency and the Public Financing Authority whose debt service requirements equal the requirements of the underlying bonds. Accordingly, the loans and related activity between the Redevelopment Agency and the Public Financing Authority have been eliminated in the financial statements.

1995 Series A Bonds

The 1995 Series A Bonds consist of \$4,780,000 in Serial Bonds and \$2,620,000 in Term Bonds. These securities are payable from and secured primarily by the proceeds of repayment of Redevelopment Agency Loan No. 1, which, in turn, is payable solely from tax increment revenues from the Redevelopment Agency's 95-1 Merged Redevelopment Project Area. The serial bonds bear interest at rates from 5.60% to 6.75% which is payable beginning September 1, 1996, and semiannually thereafter on March 1 and September 1, and mature in installments of \$255,000 to \$520,000 between 1997 and 2009. The term bonds bear interest at 7.20% which is payable beginning September 1, 1996, and semiannually thereafter on March 1 and September 1, and mature September 1, 2025. The term bonds are subject to mandatory redemption beginning in 2010. The bonds maturing on or after September 1, 2006 are subject to optional redemption on any interest payment date on or after September 1, 2005, as a whole or in part by lot, at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon, plus a premium (expressed as a percentage of the principal amount of the bonds to be redeemed), as follows:

Redemption dates	Redemption Price
September 1, 2005 and March 1, 2006	102%
September 1, 2006 and March 1, 2007	101%
September 1, 2007 and thereafter	100%

A reserve fund is required to be maintained in an amount equal to the reserve requirement of \$740,000. The initial deposit in the 1995 Series A Reserve Account from the proceeds of the 1995 Series A Bonds was \$740,000 and was equal to the reserve fund at June 30, 2009. Such amount has been included in restricted cash and investments with fiscal agents in the accompanying basic financial statements.

The outstanding balance on the 1995 Series A Bonds at June 30, 2009 was \$3,140,000.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8 Long-Term Liabilities – Governmental Funds (Continued)

A. 1995 Bonds (Continued)

1995 Series B Bonds

The 1995 Series B Bonds consist of \$2,955,000 Serial Bonds and \$14,605,000 Term Bonds and are payable from and secured primarily by the proceeds of repayment of Redevelopment Agency Loan No. 2, which is payable solely from tax increment revenues from the Redevelopment Agency's 95-1 Merged Redevelopment Project Area. The serial bonds bear interest at rates from 5.05% to 6.30% which is payable beginning September 1, 1996, and semiannually thereafter on March 1 and September 1, and mature in installments of \$160,000 to \$310,000 between 1998 and 2010. The term bonds bear interest at 6.30% which is payable beginning September 1, 1996, and semiannually thereafter on March 1 and September 1, and mature September 1, 2028. The term bonds are subject to mandatory redemption beginning in 2011. The bonds maturing on or after September 1, 2006 are subject to optional redemption on any interest payment date on or after September 1, 2005, as a whole or in part by lot, at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon, plus a premium (expressed as a percentage of the principal amount of the bonds to be redeemed), as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2005 and March 1, 2006	102%
September 1, 2006 and March 1, 2007	101%
September 1, 2007 and thereafter	100%

A reserve fund is required to be maintained in an amount equal to the lesser of (i) 10% of the principal amount of bonds (\$1,756,000), (ii) maximum annual debt service (\$2,549,495) or (iii) 125% of average annual debt service (\$1,704,917). Such amount has been included in cash and investments with fiscal agents in the accompanying basic financial statements.

The outstanding balance on the 1995 Series B Bonds, at June 30, 2009, was \$15,210,000.

1995 Series C Bonds

The 1995 Series C Bonds have been purchased by the Water Authority. Such bonds consist of \$11,786,856 Capital Appreciation Bonds, payable from and secured primarily by the proceeds of repayment of Redevelopment Agency Loan No. 3, which, in turn, are payable solely from tax increment revenues from the Redevelopment Agency's 95-1 Merged Redevelopment Project Area.

Interest at 7.50% on the Capital Appreciation Bonds shall be compounded semiannually on each March 1 and September 1 commencing March 1, 1996, and shall be payable only at maturity. The 1995 Series C Bonds are subject to mandatory redemption to the extent the Financing Authority receives the scheduled redemption payments of Redevelopment Agency Loan No. 3. These scheduled payments are in varying amounts beginning September 1, 1996 and on each interest payment date thereafter.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8 Long-Term Liabilities – Governmental Funds (Continued)

A. 1995 Bonds (Continued)

1995 Series C Bonds (Continued)

Bonds maturing on or after September 1, 2006 are subject to optional redemption on any interest payment date on or after September 1, 2005, as a whole or in part by lot, at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon, plus a premium (expressed as a percentage of the principal amount of the bonds to be redeemed), as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2005 and March 1, 2006	102%
September 1, 2006 and March 1, 2007	101%
September 1, 2007 and thereafter	100%

The 1995 Series C Bonds carry no reserve fund requirement.

During the fiscal year ended June 30, 2009, the Agency recognized accretion of \$1,033,948 and made payments to the Water Authority of \$941,572. The balance outstanding on the 1995 Series C Bonds, at June 30, 2009, was \$13,849,905.

1995 Series D Bonds

The 1995 Series D Bonds have been purchased by the Water Authority. Such bonds consist of \$3,619,668 Capital Appreciation Bonds, payable from and secured primarily by the proceeds of repayment of Redevelopment Agency Loan No. 4, which, in turn, are payable solely from tax increment revenues from the Redevelopment Agency's 95-1 Merged Redevelopment Project Area.

Interest at 7.50% on the Capital Appreciation Bonds shall be compounded semiannually on each March 1 and September 1 commencing March 1, 1996, and shall be payable only at maturity. The 1995 Series D Bonds are subject to mandatory redemption to the extent of available funds in the Revenue Fund on each interest payment date commencing September 1, 1996.

Bonds maturing on or after September 1, 2005 are subject to optional redemption on any interest payment date on or after September 1, 2005, as a whole or in part by lot, at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon, plus a premium (expressed as a percentage of the principal amount of the bonds to be redeemed), as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2005 and March 1, 2006	102%
September 1, 2006 and March 1, 2007	101%
September 1, 2007 and thereafter	100%

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8 Long-Term Liabilities – Governmental Funds (Continued)

A. 1995 Bonds (Continued)

1995 Series D Bonds

The 1995 Series D Bonds carry no reserve fund requirement.

During the fiscal year ended June 30, 2009, the Agency recognized accretion of \$23,933 on the 1995 Series D Bonds and paid the remaining balance to the Water Authority of \$662,064. The balance outstanding on the 1995 Series D Bonds, at June 30, 2009, was \$0.

B. 1993 Bonds

1993 Series B Bonds

The 1993 Series B Bonds consist of \$11,315,000 Term Bonds and are payable from and secured by tax increment revenues of the 95-1 Merged Redevelopment Project Area. The 1993 Series B Term Bonds bear interest at a rate of 5.50% per annum payable on December 1, 1994 and semiannually thereafter, on June 1 and December 1 of each year and are subject to mandatory sinking fund redemption commencing December 1, 2010.

The 1993 Series B Term Bonds maturing on December 1, 2023 are subject to optional redemption on any interest payment date on or after December 1, 2005, by lot, at the option of the Redevelopment Agency at a redemption price equal to the principal amount to be redeemed together with accrued interest to the redemption date plus a premium (expressed as a percentage of the principal amount of the 1993 Series B Term Bonds to be redeemed), as follows:

Redemption Dates	Redemption Price
December 1, 2003 and June 1, 2004	102%
December 1, 2004 and June 1, 2005	101%
December 1, 2005 and thereafter	100%

A surety bond was purchased to satisfy the reserve requirement (equal to the lesser of (i) 10% of the principal amount of bonds outstanding or (ii) maximum annual debt service); accordingly, there is no additional reserve fund required to be maintained.

The outstanding balance on the 1993 Series B Bonds at June 30, 2009 was \$11,315,000.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8 **Long-Term Liabilities – Governmental Funds (Continued)**

C. 2007 Tax Allocation Bonds

On December 4, 2007, the Redevelopment Agency issued the 2007 Tax Allocation Bonds for the purpose of (i) funding redevelopment projects of the Agency, (ii) funding the reserve requirement, and (iii) paying the costs of issuance on the Bonds. The Bonds are payable from and secured by the tax revenues allocated to the Agency for the project areas. The principal and semiannual interest shall be due on March 1 and September 1 of each, commencing March 1, 2008. The Bonds are not a debt of the City, the State of California or any of its political subdivisions. The principal amount of the Bonds being issued is \$3,560,000.

The Bonds maturing on or before September 1, 2017 are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 2018, are subject to redemption, at the option of the Agency on any date on or after September 1, 2017, as a whole or in part, by such maturities as will be determined by the Agency, and by lot within a maturity from any available source of funds, at a redemption price equal to the par amount of the Bonds being so redeemed, without premium, together with accrued interest thereon to the date fixed for the redemption. The Term Bonds maturing on September 1, 2027 and September 1, 2037 shall be subject to mandatory redemption in part by lot on September 1, 2023, and September 1, 2028, respectively, and on September 1 of each year thereafter.

The Agency will utilize bond proceeds for a variety of redevelopment and economic development purposes. The Agency's planning improvements include curbs, gutters, sidewalks, water, and sewer lines. Bond proceeds will also be used for land acquisition.

The outstanding balance on the 2007 Tax Allocation Bonds, at June 30, 2009, was \$3,450,000.

D. Debt Service Requirements

The following schedule illustrates the debt service requirements to maturity for the long-term debt bonds outstanding as of June 30, 2009:

Fiscal Year Ended June 30,	1993 Series B Tax Allocation Bonds		
	Principal	Interest	Total
2010	\$ -	\$ 622,325	\$ 622,325
2011	540,000	607,475	1,147,475
2012	570,000	576,950	1,146,950
2013	600,000	544,775	1,144,775
2014	635,000	510,813	1,145,813
2015-2019	3,735,000	1,975,188	5,710,188
2020-2024	5,235,000	750,063	5,985,063
	<u>\$ 11,315,000</u>	<u>\$ 5,587,589</u>	<u>\$ 16,902,589</u>

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8 **Long-Term Liabilities – Governmental Funds (Continued)**

D. Debt Service Requirements (Continued)

The following schedule illustrates the debt service requirements to maturity for the long-term debt bonds outstanding as of June 30, 2009 (Continued):

Fiscal Year Ended June 30,	1995 Series A Revenue Bonds		
	Principal	Interest	Total
2010	\$ 520,000	\$ 206,190	\$ 726,190
2011	15,000	188,100	203,100
2012	15,000	187,020	202,020
2013	15,000	185,940	200,940
2014	15,000	184,860	199,860
2015-2019	100,000	904,680	1,004,680
2020-2024		885,600	885,600
2025-2026	2,460,000	180,360	2,640,360
	<u>\$ 3,140,000</u>	<u>\$ 2,922,750</u>	<u>\$ 6,062,750</u>

Fiscal Year Ended June 30,	1995 Series B Revenue Bonds		
	Principal	Interest	Total
2010	\$ 295,000	\$ 1,015,981	\$ 1,310,981
2011	310,000	1,062,720	1,372,720
2012	330,000	1,039,680	1,369,680
2013	345,000	1,015,380	1,360,380
2014	375,000	989,460	1,364,460
2015-2019	2,260,000	4,492,440	6,752,440
2020-2024	2,850,000	3,579,120	6,429,120
2025-2029	8,445,000	1,881,540	10,326,540
	<u>\$ 15,210,000</u>	<u>\$ 15,076,321</u>	<u>\$ 30,286,321</u>

Fiscal Year Ended June 30,	1995 Series C Revenue Bonds		
	Principal	Interest	Total
2010	\$ 353,877	\$ 630,756	\$ 984,633
2011	343,030	684,301	1,027,331
2012	332,183	738,683	1,070,866
2013	320,433	791,468	1,111,901
2014	309,586	846,777	1,156,363
2015-2019	1,404,209	5,149,339	6,553,548
2020-2024	1,267,720	7,259,637	8,527,357
2025-2029	9,518,867	7,947,877	17,466,744
	<u>\$ 13,849,905</u>	<u>\$ 24,048,838</u>	<u>\$ 37,898,743</u>

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8 Long-Term Liabilities – Governmental Funds (Continued)

D. Debt Service Requirements (Continued)

The following schedule illustrates the debt service requirements to maturity for the governmental long-term debt bonds outstanding as of June 30, 2009 (Continued):

Fiscal Year Ended June 30,	2007 Tax Allocation Bonds		
	Principal	Interest	Total
2010	\$ 55,000	\$ 194,179	\$ 249,179
2011	55,000	191,869	246,869
2012	60,000	189,388	249,388
2013	60,000	186,800	246,800
2014	65,000	184,095	249,095
2015-2019	365,000	871,983	1,236,983
2020-2024	475,000	764,290	1,239,290
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
	<u>\$ 3,450,000</u>	<u>\$ 3,685,254</u>	<u>\$ 7,135,254</u>

Fiscal Year Ended June 30,	Total		
	Principal	Interest	Total
2010	\$ 1,223,877	\$ 2,669,431	\$ 3,893,308
2011	1,263,030	2,734,465	3,997,495
2012	1,307,183	2,731,721	4,038,904
2013	1,340,433	2,724,363	4,064,796
2014	1,399,586	2,716,005	4,115,591
2015-2019	7,864,209	13,393,630	21,257,839
2020-2024	9,827,720	13,238,710	23,066,430
2025-2029	21,043,867	10,615,777	31,659,644
2030-2034	830,000	389,400	1,219,400
2035-2038	865,000	107,250	972,250
	<u>\$ 46,964,905</u>	<u>\$ 51,320,752</u>	<u>\$ 98,285,657</u>

E. Intermountain Power Agency Settlement Agreement

The 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.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8 **Long-Term Liabilities – Governmental Funds (Continued)**

E. Intermountain Power Agency Settlement Agreement (Continued)

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 a 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, 2009.

F. San Bernardino County Tax Increment Loans

During fiscal year 1996, the 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 Series A, B, and C of the Adelanto Public Financing Authority refunding bonds, but senior to the Series D Bonds. The outstanding balance on the loans at June 30, 2009 was \$17,291,314.

G. Defeasance of Debt

In prior years, the Redevelopment Agency defeased certain tax allocation bonds by placing the proceeds of the new bonds in irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, the liabilities and any related trust account assets for the defeased bonds have not been included in the accompanying basic financial statements.

At June 30, 2009, the following bond issues outstanding are considered defeased:

1986 Tax Allocation Bonds	\$ 1,550,000
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CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 9 **Long-Term Liabilities – Enterprise Funds**

The following is a schedule of changes in long-term debt of the City’s enterprise funds for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions/ accretions	Principal payments	Balance June 30, 2009	Due within one year
Adelanto Public Utility Authority Refunding Revenue Bonds, 2005 Series A	\$ 55,615,000	\$ -	\$ (1,220,000)	\$ 54,395,000	\$ 1,270,000
Adelanto Public Utility Authority Refunding Revenue Bonds, 2005 Series B	15,020,000		(300,000)	14,720,000	310,000
Adelanto Correctional Facility Lease Revenue Refunding Bonds - 2001	2,320,000		(1,130,000)	1,190,000	1,190,000
Bond Premium	59,090		(29,545)	29,545	29,545
Compensated absences	236,393	47,229		283,622	70,906
Total long-term liabilities	\$ 73,250,483	\$ 47,229	\$ (2,679,545)	\$ 70,618,167	\$ 2,870,451

In regards to the 2005 Series A and 2005 Series B Bonds, the Adelanto Public Utility Authority (Authority) has entered into interest rate swap agreements pursuant to a master agreement, effective September 7, 2005. The swap provider is Piper Jaffray Financial Products Inc. Under the swap associated with the Series A Bonds, the Authority will pay a fixed rate of 3.387% and receive amounts based upon a variable rate (based on 63% of the One-Month London Interbank Offering Rate (LIBOR) plus 30 basis points). In regards to the 2005 Series B Bonds, there are two separate swaps. The first swap’s period started on September 7, 2005, through but excluding September 1, 2008. The Authority will pay a fixed rate of 4.485% and receive amounts based upon a variable rate (based on 63% of LIBOR plus 30 basis points). The second swap for the 2005 Series B Bonds begins on September 1, 2008 and continues for the remaining life of the 2005 Series B Bonds. The Authority will pay a fixed rate of 3.447% and receive amounts based upon a variable rate (based on 63% of LIBOR plus 30 basis points). The payment obligations of the Authority under the 2005 SWAP (excluding Termination Payments thereunder) will constitute Parity Obligations and the payments received by the Authority under the 2005 Swap will be pledged to the payment of the 2005 Series A Bonds and the 2005 Series B Bonds. The payment obligations of the Authority under the 2005 Swap that constitute Termination Payments constitute Subordinate Obligations under the Indenture.

Ambac Assurance Corporation has issued a financial guaranty insurance policy in regards to the issuance of the 2005 Series A and 2005 Series B Bonds. Ambac Assurance will pay the Bank of New York (or any successor) the portion of the principal and interest on the Bonds that become due and remain unpaid. The insurance will extend for the term of the Bonds and cannot be canceled.

Please see the disclosure under Commitments and Contingencies for additional information regarding the 2005 Series A and 2005 Series B Bonds.

On December 19, 2007, there was a reoffering of the 2005 Series A and Series B bonds. The bonds were reoffered and delivered as auction rate bonds (ARB), in the principal amount set on September 7, 2005. The auction rate for the Bonds will be determined, in most cases, through the implementation of the auction procedures. The initial period for the 2005 Series A bonds shall be the period commencing on and including the reoffering date and ending on and including December 26, 2007, with interest payable for the initial period on December 27, 2007, and thereafter the auction period shall be a 7-day auction period with auctions generally conducted every Wednesday. The initial period for the 2005 Series B bonds shall be the period commencing on and including the reoffering date and ending on and including December 26, 2007, with interest payable for the initial period on December 27, 2007, and thereafter the auction period shall be a 28-day auction period with auctions generally conducted every fourth Wednesday. The applicable auction rate will not exceed the ARB maximum rate of 12% per annum.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 9 **Long-Term Liabilities – Enterprise Funds (Continued)**

A description of individual long-term obligations outstanding at June 30, 2009 is as follows:

A. Adelanto Public Utility Authority Refunding Revenue Bonds, 2005 Series A

In September, 2005, the Adelanto Public Utility Authority issued \$55,615,000 of Variable Rate Refunding Revenue Bonds to advance refund \$30,670,000 of outstanding Revenue Bonds 2000 Series A and B. Interest on the 2005 Series A Revenue Bonds is payable initially on October 1, 2005, and monthly thereafter until November 1, 2034.

Net proceeds of approximately \$30.9 million (after payment of a \$436,578 underwriter's discount, \$1,254,983 in issuance costs, and \$3,308,384 to a reserve fund) plus an additional \$817,710 of 2000 Series A and B debt service reserve fund monies were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 Series A and B Revenue Bonds. As a result, the 2000 Series A and B Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the accompanying financial statements.

The remaining amount of \$20.5 million is to be used to finance improvements to both the Water and Wastewater Systems.

After the fixed rate conversion date, the Bonds are subject to redemption at the option of the Public Utility Authority in whole or in part in integral multiples of \$5,000, at a redemption price equal to the principal amount plus premium (expressed as a percentage of the principal amount of such bonds to be prepaid) plus accrued interest to the date fixed for prepayment, as set forth below:

The Public Utility Authority is required to create and maintain a separate Rate Stabilization Fund to be held by the Trustee. The minimum rate stabilization requirement for the 2005 Bonds Series A and B is \$700,000. As of June 30, 2009, the total balance in the Rate Stabilization Fund was \$2,100,000 and is included in restricted cash and investments.

The Public Utility Authority is required under the Bond Indenture to fix, prescribe, revise and collect rates, fees, and charges for the services and facilities furnished by the wastewater system during each fiscal year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield gross wastewater revenues to pay the following amounts in the following order of priority:

- All wastewater operation and maintenance costs estimated by the Authority to become due and payable in such fiscal year.
- The 2005 Series A Public Utility Authority Revenue Bonds debt service payments as they become due and payable during such fiscal year.
- All amounts, if any, required to restore the balance in the Rate Stabilization Fund.
- All amounts required by the Wastewater Purchase Agreement for payment of Wastewater Purchase Payments.
- All other payments required to meet any other obligations of the Public Utility Authority which are payable from gross revenues during such fiscal year.

In addition, the Public Utility Authority is required to fix, prescribe, revise, and collect rates, fees and charges for the services and improvements furnished by the wastewater enterprise and water enterprise during each fiscal year which are sufficient to yield combined net wastewater revenues and net water revenues at least equal to 125% of the total debt service payments (2005A and 2005B) coming due and payable in such fiscal year.

The outstanding balance on the 2005 Series A Refunding Revenue Bonds at June 30, 2009 was \$54,395,000.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 9 **Long-Term Liabilities – Enterprise Funds (Continued)**

A description of individual long-term obligations outstanding at June 30, 2009 is as follows:
(Continued)

B. Adelanto Public Utility Authority Revenue Bonds, 2005 Series B

In September, 2005, the Adelanto Public Utility Authority issued \$15,020,000 of Variable Rate Refunding Revenue Bonds (2005 Series B), approximately \$13.8 million, was used to advance refund \$13,655,000 of outstanding Revenue Bonds, 1990 Series C Bonds. Interest on the 2005 Series B Revenue Bonds is payable initially on October 1, 2005, and monthly thereafter through November 1, 2034.

The issuance resulted in net proceeds of approximately \$13.5 million (after payment of a \$117,907 underwriter's discount, \$495,356 in issuance costs, and \$971,711 in a reserve fund). Of the \$13.5 million in net proceeds and an additional \$300,696 in funds from prior bond reserve funds, \$13.8 million was used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to be used, to pay principal and interest on the 2000 Series C Revenue Bonds. As a result, the 2000 Series C Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the accompanying financial statements.

The Public Utility Authority is required under the Bond Indenture to fix, prescribe, revise and collect rates, fees, and charges for the services and facilities furnished by the wastewater system during each fiscal year, which are at least sufficient, after making allowances for contingencies and errors in the estimates, to yield gross wastewater revenues to pay the following amounts in the following order of priority:

- All wastewater operation and maintenance costs estimated by the Authority to become due and payable in such fiscal year.
- The 2005 Series B Public Utility Authority Revenue Bonds debt service payments as they become due and payable during such fiscal year.
- All amounts, if any, required to restore the balance in the Rate Stabilization Fund.
- All amounts required by the Wastewater Purchase Agreement for payment of Wastewater Purchase Payments.
- All other payment required to meet any other obligations of the Public Utility Authority which are payable from gross revenues during such fiscal year.

In addition, the Public Utility Authority is required to fix, prescribe, revise, and collect rates, fees and charges for the services and improvements furnished by the wastewater enterprise and water enterprise during each fiscal year which are sufficient to yield combined net wastewater revenues and net water revenues at least equal to 125% of the total debt service payments (2005A and 2005B) coming due and payable in such fiscal year.

The outstanding balance on the 2005 Series B Revenue Bonds at June 30, 2009 was \$14,720,000.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 9 **Long-Term Liabilities – Enterprise Funds (Continued)**

A description of individual long-term obligations outstanding at June 30, 2009 is as follows:
(Continued)

C. Adelanto Correctional Facility 2001 A Lease Revenue Refunding Bonds

On September 21, 2001, the Adelanto Public Financing Authority issued \$9,185,000 of Lease Revenue Refunding Bonds to provide funds to advance refund the 1990 Adelanto Correctional Facility Certificates of Participation. The 2001A bonds bear interest at rates ranging from 2.50% to 4.00% for \$5,790,000 serial bonds with maturity dates through April 1, 2007, and 5.25% for term bonds maturing April 1, 2010, in the amount of \$3,395,000.

The Bonds are payable from the revenues pledged under the Indenture, consisting primarily of base rental payments to be made by the City of Adelanto (the "City") to the Adelanto Public Financing Authority (the "Authority") for the lease of the Adelanto Community Correctional Facility (the "Leased Property") pursuant to a lease (the "Lease"), as described herein and from certain funds held under the Indenture and insurance or condemnation awards. The City is required under the Lease to make payments in each fiscal year in consideration of the use and possession of the Leased Property in an amount sufficient to pay the annual principal and interest due with respect to the Bonds, subject to abatement, as described herein. All payments by the City under the Lease will be made solely from payments received by the City under a RTC Facility Contract (the "State Contract" herein) with the State of California Department of Corrections (the "State" or the "Department") as described herein. Payments due under the State Contract are payable only from current funds which are budgeted and appropriated annually or otherwise legally available for such purpose.

The net proceeds of approximately \$9.3 million (after payment of a \$183,700 underwriter's discount, \$212,371 in issuance costs, and \$918,500 to a rate stabilization fund) plus an original issue premium of \$334,817 and an additional \$1.4 million of 1990 ACF COP debt service reserve fund monies were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 ACF COP. As a result, the 1990 ACF COPS are considered to be defeased and the liability for those bonds has been removed from the accompanying financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$313,156. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2010 using the straight-line method.

The outstanding principal balance of the bonds at June 30, 2009 is \$1,190,000.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 9 Long-Term Liabilities – Enterprise Funds (Continued)

A description of individual long-term obligations outstanding at June 30, 2008 is as follows:
(Continued)

D. Debt Service Requirements

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30:

Fiscal year	2001A ACF Lease Revenue Refunding	2005 Public Utility Bonds Series A	2005 Public Utility Bonds Series B	Total
2010	\$ 1,252,475	\$ 7,725,147	\$ 1,958,640	\$ 10,936,262
2011		7,619,434	1,938,920	9,558,354
2012		7,513,381	1,917,520	9,430,901
2013		7,401,394	1,894,440	9,295,834
2014		7,288,474	1,869,680	9,158,154
2015-2019		34,565,371	8,949,840	43,515,211
2020-2024		30,973,468	8,172,360	39,145,828
2025-2029		26,656,147	7,212,360	33,868,507
2030-2034		21,455,048	6,012,000	27,467,048
2035		3,579,749	1,034,160	4,613,909
	1,252,475	154,777,613	40,959,920	196,990,008
Less amount representing interest	62,475	100,382,613	26,239,920	126,685,008
Balance outstanding	\$ 1,190,000	\$ 54,395,000	\$ 14,720,000	\$ 70,305,000

E. Defeasance of Debt

At June 30, 2009, the principal amount of defeased debt still outstanding was as follows:

1995	Series A Revenue Bonds	\$ 23,275,000
1998	Series A Revenue Bonds	3,035,000
	Total	\$ 26,310,000

Note 10 Insurance – Joint Powers

The City of Adelanto is a member of the Public Entity Risk Management Authority (PERMA) (a joint powers authority of 26 California entities) for the purpose of pooling their general liability losses and claims with those of other member cities. PERMA is governed by the Board of Directors. For comprehensive general liability claims, the pool will share the loss among its members up to a maximum of \$40,000,000 (combined single limit per occurrence). The general liability pool is funded by an annual deposit based on prior claims activity. A retrospective amount is charged if claim costs are in excess of that amount. If costs are less, a refund is received. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The City funds all claims payable, including those incurred but not reported, in its annual deposit. Therefore, no liability is shown on the City's financial statements. There have been no significant changes in insurance coverage from the prior year. The City also participates in the pool for worker's compensation and employer's liability. The limit of coverage for worker's compensation is \$300,000,000 and the limit of coverage for employer's liability is \$5,000,000.

Information regarding claims incurred but not reported is not available and management believes that the total amount would not be material.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 11 **Commitments and Contingencies**

a. Financial Stability

In January 1996, the Redevelopment Agency issued approximately \$40 million in refunding bonds. The proceeds were used to refund the Redevelopment Agency's 1993 Series C Bonds, the capital appreciation bonds of the Redevelopment Agency's 1993 Series B Bonds outstanding, as well as pay amounts due under a settlement agreement with the County of San Bernardino. Amounts due the City of approximately \$1,227,000 were subordinated to the refunding bonds effective July 1, 1997. Finally, in accordance with the settlement agreement reached with the County of San Bernardino, because property tax increment revenues were insufficient to meet total debt service obligations on the 1995 Series A, B, C, and D Bonds, the property tax increment passed through to the County of San Bernardino was deferred and the amount is included in the financial statements as a loan payable.

The effect of defeasance of the Redevelopment Agency bonds, issuance of the note to the City, and subordination of the current amounts due the City to the outstanding bonds was for the Redevelopment Agency to defer debt payments, reduce annual debt service requirements, and provide cash for certain immediate needs. Issuance of these bonds does not, however, eliminate the Redevelopment Agency's long-term liquidity concerns. Management's projections, based in part on current year's operating results, indicate that estimated future Redevelopment Agency resources will be sufficient to pay maturing long-term obligations as they become due. See Note 16 for more information regarding the Redevelopment Agency.

b. General Litigation

In the normal course of operations, the City has been subjected to certain routine litigation matters. Except for the matter noted below, the City's litigation centers around contractor/developer and other operating matters related to its Redevelopment Agency, as well as maintenance of the City's water rights. The City's management believes that actual damages sustained, if any, will not be material to the City's financial statements.

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

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor 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.

c. Intermountain Power Agency Settlement Agreement

The Redevelopment 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 Redevelopment Agency project areas for 1992 and prior years. The IPA had filed appeals relating to the assessed value of these parcels for years 1989 through 1992. As a condition of the agreement with the Redevelopment Agency, the IPA agreed to withdraw such appeals. The IPA also filed appeals for property tax years 1993, 1995, and 1996.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 11 **Commitments and Contingencies (Continued)**

c. Intermountain Power Agency Settlement Agreement (Continued)

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 Redevelopment 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 Redevelopment 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 mean 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 Redevelopment Agency, whenever incurred. Based on the assessment appeal granted to the IPA for 1993, the liability that the Redevelopment Agency has incurred under this agreement is \$1,989,390. Since the Redevelopment Agency was a principal beneficiary of such property taxes, the full amount of such payments has been established as a long-term liability in the accompanying financial statements as of June 30, 2009.

At June 30, 2009, no amounts have been paid by the Redevelopment Agency under this agreement.

The IPA also filed appeals for subsequent fiscal years as well, contending that the plant is not operating at full capacity and that deregulation has affected the value of the property. The Redevelopment Agency's management is cooperating with the San Bernardino County Tax Assessor on this matter. The Redevelopment Agency's management has asserted that the plant is operating at capacity and that deregulation affects only the generation, not the transmission or distribution of electricity.

The assessed value of the IPA parcels represents a significant portion of the total assessed value of property in the Redevelopment Agency's project area. The resulting decrease in incremental property tax revenues from these parcel reassessments could adversely impact the Redevelopment Agency's ability to fund its debt service requirements and could have a similar effect on other related units of the Adelanto City government.

d. Deferred Housing Set-Aside

California redevelopment law generally requires that redevelopment agencies set aside 20% of tax increment earned into a separate housing fund to be used for improving the supply and quality of housing benefiting low and moderate-income households. Prior to merging the project areas in December 1995, the Agency's governing board determined that there was a sufficient supply of adequate housing for low and moderate-income households for the foreseeable future and that no set-aside was required. Subsequent to merging the project areas in December 1995, the Agency was required to set aside 20% of tax increment in a Housing Fund, regardless of any prior determinations regarding low and moderate-housing. Because of the Agency's existing obligations, in accordance with California Health and Safety Code Section 33334.6(d), the Agency's Governing Board has determined to defer payment of such housing set-aside amounts for fiscal years 1996 through 2009. Such deferral aggregated \$10,902,816. The deferred payment of housing set-aside is considered a long-term obligation of the Agency and is subordinate to all other Agency indebtedness, as such, the obligation is not likely to be funded in the foreseeable future.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 11 **Commitments and Contingencies (Continued)**

e. California Department of Corrections and Rehabilitation

The City filed a formal appeal with the California Department of Corrections and Rehabilitation (CDCR) of the findings identified in the final audit reports dated January 30, 1996, by the State Controller's Office (SCO) and November 20, 2003, by the Department of Finance (DOF). The SCO audit report identified six findings totaling \$2,061,241 in questioned costs and the CDCR's Administrative Review Committee (ARC) ruled in favor of the City on findings 1,2,3,5, and 6. In regards to finding number 4, which pertains to who is entitled to the ownership of financing reserves of the bonds issued by the City (the City claimed that the City was entitled to these funds), the State stated that this matter was being handled separately from the audit and did not render a ruling. The City subsequently filed a claim with the CDC for this money (approximately \$1,669,572.90 in unpaid lease payments from December 2008 until the end of March 2010) and on January 28, 2010, the CDC rejected the City's claim. The City had six months from that date to determine if it should file a lawsuit on this matter. In addition, the City subsequently sold the correctional facility and the CDC plans to perform an additional audit as a final close out of the contract. The City has not yet obtained any findings of the final close out audit. The DOF audit report identified twelve findings, upon which the City appealed two findings – 1.) the handling of the Inmate Telephone Revenue Fund totaling \$286,191, and 2.) the 1996 wrongful termination claim of a former city employee totaling \$48,000. The ARC ruled in favor of the City in regards to the \$286,191, but ruled that the \$48,000 expenditure should not be reflected in Adelanto's CCF's Quarterly Cost Reports, but rather, should be paid by the City's funds. The City lost its appeal on the \$48,000 payment for the wrongful termination lawsuit, which will have to be paid out of the City of Adelanto funds. This information was obtained from correspondence provided by the California Department of Corrections and Rehabilitation and the City of Adelanto's Attorney.

f. Victorville Water District

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

g. 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 City now potentially owes back dues of approximately \$5 million.

Note 12 **Proposition 218**

Proposition 218, which was approved by voters in November 1996, will regulate the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in future years by voters.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 13 **Pass-Through Agreements**

In December 1981, the Redevelopment Agency entered into an agreement with the County of San Bernardino, whereby incremental property taxes relating to the County Library District and the County Flood Control District that are generated within the Adelanto Improvement Project Area would be given to those entities.

In June 1983, the Redevelopment Agency entered into an agreement with the Adelanto School District (ASD) which provided for repayment of 3.34% of all incremental property taxes generated in the amended portion of the Adelanto Improvement Project Area for the construction of school facilities beginning in fiscal year 1989-90.

In July 1983, the Redevelopment Agency entered into an agreement with the County of San Bernardino which provides for continued pass-through of the Library and Flood control increment.

During fiscal 1996, the Redevelopment Agency and San Bernardino County amended the pass-through agreement for incremental property taxes in the Project Area. Under the revised agreement, the Redevelopment Agency is required to relinquish approximately 33% of incremental property taxes to the County, of which approximately half (16.26%) would be subordinate to the Redevelopment Agency's existing long-term debt. The County will loan to the Redevelopment 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 Redevelopment Agency's long-term debt. Any such loans are subordinate to Series A, B, and C of the Adelanto Public Financing Authority refunding bonds but senior to the Series D Bonds. As of June 30, 2009 the balance outstanding was \$17,291,314.

Note 14 **Defined Benefit Pension Plan**

Plan Description

The City of Adelanto contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2009 was 6.988%. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by the State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

The City's contributions to CalPERS for the fiscal years ending June 30, 2009, 2008, 2007 were \$408,349, \$397,499, and \$379,860, respectively, and equal 100% of the required contributions for each fiscal year.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 15 **Fund Balance Reservations/Designations**

The City has established certain fund balance reserve and designation accounts to report amounts which represent resources not available for appropriation.

Reserves:

Amounts reserved for long-term advances indicate that repayments are not available as a resource to meet expenditures of the current year.

Designations:

The designations for special purposes represent a government's self-imposed limitations on the use of otherwise available current financial resources.

Note 16 **Subsequent Events**

On December 10, 2009, the Adelanto Public Utility Authority issued the 2009 Series A Fixed Rate Refunding Revenue Bonds in the amount of \$76,825,000. The bonds were issued for the purpose of providing funds to i) refund the Authority's outstanding \$53,125,000 Variable Rate Refunding Revenue Bonds, 2005 Series A (Utility System Project) and its outstanding \$14,410,000 Taxable Variable Rate Refunding Bonds, 2005 Series B (Utility System Project) (collectively, the "2005 Bonds), (ii) finance certain capital improvements to the Authority's water treatment, production, storage and distribution system (the "Water Enterprise") and its wastewater collection and treatment system (the "Wastewater Enterprise", and collectively with the Water Enterprise, the "Utility System"), (iii) fund a debt service reserve fund for the 2009 Bonds and to pay certain other costs, and (iv) pay the costs of issuing the 2009 Bonds.

During the fiscal year 2009/2010, the property located on 10400 Rancho Road (which is where the correctional facility is located) was sold to the GEO Group, Inc. by the Adelanto Redevelopment Agency for the consideration amount of \$28,000,000.

RDA Dissolution

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Adelanto (City) that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the "successor agency" to hold the assets units 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 the City resolution number 12-001.

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 used to pay enforceable obligations in existence as the date of the 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 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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 16 **Subsequent Events (Continued)**

RDA Dissolution (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.

Ambac Settlement

On June 1, 2009, Ambac Assurance Corporation filed a lawsuit against the Adelanto Public Utility Authority (Authority) in a federal district court in the Southern District of New York and is seeking \$4,524,000 in damages plus interest and fees, costs and other expenses incurred by Ambac relating to or resulting from the alleged breach of the Authority of the Swap Agreement. On or about September 2005, the Authority issued \$70,635,000 of variable rate refunding revenue bonds (2005 A and 2005 B-Utility System Project). In order to hedge the risk from the Bonds, the Authority also entered into an interest rate swap agreement with Piper Jaffray Financial Products Incorporated (Piper). Ambac issued a surety bond for the swap agreement. The surety bond stated that if the Authority did not make certain payments pursuant to the swap agreement, Ambac would make those payments. On November 5, 2008, Moody's Investors Service downgraded Ambac's credit rating. The swap agreement provided that it could be terminated early upon the occurrence of certain events and when such early termination occurs, Piper shall be paid a "termination payment" to compensate it for the termination. The downgrade of Ambac's credit rating eventually led Piper on June 1, 2009, to terminate the swap agreement and demanded \$4,524,000 from the Authority as a termination payment. Ambac, as surety per the surety bond, paid Piper the \$4,524,000 on June 3, 2009. Ambac in its lawsuit now seeks repayment of this amount from the Authority. The United States District Court, Southern District of New York has ruled against the Authority, awarding Ambac Assurance Corporation the \$4,524,000 termination payment plus interest and fees. A hearing has been scheduled for March of 2013 to determine the exact amount of the settlement payment. As of February 15, 2013, it is unknown what the total settlement payment will total including interest and fees so \$4,524,000 has been accrued as a long term liability as of June 30, 2012. As of February 15, 2013, no payment schedule has been determined.

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 2,401,000	\$ 2,401,000	\$ 2,082,521	\$ (318,479)
Licenses and permits	604,000	604,000	407,877	(196,123)
Fines, forfeitures, and penalties	170,000	170,000	162,997	(7,003)
Investment earnings	1,500,000	1,500,000	1,497,075	(2,925)
Intergovernmental revenue	4,571,000	4,571,000	4,820,029	249,029
Charges for current services	536,000	536,000	403,510	(132,490)
Other revenues			156,574	156,574
Total revenues	9,782,000	9,782,000	9,530,583	(251,417)
EXPENDITURES				
Current:				
General government:				
City council	91,300	91,300	86,776	4,524
City manager	475,630	475,630	474,948	682
City clerk	219,240	219,240	168,356	50,884
Finance	263,000	263,000	251,840	11,160
City attorney	275,000	275,000	384,227	(109,227)
Non-departmental	936,227	936,227	1,219,173	(282,946)
Total general government	2,260,397	2,260,397	2,585,320	(324,923)
Public safety:				
Police	5,001,500	5,001,500	4,991,602	9,898
Fire	3,104,000	3,104,000	3,093,671	10,329
Code enforcement	410,453	410,453	368,719	41,734
Animal control	182,800	182,800	192,067	(9,267)
Total public safety	8,698,753	8,698,753	8,646,059	52,694
Public works:				
Street maintenance	876,720	876,720	853,320	23,400
Facilities	232,244	232,244	204,965	27,279
Engineering and other	458,010	458,010	298,453	159,557
Building and safety	365,500	365,500	306,365	59,135
Vehicle maintenance	160,026	160,026	211,186	(51,160)
Total public works	2,092,500	2,092,500	1,874,289	218,211
Community development	653,310	653,310	549,798	103,512

(Continued)

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2009
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation:				
Senior Center	\$ 35,000	\$ 35,000	\$ 35,701	\$ (701)
Community Center	61,000	61,000	61,606	(606)
Parks and grounds	335,434	335,434	341,210	(5,776)
Total parks and recreation	431,434	431,434	438,517	(7,083)
Total expenditures	14,136,394	14,136,394	14,093,983	42,411
Excess of revenues over (under) expenditures	(4,354,394)	(4,354,394)	(4,563,400)	(209,006)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,426,000	5,426,000	4,908,433	(517,567)
Total other financing sources (uses)	5,426,000	5,426,000	4,908,433	(517,567)
Net Change in Fund Balance	1,071,606	1,071,606	345,033	(726,573)
Fund balance - July 1, 2008	1,284,687	1,284,687	1,284,687	
Fund balance - June 30, 2009	<u>\$ 2,356,293</u>	<u>\$ 2,356,293</u>	<u>\$ 1,629,720</u>	<u>\$ (726,573)</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SANITATION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Investment earnings	\$ 500	\$ 500	\$ 581	\$ 81
Intergovernmental revenue			3,410	3,410
Charges for current services	<u>3,069,900</u>	<u>3,069,900</u>	<u>3,072,172</u>	<u>2,272</u>
Total revenues	<u>3,070,400</u>	<u>3,070,400</u>	<u>3,076,163</u>	<u>5,763</u>
EXPENDITURES				
Current:				
Public works	3,081,285	3,081,285	3,247,550	(166,265)
Capital outlay	<u>10,000</u>	<u>10,000</u>		<u>10,000</u>
Total expenditures	<u>3,091,285</u>	<u>3,091,285</u>	<u>3,247,550</u>	<u>(156,265)</u>
Excess of revenues over (under) expenditures	<u>(20,885)</u>	<u>(20,885)</u>	<u>(171,387)</u>	<u>(150,502)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	
Total other financing sources (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	
Net Change in Fund Balance	(170,885)	(170,885)	(321,387)	(150,502)
Fund balance (deficit) - July 1, 2008	<u>(122,865)</u>	<u>(122,865)</u>	<u>(122,865)</u>	
Fund balance (deficit) - June 30, 2009	<u>\$ (293,750)</u>	<u>\$ (293,750)</u>	<u>\$ (444,252)</u>	<u>\$ (150,502)</u>

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CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 5,300,000	\$ 6,958,513	\$ 1,658,513
Investment earnings	205,000	123,232	(81,768)
Total revenues	<u>5,505,000</u>	<u>7,081,745</u>	<u>1,576,745</u>
EXPENDITURES			
Pass-through payments	300,000	237,122	62,878
Debt service:			
Principal retirement	5,275,000	2,478,636	2,796,364
Interest and other charges		1,718,884	(1,718,884)
Total expenditures	<u>5,575,000</u>	<u>4,434,642</u>	<u>1,140,358</u>
Excess of revenues over (under) expenditures	<u>(70,000)</u>	<u>2,647,103</u>	<u>2,717,103</u>
OTHER FINANCING SOURCES (USES)			
Transfer out		(100,000)	(100,000)
Total other financing sources (uses)		<u>(100,000)</u>	<u>(100,000)</u>
Net Change in Fund Balance	(70,000)	2,547,103	2,617,103
Fund balance - July 1, 2008	<u>6,680,685</u>	<u>6,680,685</u>	
Fund balance - June 30, 2009	<u>\$ 6,610,685</u>	<u>\$ 9,227,788</u>	<u>\$ 2,617,103</u>

**CITY OF ADELANTO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009**

	Special Revenue Funds					Adelanto Portion of VVEDA Low/Moderate Income Housing Special Revenue Fund
	Gas Tax Street	Measure "I"	Community Development Block Grant	Special Park	Community Facilities District	
ASSETS						
Cash and investments	\$ 761,639	\$ -	\$ -	\$ -	\$ 137,814	\$ 309,174
Cash and investments with fiscal agents						
Accounts receivable - net	97,101	111,100	18,750			310,348
Interest receivable		570				
Due from other funds		3,729,889		2,053,654		41,098
Notes receivable						
Land held for resale						
Total assets	<u>\$ 858,740</u>	<u>\$ 3,841,559</u>	<u>\$ 18,750</u>	<u>\$ 2,053,654</u>	<u>\$ 137,814</u>	<u>\$ 660,620</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 53,368	\$ -	\$ 13,551	\$ 1,507	\$ -
Accrued expenditures					87,531	
Deposits payable						2,861
Due to other funds		213,362	46,656			
Deferred revenue	115,054	250,000				
Advances payable						
Total Liabilities	<u>115,054</u>	<u>516,730</u>	<u>46,656</u>	<u>13,551</u>	<u>89,038</u>	<u>2,861</u>
Fund Balances:						
Reserved:						
Land held for resale						
Debt service						
Unreserved:						
Designated for special revenue purposes	743,686	3,324,829		2,040,103	48,776	657,759
Undesignated			(27,906)			
Total fund balances	<u>743,686</u>	<u>3,324,829</u>	<u>(27,906)</u>	<u>2,040,103</u>	<u>48,776</u>	<u>657,759</u>
Total liabilities and fund balances	<u>\$ 858,740</u>	<u>\$ 3,841,559</u>	<u>\$ 18,750</u>	<u>\$ 2,053,654</u>	<u>\$ 137,814</u>	<u>\$ 660,620</u>

Special Revenue Funds

Traffic Impact Fees	Fire Mitigation Fees	Maverick Stadium	Traffic Offender	TDA Article 8	Asset Forfeiture State	Redevelopment Agency Project Area 3 Housing Set-Aside	Drainage Impact
\$ 855,432	\$ 51,232	\$ -	\$ 59,506	\$ 131,813	\$ -	\$ 305,569	\$ 1,128,463
		39,617				4,037	350,000
		44,565					2,090,951
<u>\$ 855,432</u>	<u>\$ 51,232</u>	<u>\$ 84,182</u>	<u>\$ 59,506</u>	<u>\$ 131,813</u>	<u>\$ -</u>	<u>\$ 309,606</u>	<u>\$ 3,569,414</u>
\$ -	\$ -	\$ 13,432	\$ -	\$ -	\$ -	\$ -	\$ -
		2,763					
		2,333,181					
		<u>2,349,376</u>					
855,432	51,232	(2,265,194)	59,506	131,813		309,606	3,569,414
<u>855,432</u>	<u>51,232</u>	<u>(2,265,194)</u>	<u>59,506</u>	<u>131,813</u>		<u>309,606</u>	<u>3,569,414</u>
<u>\$ 855,432</u>	<u>\$ 51,232</u>	<u>\$ 84,182</u>	<u>\$ 59,506</u>	<u>\$ 131,813</u>	<u>\$ -</u>	<u>\$ 309,606</u>	<u>\$ 3,569,414</u>

(Continued)

CITY OF ADELANTO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009
 (Continued)

	Special Revenue Funds					Adelanto Portion of VVEDA Redevelopment Agency Special Revenue Fund
	Asset Forfeiture Education	Public Safety	FEMA/ OES	California AB Distributions	LLMD Annexation	
ASSETS						
Cash and investments	\$ 41,848	\$ 19,610	\$ 161,244	\$ 92,075	\$ -	\$ 180,271
Cash and investments with fiscal agents						
Accounts receivable - net				10,003	3,855	229,095
Interest receivable						
Due from other funds						406
Notes receivable						
Land held for resale						
Total assets	<u>\$ 41,848</u>	<u>\$ 19,610</u>	<u>\$ 161,244</u>	<u>\$ 102,078</u>	<u>\$ 3,855</u>	<u>\$ 409,772</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,903	\$ 35,429
Accrued expenditures						
Deposits payable						
Due to other funds					10,624	41,098
Deferred revenue						
Advances payable						
Total Liabilities					<u>13,527</u>	<u>76,527</u>
Fund Balances:						
Reserved:						
Land held for resale						
Debt service						
Unreserved:						
Designated for special revenue purposes	41,848	19,610	161,244	102,078		333,245
Undesignated					(9,672)	
Total fund balances	<u>41,848</u>	<u>19,610</u>	<u>161,244</u>	<u>102,078</u>	<u>(9,672)</u>	<u>333,245</u>
Total liabilities and fund balances	<u>\$ 41,848</u>	<u>\$ 19,610</u>	<u>\$ 161,244</u>	<u>\$ 102,078</u>	<u>\$ 3,855</u>	<u>\$ 409,772</u>

Special Revenue Funds				Capital Projects Funds		Debt Service Fund	
Proposition 1B	Transit	COPS Grant	CLEEP	Redevelopment Agency	Redevelopment Agency Project Area 3	Redevelopment Agency Project Area 3 Debt Service	Totals
\$ 259,005	\$ 20,276	\$ 71,888	\$ 12,223	\$ 1,402,238	\$ 4,044,394	\$ 146,461	\$ 10,192,175
		40,648			16,146	253,258	253,258
	6,995			239,963	3,528		1,230,700
				1,843,017			570
				1,514,300			8,211,049
							1,843,017
							1,514,300
<u>\$ 259,005</u>	<u>\$ 27,271</u>	<u>\$ 112,536</u>	<u>\$ 12,223</u>	<u>\$ 4,999,518</u>	<u>\$ 4,064,068</u>	<u>\$ 399,719</u>	<u>\$ 23,245,069</u>
\$ 175,054	\$ 40,000	\$ -	\$ 75	\$ 18,635	\$ -	\$ -	\$ 353,954
							2,763
							87,531
				237,203			2,884,985
				1,843,017			2,208,071
				1,924,243	600,000		2,524,243
<u>175,054</u>	<u>40,000</u>		<u>75</u>	<u>4,023,098</u>	<u>600,000</u>		<u>8,061,547</u>
				1,514,300			1,514,300
						399,719	399,719
83,951		112,536	12,148				12,658,816
	(12,729)			(537,880)	3,464,068		610,687
<u>83,951</u>	<u>(12,729)</u>	<u>112,536</u>	<u>12,148</u>	<u>976,420</u>	<u>3,464,068</u>	<u>399,719</u>	<u>15,183,522</u>
<u>\$ 259,005</u>	<u>\$ 27,271</u>	<u>\$ 112,536</u>	<u>\$ 12,223</u>	<u>\$ 4,999,518</u>	<u>\$ 4,064,068</u>	<u>\$ 399,719</u>	<u>\$ 23,245,069</u>

CITY OF ADELANTO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	Special Revenue Funds					Adelanto Portion of VVEDA Low/Moderate Income Housing Special Revenue Fund
	Gas Tax Street	Measure "I"	Community Development Block Grant	Special Park	Community Facilities District	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 51,593	\$ 415,770
Licenses and permits						
Fines, forfeitures, and penalties						
Investment earnings		56,414				8,009
Charges for current services						
Intergovernmental revenue	694,398	844,425	81,250	98,622		
Other revenues						
Total revenues	<u>694,398</u>	<u>900,839</u>	<u>81,250</u>	<u>98,622</u>	<u>51,593</u>	<u>423,779</u>
EXPENDITURES						
Current:						
Public safety						
Public works		268,440				
Community development					60,687	2,660
Parks and grounds				13,551		
Capital outlay			5,115	1,617		
Debt service:						
Interest and other charges						
Total expenditures		<u>268,440</u>	<u>5,115</u>	<u>15,168</u>	<u>60,687</u>	<u>2,660</u>
Excess of revenues over (under) expenditures	<u>694,398</u>	<u>632,399</u>	<u>76,135</u>	<u>83,454</u>	<u>(9,094)</u>	<u>421,119</u>
OTHER FINANCING SOURCES (USES)						
Transfers in		90,000				
Transfers out	(550,000)	(40,000)	(75,000)			
Total other financing sources (uses)	<u>(550,000)</u>	<u>50,000</u>	<u>(75,000)</u>			
Net Change in Fund Balances	144,398	682,399	1,135	83,454	(9,094)	421,119
Fund balances (deficits) - July 1, 2008	599,288	2,642,430	(29,041)	1,956,649	57,870	236,640
Fund balances (deficits) - June 30, 2009	<u>\$ 743,686</u>	<u>\$ 3,324,829</u>	<u>\$ (27,906)</u>	<u>\$ 2,040,103</u>	<u>\$ 48,776</u>	<u>\$ 657,759</u>

Special Revenue Funds

Traffic Impact Fees	Fire Mitigation Fees	Maverick Stadium	Traffic Offender	TDA Article 8	Asset Forfeiture State	Redevelopment Agency Project Area 3 Housing Set-Aside	Drainage Impact
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,543	\$ -
113,957			48,552			1,578	640,795
	9,176	98,778	1,854				
		554					
113,957	9,176	99,332	50,406			152,121	640,795
		203,728				352	
				48,618			
		203,728		48,618		352	
113,957	9,176	(104,396)	50,406	(48,618)		151,769	640,795
			(30,000)	(225,000)	(7,061)		
			(30,000)	(225,000)	(7,061)		
113,957	9,176	(104,396)	20,406	(273,618)	(7,061)	151,769	640,795
741,475	42,056	(2,160,798)	39,100	405,431	7,061	157,837	2,928,619
\$ 855,432	\$ 51,232	\$ (2,265,194)	\$ 59,506	\$ 131,813	\$ -	\$ 309,606	\$ 3,569,414

(Continued)

CITY OF ADELANTO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009
(Continued)

	Special Revenue Funds					Adelanto Portion of VVEDA Redevelopment Agency Special Revenue Fund
	Asset Forfeiture Education	Public Safety	FEMA/ OES	California AB Distributions	LLMD Annexation	
REVENUES						
Taxes	\$ -	\$ 108,649	\$ -	\$ -	\$ 121,136	\$ 386,731
Licenses and permits						
Fines, forfeitures, and penalties						
Investment earnings						7,738
Charges for current services						
Intergovernmental revenue			1,388	18,914		
Other revenues						
Total revenues		<u>108,649</u>	<u>1,388</u>	<u>18,914</u>	<u>121,136</u>	<u>394,469</u>
EXPENDITURES						
Current:						
Public safety	3,071					
Public works				6,050		
Community development					33,978	197,633
Parks and grounds						
Capital outlay						
Debt service:						
Interest and other charges						
Total expenditures	<u>3,071</u>			<u>6,050</u>	<u>33,978</u>	<u>197,633</u>
Excess of revenues over (under) expenditures	<u>(3,071)</u>	<u>108,649</u>	<u>1,388</u>	<u>12,864</u>	<u>87,158</u>	<u>196,836</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out		(120,000)			(30,000)	
Total other financing sources (uses)		<u>(120,000)</u>			<u>(30,000)</u>	
Net Change in Fund Balances	(3,071)	(11,351)	1,388	12,864	57,158	196,836
Fund balances (deficits) - July 1, 2008	44,919	30,961	159,856	89,214	(66,830)	136,409
Fund balances (deficits) - June 30, 2009	<u>\$ 41,848</u>	<u>\$ 19,610</u>	<u>\$ 161,244</u>	<u>\$ 102,078</u>	<u>\$ (9,672)</u>	<u>\$ 333,245</u>

Special Revenue Funds				Capital Projects Funds		Debt Service Fund	
Proposition 1B	Transit	COPS Grant	CLEEP	Redevelopment Agency	Redevelopment Agency Project Area 3	Redevelopment Agency Project Area 3 Debt Service	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 602,170	\$ -	\$ 1,836,592
							640,795
							162,509
				41,248	30,553	3,526	150,920
				27,960			135,914
		101,306					1,840,303
	3,906						4,460
	3,906	101,306		69,208	632,723	3,526	4,771,493
			2,077				5,148
354,032	40,000						668,522
				197,535	3,966		496,811
							217,279
							55,350
						307,545	307,545
354,032	40,000		2,077	197,535	3,966	307,545	1,750,655
(354,032)	(36,094)	101,306	(2,077)	(128,327)	628,757	(304,019)	3,020,838
	40,000			100,000			230,000
		(100,000)					(1,177,061)
	40,000	(100,000)		100,000			(947,061)
(354,032)	3,906	1,306	(2,077)	(28,327)	628,757	(304,019)	2,073,777
437,983	(16,635)	111,230	14,225	1,004,747	2,835,311	703,738	13,109,745
83,951	\$ (12,729)	\$ 112,536	\$ 12,148	\$ 976,420	\$ 3,464,068	\$ 399,719	\$ 15,183,522

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX STREET SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 5,000	\$ -	\$ (5,000)
Intergovernmental revenue	471,000	694,398	223,398
Total revenues	<u>476,000</u>	<u>694,398</u>	<u>218,398</u>
EXPENDITURES			
Capital outlay	5,000		5,000
Total expenditures	<u>5,000</u>		<u>5,000</u>
Excess of revenues over (under) expenditures	<u>471,000</u>	<u>694,398</u>	<u>223,398</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(460,000)	(550,000)	(90,000)
Total other financing sources (uses)	<u>(460,000)</u>	<u>(550,000)</u>	<u>(90,000)</u>
Net Change in Fund Balance	11,000	144,398	133,398
Fund balance - July 1, 2008	<u>599,288</u>	<u>599,288</u>	
Fund balance - June 30, 2009	<u><u>\$ 610,288</u></u>	<u><u>\$ 743,686</u></u>	<u><u>\$ 133,398</u></u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MEASURE "I" SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 56,000	\$ 56,414	\$ 414
Intergovernmental revenue	1,779,000	844,425	(934,575)
Total revenues	<u>1,835,000</u>	<u>900,839</u>	<u>(934,161)</u>
EXPENDITURES			
Current:			
Public works	40,000	268,440	(228,440)
Capital outlay	1,810,000		1,810,000
Total expenditures	<u>1,850,000</u>	<u>268,440</u>	<u>1,581,560</u>
Excess of revenues over (under) expenditures	<u>(15,000)</u>	<u>632,399</u>	<u>647,399</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		90,000	90,000
Transfers out		(40,000)	(40,000)
Total other financing sources (uses)		<u>50,000</u>	<u>50,000</u>
Net Change in Fund Balance	(15,000)	682,399	697,399
Fund balance - July 1, 2008	<u>2,642,430</u>	<u>2,642,430</u>	
Fund balance - June 30, 2009	<u>\$ 2,627,430</u>	<u>\$ 3,324,829</u>	<u>\$ 697,399</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 380,000	\$ 81,250	\$ (298,750)
Total revenues	<u>380,000</u>	<u>81,250</u>	<u>(298,750)</u>
EXPENDITURES			
Capital outlay	<u>380,000</u>	<u>5,115</u>	<u>374,885</u>
Total expenditures	<u>380,000</u>	<u>5,115</u>	<u>374,885</u>
Excess of revenues over (under) expenditures		<u>76,135</u>	<u>76,135</u>
OTHER FINANCING SOURCES (USES)			
Transfers out		<u>(75,000)</u>	<u>(75,000)</u>
Total other financing sources (uses)		<u>(75,000)</u>	<u>(75,000)</u>
Net Change in Fund Balance		1,135	1,135
Fund balance (deficit) - July 1, 2008	<u>(29,041)</u>	<u>(29,041)</u>	
Fund balance (deficit) - June 30, 2009	<u>\$ (29,041)</u>	<u>\$ (27,906)</u>	<u>\$ 1,135</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL PARK SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and permits	\$ 10,000	\$ -	\$ (10,000)
Investment earnings	5,000		(5,000)
Intergovernmental revenue	405,502	98,622	(306,880)
Total revenues	<u>420,502</u>	<u>98,622</u>	<u>(321,880)</u>
EXPENDITURES			
Current:			
Parks and grounds		13,551	(13,551)
Capital outlay	2,000,000	1,617	1,998,383
Total expenditures	<u>2,000,000</u>	<u>15,168</u>	<u>1,984,832</u>
Excess of revenues over (under) expenditures	<u>(1,579,498)</u>	<u>83,454</u>	<u>1,662,952</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(100,000)</u>		<u>100,000</u>
Total other financing sources (uses)	<u>(100,000)</u>		<u>100,000</u>
Net Change in Fund Balance	(1,679,498)	83,454	1,762,952
Fund balance - July 1, 2008	<u>1,956,649</u>	<u>1,956,649</u>	
Fund balance - June 30, 2009	<u>\$ 277,151</u>	<u>\$ 2,040,103</u>	<u>\$ 1,762,952</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAVERICK STADIUM SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for current services	\$ 98,681	\$ 98,778	\$ 97
Other revenues		554	554
Total revenues	<u>98,681</u>	<u>99,332</u>	<u>651</u>
EXPENDITURES			
Current:			
Parks and grounds	217,422	203,728	13,694
Capital outlay	<u>20,000</u>	<u></u>	<u>20,000</u>
Total expenditures	<u>237,422</u>	<u>203,728</u>	<u>33,694</u>
Net Change in Fund Balance	(138,741)	(104,396)	34,345
Fund balance (deficit) - July 1, 2008	<u>(2,160,798)</u>	<u>(2,160,798)</u>	<u></u>
Fund balance (deficit) - June 30, 2009	<u>\$ (2,299,539)</u>	<u>\$ (2,265,194)</u>	<u>\$ 34,345</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRAFFIC OFFENDER SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Fine, forfeitures, and penalties	\$ 45,000	\$ 48,552	\$ 3,552
Investment earnings	500	1,854	1,354
Total revenues	<u>45,500</u>	<u>50,406</u>	<u>4,906</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	
Net Change in Fund Balance	15,500	20,406	4,906
Fund balance - July 1, 2008	<u>39,100</u>	<u>39,100</u>	
Fund balance - June 30, 2009	<u>\$ 54,600</u>	<u>\$ 59,506</u>	<u>\$ 4,906</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TDA ARTICLE 8 SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 4,000	\$ -	\$ (4,000)
Intergovernmental revenue	15,000		(15,000)
Total revenues	<u>19,000</u>		<u>(19,000)</u>
EXPENDITURES			
Capital outlay	104,800	48,618	56,182
Total expenditures	<u>104,800</u>	<u>48,618</u>	<u>56,182</u>
Excess of revenues over (under) expenditures	<u>(85,800)</u>	<u>(48,618)</u>	<u>37,182</u>
OTHER FINANCING SOURCES (USES)			
Transfers out		(225,000)	(225,000)
Total other financing sources (uses)		<u>(225,000)</u>	<u>(225,000)</u>
Net Change in Fund Balance	(85,800)	(273,618)	(187,818)
Fund balance - July 1, 2008	<u>405,431</u>	<u>405,431</u>	
Fund balance - June 30, 2009	<u>\$ 319,631</u>	<u>\$ 131,813</u>	<u>\$ (187,818)</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ASSET FORFEITURE STATE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 1,200	\$ -	\$ (1,200)
Total revenues	<u>1,200</u>	<u></u>	<u>(1,200)</u>
Excess of revenues over (under) expenditures	<u>1,200</u>	<u></u>	<u>(1,200)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(60,000)</u>	<u>(7,061)</u>	<u>52,939</u>
Total other financing sources (uses)	<u>(60,000)</u>	<u>(7,061)</u>	<u>52,939</u>
Net Change in Fund Balance	(58,800)	(7,061)	51,739
Fund balance - July 1, 2008	<u>7,061</u>	<u>7,061</u>	<u></u>
Fund balance (deficit) - June 30, 2009	<u><u>\$ (51,739)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 51,739</u></u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY PROJECT AREA 3 HOUSING SET A-SIDE
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 50,000	\$ 150,543	\$ 100,543
Investment earnings		1,578	1,578
Total revenues	<u>50,000</u>	<u>152,121</u>	<u>102,121</u>
EXPENDITURES			
Current:			
Community development		352	(352)
Total expenditures		<u>352</u>	<u>(352)</u>
Net Change in Fund Balance	50,000	151,769	101,769
Fund balance - July 1, 2008	<u>157,837</u>	<u>157,837</u>	
Fund balance - June 30, 2009	<u>\$ 207,837</u>	<u>\$ 309,606</u>	<u>\$ 101,769</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRAINAGE IMPACT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and permits	\$ 200,000	\$ 640,795	\$ 440,795
Investment earnings	10,000		(10,000)
Total revenues	<u>210,000</u>	<u>640,795</u>	<u>430,795</u>
EXPENDITURES			
Capital outlay	900,000		900,000
Total expenditures	<u>900,000</u>		<u>900,000</u>
Excess of revenues over (under) expenditures	<u>(690,000)</u>	<u>640,795</u>	<u>1,330,795</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(100,000)		100,000
Total other financing sources (uses)	<u>(100,000)</u>		<u>100,000</u>
Net Change in Fund Balance	(790,000)	640,795	1,430,795
Fund balance - July 1, 2008	<u>2,928,619</u>	<u>2,928,619</u>	
Fund balance - June 30, 2009	<u>\$ 2,138,619</u>	<u>\$ 3,569,414</u>	<u>\$ 1,430,795</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ASSET FORFEITURE EDUCATION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 200	\$ -	\$ (200)
Total revenues	<u>200</u>	<u></u>	<u>(200)</u>
EXPENDITURES			
Current:			
Public safety	<u>10,000</u>	<u>3,071</u>	<u>6,929</u>
Total expenditures	<u>10,000</u>	<u>3,071</u>	<u>6,929</u>
Net Change in Fund Balance	(9,800)	(3,071)	6,729
Fund balance - July 1, 2008	<u>44,919</u>	<u>44,919</u>	<u></u>
Fund balance - June 30, 2009	<u>\$ 35,119</u>	<u>\$ 41,848</u>	<u>\$ 6,729</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 100,000	\$ 108,649	\$ 8,649
Investment earnings	23,000		(23,000)
Total revenues	123,000	108,649	(14,351)
OTHER FINANCING SOURCES (USES)			
Transfers out	(120,000)	(120,000)	
Total other financing sources (uses)	(120,000)	(120,000)	
Net Change in Fund Balance	3,000	(11,351)	(14,351)
Fund balance - July 1, 2008	30,961	30,961	
Fund balance - June 30, 2009	\$ 33,961	\$ 19,610	\$ (14,351)

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CALIFORNIA AB DISTRIBUTIONS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 4,000	\$ -	\$ (4,000)
Intergovernmental revenue	15,000	18,914	3,914
Total revenues	<u>19,000</u>	<u>18,914</u>	<u>(86)</u>
EXPENDITURES			
Current:			
Public works	4,800	6,050	(1,250)
Total expenditures	<u>4,800</u>	<u>6,050</u>	<u>(1,250)</u>
Excess of revenues over (under) expenditures	<u>14,200</u>	<u>12,864</u>	<u>(1,336)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(100,000)</u>		<u>100,000</u>
Total other financing sources (uses)	<u>(100,000)</u>		<u>100,000</u>
Net Change in Fund Balance	(85,800)	12,864	98,664
Fund balance - July 1, 2008	<u>89,214</u>	<u>89,214</u>	
Fund balance - June 30, 2009	<u>\$ 3,414</u>	<u>\$ 102,078</u>	<u>\$ 98,664</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRANSIT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Other revenues	\$ -	\$ 3,906	\$ 3,906
Total revenues	<u> </u>	<u> 3,906</u>	<u> 3,906</u>
EXPENDITURES			
Current:			
Public works	<u> 40,000</u>	<u> 40,000</u>	<u> </u>
Total expenditures	<u> 40,000</u>	<u> 40,000</u>	<u> </u>
Excess of revenues over (under) expenditures	<u> (40,000)</u>	<u> (36,094)</u>	<u> 3,906</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u> 40,000</u>	<u> 40,000</u>	<u> </u>
Total other financing sources (uses)	<u> 40,000</u>	<u> 40,000</u>	<u> </u>
Net Change in Fund Balance		3,906	3,906
Fund balance (deficit) - July 1, 2008	<u> (16,635)</u>	<u> (16,635)</u>	<u> </u>
Fund balance (deficit) - June 30, 2009	<u><u> (16,635)</u></u>	<u><u> (12,729)</u></u>	<u><u> 3,906</u></u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COPS GRANT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 1,000	\$ -	\$ (1,000)
Intergovernmental revenue	100,000	101,306	1,306
Total revenues	<u>101,000</u>	<u>101,306</u>	<u>306</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	
Net Change in Fund Balance	1,000	1,306	306
Fund balance - July 1, 2008	<u>111,230</u>	<u>111,230</u>	
Fund balance - June 30, 2009	<u>\$ 112,230</u>	<u>\$ 112,536</u>	<u>\$ 306</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CLEEP SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 200	\$ -	\$ (200)
Total revenues	<u>200</u>		<u>(200)</u>
EXPENDITURES			
Current:			
Public safety	<u>18,000</u>	<u>2,077</u>	<u>15,923</u>
Total expenditures	<u>18,000</u>	<u>2,077</u>	<u>15,923</u>
Excess of revenues over (under) expenditures	<u>(17,800)</u>	<u>(2,077)</u>	<u>15,723</u>
Net Change in Fund Balance	(17,800)	(2,077)	15,723
Fund balance - July 1, 2008	<u>14,225</u>	<u>14,225</u>	
Fund balance (deficit) - June 30, 2009	<u>\$ (3,575)</u>	<u>\$ 12,148</u>	<u>\$ 15,723</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 402,000	\$ 41,248	\$ (360,752)
Charges for current services		<u>27,960</u>	<u>27,960</u>
Total revenues	<u>402,000</u>	<u>69,208</u>	<u>(332,792)</u>
EXPENDITURES			
Current:			
General government	69,350		69,350
Community development	<u>200,000</u>	<u>197,535</u>	<u>2,465</u>
Total expenditures	<u>269,350</u>	<u>197,535</u>	<u>71,815</u>
Excess of revenues over (under) expenditures	<u>132,650</u>	<u>(128,327)</u>	<u>(260,977)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		<u>100,000</u>	<u>100,000</u>
Total other financing sources (uses)		<u>100,000</u>	<u>100,000</u>
Net Change in Fund Balance	132,650	(28,327)	(160,977)
Fund balance - July 1, 2008	<u>1,004,747</u>	<u>1,004,747</u>	
Fund balance - June 30, 2009	<u>\$ 1,137,397</u>	<u>\$ 976,420</u>	<u>\$ (160,977)</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY PROJECT AREA 3 CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ 602,170	\$ 602,170
Investment earnings		30,553	30,553.00
Total revenues		<u>632,723</u>	<u>632,723</u>
EXPENDITURES			
Current:			
General government	50,000		50,000
Community development	<u>2,000</u>	<u>3,966</u>	<u>(1,966)</u>
Total expenditures	<u>52,000</u>	<u>3,966</u>	<u>48,034</u>
Excess of revenues over (under) expenditures	<u>(52,000)</u>	<u>628,757</u>	<u>680,757</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>200,000</u>		<u>(200,000)</u>
Total other financing sources (uses)	<u>200,000</u>		<u>(200,000)</u>
Net Change in Fund Balance	148,000	628,757	480,757
Fund balance - July 1, 2008	<u>2,835,311</u>	<u>2,835,311</u>	
Fund balance - June 30, 2009	<u>\$ 2,983,311</u>	<u>\$ 3,464,068</u>	<u>\$ 480,757</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY PROJECT AREA 3 DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 200,000	\$ -	\$ (200,000)
Investment earnings	5,000	3,526	(1,474)
Total revenues	<u>205,000</u>	<u>3,526</u>	<u>(201,474)</u>
EXPENDITURES			
Debt service:			
Interest and other charges	<u>300,000</u>	<u>307,545</u>	<u>(7,545)</u>
Total expenditures	<u>300,000</u>	<u>307,545</u>	<u>(7,545)</u>
Excess of revenues over (under) expenditures	<u>(95,000)</u>	<u>(304,019)</u>	<u>(209,019)</u>
Net Change in Fund Balance	(95,000)	(304,019)	(209,019)
Fund balance - July 1, 2008	<u>703,738</u>	<u>703,738</u>	
Fund balance - June 30, 2009	<u>\$ 608,738</u>	<u>\$ 399,719</u>	<u>\$ (209,019)</u>