City of Adelanto
Annual Financial Report
For the Fiscal Year Ended June 30, 2010

CITY OF ADELANTO, CALIFORNIA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2010

TABLE OF CONTENTS

Page

I. INTRODUCTORY SECTION

Table of Contents i

II. FINANCIAL SECTION

A. Independent Auditor's Report 1
B. Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Assets 3
Statement of Activities 4
Fund Financial Statements:
Governmental Funds:
Balance Sheet 6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets 7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 9
Proprietary Funds:
Statement of Net Assets 10
Statement of Revenues, Expenses, and Changes in Net Assets 11
Statement of Cash Flows 12
Fiduciary Funds:
Statement of Net Assets 14
Statement of Changes in Net Assets 15
Notes to Basic Financial Statements 17

C. Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 59
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Sanitation Special Revenue Fund 61

D. Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Major Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Redevelopment Agency Debt Service Fund 62

TABLE OF CONTENTS

Page

II. FINANCIAL SECTION (Continued)

D. Supplemental Information (Continued)

Nonmajor Governmental Funds

Combining Balance Sheet 64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 68
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:
Gas Tax Street Special Revenue Fund 72
Measure "I" Special Revenue Fund 73
Community Development Block Grant Special Revenue Fund 74
Special Park Special Revenue Fund 75
Maverick Stadium Special Revenue Fund 76
Traffic Offender Special Revenue Fund 77
TDA Article 8 Special Revenue Fund 78
Redevelopment Agency Project Area 3 Housing Set-Aside Special Revenue Fund 79
Drainage Impact Fund Special Revenue Fund 80
Asset Forfeiture Education Special Revenue Fund 81
Public Safety Special Revenue Fund 82
California AB Distributions Special Revenue Fund 83
Transit Special Revenue Fund 84
COPS Grant Special Revenue Fund 85
Redevelopment Agency Capital Projects Fund 86
Redevelopment Agency Project Area 3 Capital Projects Fund 87
Redevelopment Agency Project Area 3 Debt Service Fund 88

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, 2010, 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 basic financial statements effective July 1, 2009, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting by Intangible Assets,* GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.*

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 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.

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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
October 18, 2013

CITY OF ADELANTO
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 36,646,189	$ 6,204,691	$ 42,850,880
Cash and investments with fiscal agents	11,810,579	24,506,516	36,317,095
Receivables:			
Accounts receivable - net	2,764,856	2,711,653	5,476,509
Notes/Contracts	1,551,375		1,551,375
Interest	212	5,752	5,964
Deposits	77,358		77,358
Internal balances	4,804,697	(4,503,883)	300,814
Prepaid expenses		8,088	8,088
Inventory		66,959	66,959
Investment in Adelanto Public Financing Authority bonds		13,905,492	13,905,492
Land held for resale	1,514,300		1,514,300
Deferred charges - net of accumulated amortization	1,284,698	9,213,332	10,498,030
Deferred losses on refunding	912,573		912,573
Capital assets not being depreciated	8,700	18,700,841	18,709,541
Capital assets - net of accumulated depreciation	890,041	21,984,024	22,874,065
Total assets	62,265,578	92,803,465	155,069,043
LIABILITIES			
Accounts payable	2,657,693	4,534,078	7,191,771
Interest payable	486,768	2,533,076	3,019,844
Accrued expenses	101,505	28,992	130,497
Deposits payable	598,393	455,940	1,054,333
Unearned revenue	231,826		231,826
Due to agency funds		300,814	300,814
Noncurrent liabilities:			
Due within one year	1,263,030	4,958,752	6,221,782
Due in more than one year	66,661,103	75,331,543	141,992,646
Total liabilities	72,000,318	88,143,195	160,143,513
NET ASSETS			
Invested in capital assets, net of related debt		(1,735,035)	(1,735,035)
Restricted for:			
Construction	4,640,978		4,640,978
Debt service	7,893,041	8,856,147	16,749,188
Streets, highways, bikeways, public transit, and other related purposes	5,533,170		5,533,170
Housing	1,195,314		1,195,314
Parks	1,812,523		1,812,523
Public safety	1,477,460		1,477,460
Unrestricted	(32,287,226)	(2,460,842)	(34,748,068)
Total net assets <deficit>	$ (9,734,740)	$ 4,660,270	$ (5,074,470)

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants
Governmental Activities:				
General government	$ 3,027,367	$ 2,404,274	$ 48,852	$ -
Public safety	8,784,270	36,077		82,327
Public works	5,179,979	3,308,210	1,063,279	383,565
Community development	1,068,793	79,372		252,234
Parks and recreation	553,439	124,191		
Pass through payments	4,624,058			
Interest on long-term debt	3,453,752			
Total Governmental Activities	26,691,658	5,952,124	1,112,131	718,126
Business-type Activities:				
Correctional facility	8,198,990	7,178,049		
Public utility authority	18,583,160	9,715,935		
Total Business-type Activities	26,782,150	16,893,984		
Total Primary Government	$ 53,473,808	$ 22,846,108	$ 1,112,131	$ 718,126

General Revenues:
- Taxes:
  - Sales taxes
  - Property taxes
  - Franchise taxes
  - Transient occupancy taxes
  - Business license taxes
- Motor vehicle in lieu, unrestricted
- Earnings on investments
- Miscellaneous
- Gain on sales of property

Transfers

Total general revenues and transfers

Change in net assets

Net assets (deficit) - July 1, 2009

Prior period adjustment

Net assets (deficit) - July 1, 2009, restated

Net assets (deficit) - June 30, 2010

See Notes to the Basic Financial Statements

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (574,241)	$ -	$ (574,241)
(8,665,866)		(8,665,866)
(424,925)		(424,925)
(737,187)		(737,187)
(429,248)		(429,248)
(4,624,058)		(4,624,058)
(3,453,752)		(3,453,752)
(18,909,277)		(18,909,277)
	(1,020,941)	(1,020,941)
	(8,867,225)	(8,867,225)
	(9,888,166)	(9,888,166)
(18,909,277)	(9,888,166)	(28,797,443)
1,291,190		1,291,190
7,491,643		7,491,643
336,861		336,861
38,141		38,141
56,893		56,893
2,370,374		2,370,374
1,489,851	1,269,451	2,759,302
319,214		319,214
119,200	21,747,099	21,866,299
32,224,401	(32,224,401)	
45,737,768	(9,207,851)	36,529,917
26,828,491	(19,096,017)	7,732,474
(36,563,231)	23,478,392	(13,084,839)
	277,895	277,895
(36,563,231)	23,756,287	(12,806,944)
$ (9,734,740)	$ 4,660,270	$ (5,074,470)

CITY OF ADELANTO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Sanitation Special Revenue Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 17,077,036	$ -	$ -	$ 19,569,153	$ 36,646,189
Cash and investments with fiscal agents			11,558,671	251,908	11,810,579
Accounts receivable - net	1,184,695	338,085	132,518	1,109,558	2,764,856
Due from other funds	9,566,051	3,944,746		649,908	14,160,705
Interest receivable				212	212
Notes/Contracts receivable	59,945			1,491,430	1,551,375
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	$ 30,489,328	$ 4,282,831	$ 11,691,189	$ 24,586,469	$ 71,049,817
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 350,631	$ 1,288,046	$ 717,807	$ 301,209	$ 2,657,693
Accrued expenditures	97,972			3,533	101,505
Due to other funds		3,180,838	2,732,637	3,252,507	9,165,982
Deposits payable	372,081	138,781		87,531	598,393
Deferred revenue				2,088,871	2,088,871
Advances from other funds				2,524,243	2,524,243
Total liabilities	820,684	4,607,665	3,450,444	8,257,894	17,136,687
Fund balances					
Reserved:					
Debt service			8,240,745	139,064	8,379,809
Notes/Contracts	59,945				59,945
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				17,524,424	17,524,424
Undesignated - general fund	27,084,456				27,084,456
Undesignated - capital projects funds				(354,928)	(354,928)
Undesignated - special revenue funds		(324,834)		(2,494,285)	(2,819,119)
Total fund balances (deficit)	29,668,644	(324,834)	8,240,745	16,328,575	53,913,130
Total liabilities and fund balances	$ 30,489,328	$ 4,282,831	$ 11,691,189	$ 24,586,469	$ 71,049,817

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, 2010

Fund balances of governmental funds	$	53,913,130
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.		298,132
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		(46,150,492)
Intermountain Power Agency settlement		(1,989,390)
San Bernardino County tax increment loans		(19,588,050)
Compensated absences		(196,201)
Deferred charges, net of accumulated amortization for debt issuance costs and discounts on long-term debt have not been reported in the governmental funds.		1,284,698
Deferred losses on refunding, net of accumulated amortization for long-term debt issuance have not been reported in the governmental funds.		912,573
Accrued interest payable due on long-term debt has not been reported in the governmental funds.		(486,768)
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.		410,583
Net assets (deficit) of governmental activities	$	(9,734,740)

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, 2010

	General Fund	Sanitation Special Revenue Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and assessments	$ 4,206,730	$ -	$ 6,840,936	$ 1,076,527	$ 12,124,193
Licenses and permits	312,428			152,905	465,333
Fines, forfeitures, and penalties	91,482			138,097	229,579
Investment earnings	1,254,276	171	93,590	141,813	1,489,850
Charges for current services	2,239,160	3,030,583		135,844	5,405,587
Intergovernmental revenue	48,852			2,423,665	2,472,517
Other revenues	476,214	137,325		153,328	766,867
Total revenues	8,629,142	3,168,079	6,934,526	4,222,179	22,953,926
EXPENDITURES					
Current:					
General government	2,894,239				2,894,239
Public safety	8,417,134			25,642	8,442,776
Public works	1,756,079	3,048,367		216,210	5,020,656
Community development	545,721			477,515	1,023,236
Parks and recreation	275,334			259,869	535,203
Pass-through payments			4,236,117	387,941	4,624,058
Capital outlay		293		602,447	602,740
Debt service:					
Principal retirement			1,799,633	55,000	1,854,633
Interest and other charges	3,604		1,785,818	194,209	1,983,631
Total expenditures	13,892,111	3,048,660	7,821,568	2,218,833	26,981,172
Excess of revenues over (under) expenditures	(5,262,969)	119,419	(887,042)	2,003,346	(4,027,246)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property				119,200	119,200
Transfers in	33,314,401			140,000	33,454,401
Transfers out			(100,000)	(1,130,000)	(1,230,000)
Total other financing sources (uses)	33,314,401		(100,000)	(870,800)	32,343,601
Net change in fund balances	28,051,432	119,419	(987,042)	1,132,546	28,316,355
Fund balances (deficit) - July 1, 2009	1,629,720	(444,253)	9,227,787	15,183,521	25,596,775
Prior period adjustments	(12,508)			12,508	
Fund balances (deficit) - July 1, 2009, restated	1,617,212	(444,253)	9,227,787	15,196,029	25,596,775
Fund balances (deficit) - June 30, 2010	$ 29,668,644	$ (324,834)	$ 8,240,745	$ 16,328,575	$ 53,913,130

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, 2010

Net change in fund balances - total governmental funds	$	28,316,355
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)
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.		(1,482,323)
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.		227,551
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.		(5,348)
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.		(80,081)
Change in net assets of governmental activities	$	26,828,491

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Enterprise Funds			Governmental Activities
	Correctional Facility	Public Utility Authority	Total	Internal Service Fund
ASSETS				
Current Assets:				
Cash and cash investments	$ 1,571,983	$ 4,632,708	$ 6,204,691	$ -
Restricted cash and investments with fiscal agents		24,506,516	24,506,516	
Accounts receivable, net	375,998	2,335,655	2,711,653	
Interest receivable		5,752	5,752	
Inventory		66,959	66,959	
Due from other funds	1,166,238		1,166,238	
Prepaid items		8,088	8,088	
Total Current Assets	3,114,219	31,555,678	34,669,897	
Noncurrent Assets:				
Deferred issuance costs		9,213,332	9,213,332	
Investment in Adelanto Public Financing Authority Bonds		13,905,492	13,905,492	
Capital assets:				
Land and water rights		4,282,395	4,282,395	
Depreciable buildings and improvements, net		21,448,364	21,448,364	
Depreciable equipment, net		535,660	535,660	600,609
Construction in progress		14,418,446	14,418,446	
Total Noncurrent Assets		63,803,689	63,803,689	600,609
Total Assets	3,114,219	95,359,367	98,473,586	600,609
LIABILITIES				
Current Liabilities:				
Accounts payable	597,184	3,936,894	4,534,078	
Accrued liabilities		28,992	28,992	
Accrued interest payable		2,533,076	2,533,076	
Deposits payable		455,940	455,940	
Due to other funds	737,810	5,233,125	5,970,935	190,026
Current portion of long-term obligations		4,958,752	4,958,752	
Total Current Liabilities	1,334,994	17,146,779	18,481,773	190,026
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations:				
Compensated absences		39,669	39,669	
Settlement payable		4,524,000	4,524,000	
Bonds payable		70,767,874	70,767,874	
Total Noncurrent Liabilities		75,331,543	75,331,543	
Total Liabilities	1,334,994	92,478,322	93,813,316	190,026
NET ASSETS				
Invested in capital assets, net of related debt		(1,735,035)	(1,735,035)	
Restricted for debt service		8,856,147	8,856,147	
Unrestricted	1,779,225	(4,240,067)	(2,460,842)	410,583
Total Net Assets	$ 1,779,225	$ 2,881,045	$ 4,660,270	$ 410,583

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, 2010

	Enterprise Funds			Governmental Activities
	Correctional Facility	Public Utility Authority	Total	Internal Service Fund
Operating Revenues:				
Sales and service charges	$ 6,945,629	$ 9,715,935	$ 16,661,564	$ -
Other	232,420		232,420	
Total Operating Revenues	7,178,049	9,715,935	16,893,984	
Operating Expenses:				
Salaries and benefits		1,126,357	1,126,357	
Contractual services	7,810,487	1,350,593	9,161,080	
Utilities		917,937	917,937	
Materials and supplies	4,984		4,984	
Sewer operations		570,765	570,765	
Water operations		1,187,659	1,187,659	
Administration		413,189	413,189	
Depreciation	241,965	667,003	908,968	80,081
Total Operating Expenses	8,057,436	6,233,503	14,290,939	80,081
Operating Income (Loss)	(879,387)	3,482,432	2,603,045	(80,081)
Nonoperating Revenues (Expenses):				
Interest revenue		1,269,451	1,269,451	
Interest expense and fiscal charges	(110,159)	(7,458,411)	(7,568,570)	
Amortization expense	(31,395)	(367,246)	(398,641)	
Gain/(Loss) on sale of assets	21,747,099		21,747,099	
Loss on settlement agreement		(4,524,000)	(4,524,000)	
Total Nonoperating Revenues (Expenses)	21,605,545	(11,080,206)	10,525,339	
Income (Loss) Before Transfers	20,726,158	(7,597,774)	13,128,384	(80,081)
Transfers				
Transfers out	(27,933,710)	(4,290,691)	(32,224,401)	
Changes in Net Assets	(7,207,552)	(11,888,465)	(19,096,017)	(80,081)
Net Assets				
Beginning of fiscal year, July 1, 2009	8,484,568	14,993,824	23,478,392	490,664
Prior period adjustments	502,209	(224,314)	277,895	
Beginning of fiscal year, July 1, 2009 as restated	8,986,777	14,769,510	23,756,287	490,664
End of fiscal year, June 30, 2010	$ 1,779,225	$ 2,881,045	$ 4,660,270	$ 410,583

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds			Governmental Activities
	Correctional Facility	Public Utility Authority	Total	Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from customers and users	$ 8,225,988	$ 9,087,219	$ 17,313,207	$ -
Cash paid to suppliers for goods and services	(9,248,151)	(4,848,097)	(14,096,248)	
Cash paid to employees for services		(1,115,621)	(1,115,621)	
Net Cash Provided (Used) by Operating Activities	(1,022,163)	3,123,501	2,101,338	
Cash Flows from Non-Capital Financing Activities:				
Cash transfers from/(to) other funds	(27,933,710)	(4,290,691)	(32,224,401)	
Due from other funds	(1,166,238)		(1,166,238)	
Due to other funds	737,810	649,101	1,386,911	
Net Cash Provided (Used) by Non-Capital Financing Activities	(28,362,138)	(3,641,590)	(32,003,728)	
Cash Flows from Capital and Related Financing Activities:				
Purchases of capital assets		(1,621,054)	(1,621,054)	
Principal paid on capital debt		(69,115,000)	(69,115,000)	
Interest paid on long term debt	(190,559)	(5,103,176)	(5,293,735)	
Bond issuance costs		(2,575,271)	(2,575,271)	
Proceeds from issuance of debt		76,825,000	76,825,000	
Proceeds from disposition of capital assets	27,990,608		27,990,608	
Net Cash Provided (Used) by Capital and Related Financing Activities	27,800,049	(1,589,501)	26,210,548	
Cash Flows from Investing Activities:				
Interest received		1,238,543	1,238,543	
Net Cash Provided (Used) by Investing Activities		1,238,543	1,238,543	
Net Increase (Decrease) in Cash and Cash Equivalents	(1,584,252)	(869,047)	(2,453,299)	
Cash and Cash Equivalents at Beginning of Fiscal Year	3,156,235	30,008,271	33,164,506	
Cash and Cash Equivalents at End of Fiscal Year	$ 1,571,983	$ 29,139,224	$ 30,711,207	$ -
Reconciliation to Statement of Net Assets:				
Cash and investments	$ 1,571,983	$ 4,632,708	$ 6,204,691	$ -
Restricted cash and investments with fiscal agents		24,506,516	24,506,516	
Cash and Cash Equivalents	$ 1,571,983	$ 29,139,224	$ 30,711,207	$ -

(Continued)

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010
(Continued)

	Enterprise Funds			Governmental Activities
	Correctional Facility	Public Utility Authority	Total	Internal Service Fund
Reconciliation of Operating Income (loss) to net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (879,387)	$ 3,482,432	$ 2,603,045	$ (80,081)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	241,965	667,003	908,968	80,081
(Increase) decrease in prepaid items		(8,088)	(8,088)	
(Increase) decrease in accounts receivable	1,047,939	(652,065)	395,874	
Decrease (increase) in inventory		5,461	5,461	
Increase (decrease) in accounts payable	143,903	(283,923)	(140,020)	
Increase (decrease) in accrued liabilities	(133,438)	(118,681)	(252,119)	
Increase (decrease) in other payables	(1,119,336)		(1,119,336)	
Increase (decrease) in compensated absences	(305,190)	8,013	(297,177)	
Increase (decrease) in interest payable	(18,619)	23,349	4,730	
Total Adjustments	(142,776)	(358,931)	(501,707)	80,081
Net Cash Provided (Used) by Operating Activities	$ (1,022,163)	$ 3,123,501	$ 2,101,338	$ -

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Private Purpose Trust	Pension Trust	Agency Funds	
	Luetke Foundation	Inmate Welfare Benefit	Assessment District 1A	Inmate Trust
ASSETS				
Cash and investments	$ 25,362	$ 518,609	$ 1,102,523	$ 6
Restricted cash and investments with fiscal agents			1,145,997	
Accounts receivable		4,042		
Due from City of Adelanto		361,629		
Total assets	$ 25,362	$ 884,280	$ 2,248,520	$ 6
LIABILITIES				
Accounts payable	$ 7,154	$ 188,566	$ -	$ -
Due to City of Adelanto	10,565	50,249		
Due to bondholders			2,248,520	6
Total liabilities	17,719	238,815	2,248,520	6
NET ASSETS				
Unrestricted	7,643	645,465		
Total net assets	$ 7,643	$ 645,465	$ -	$ -

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, 2010

	Private-Purpose Trust	Pension Trust
	Luetke Foundation	Inmate Welfare Benefit
Additions		
Inmate phone increment charges	$ -	$ 148,909
Other		15,076
Total additions		163,985
Deletions		
General government		1,107,413
Total deletions		1,107,413
Change in net assets		(943,428)
Net assets - July 1, 2009	7,643	2,061,399
Prior period adjustments		(472,506)
Fund balances - July 1, 2009, restated	7,643	1,588,893
Net assets - June 30, 2010	$ 7,643	$ 645,465

See Notes to the Basic Financial Statements

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Notes to Basic Financial Statements

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

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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when 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.

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.

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 no 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.

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

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 XIIIA 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.

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.

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, 2010.

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

Note 1 Summary of Significant Accounting Policies (Continued)

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

Long-Term Obligations (Continued)

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.

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.

Note 1 Summary of Significant Accounting Policies (Continued)

f. New Accounting Pronouncements (Continued)

GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*". This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*". This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*". This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*". This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

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	289,432
	$ 298,132

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 $1,057,928	$ 1,284,698
Deferred losses on refunding, net of accumulated amortization of $872,610	912,573
	$ 2,197,271

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	$ (19,588,050)
Tax allocation refunding bonds	(14,710,000)
Revenue bonds	(31,440,492)
Settlement agreement payable	(1,989,390)
Compensated absences	(196,201)
	$ (67,924,133)

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)

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	$	2,296,736
Appreciation/Accretion of revenue bonds		1,040,220
Total debt incurred	$	3,336,956
Debt principal repayment:		
Tax allocation bonds	$	(55,000)
Revenue bonds		(1,799,633)
	$	(1,854,633)

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, Adelanto Community Benefit Special Revenue Fund, CLEEP 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.

Note 2 Stewardship, Compliance, and Accountability (Continued)

Fund Deficits

The following funds contained a deficit fund balance as of June 30, 2010:

Major Fund	
Sanitation	$ (324,834)
Nonmajor Funds	
Special Revenue Funds:	
Community Development Block Grant	(105,209)
Maverick Stadium	(2,388,434)
Transit	(642)

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 $9,734,740 at June 30, 2010. 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:

Fund	Final Appropriation	Expenditure	Excess
MAJOR FUNDS			
General Fund	$ 13,713,965	$ 13,892,111	$ 178,146
Sanitation Special Revenue Fund	2,559,610	3,048,660	489,050
NONMAJOR GOVERNMENTAL FUNDS:			
Maverick Stadium Special Revenue Fund	203,904	214,086	10,182
California AB Distributions Special Revenue Fund		5,400	5,400
CDBG Special Revenue Fund	115,000	254,537	139,537
Redevelopment Agency Project Area 3 Debt Service Fund	300,000	637,120	337,120

Note 3 Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments	$	42,850,880
Restricted cash and investments with fiscal agents		36,317,095
Investment in Adelanto Public Financing Authority Bonds		13,905,492
Fiduciary funds:		
Cash and investments		1,646,500
Restricted cash and investments with fiscal agents		1,145,997
Total cash and investments	$	95,865,964

Cash and investments as of June 30, 2010 consist of the following:

Petty cash	$	4,850
Deposits with financial institutions		36,515,344
Investments		59,345,770
Total cash and investments	$	95,865,964

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	$50 million
Local Agency Bonds	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.

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:

		Remaining maturity (in Months)			
Investment Type	Totals	12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool	$ 4,301,638	$ 4,301,638	$ -	$ -	$ -
Held by Bond Trustees:					
Money Market Funds	35,258,546	35,258,546			
Investment Agreements	5,880,094				5,880,094
Bonds *	13,905,492	343,030	332,183	928,306	12,301,973
	$ 59,345,770	$ 39,903,214	$ 332,183	$ 928,306	$ 18,182,067

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

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.

				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
State Investment Pool	$ 4,301,638	N/A	$ -	$ -	$ -	$ -	$ 4,301,638
Held by bond trustee:							
Money Market Funds	35,258,546	N/A		35,117,888			140,658
Investment Agreements	5,880,094	N/A			1,600,000		4,280,094
Bonds	13,905,492	N/A					13,905,492
Total	$ 59,345,770		$ -	$ 35,117,888	$ 1,600,000	$ -	$ 22,627,882

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	$ 4,280,094
Transameria Life Insurance Company	Investment Agreements	1,600,000
Adelanto Public Financing Authority Bonds	Bonds	13,905,492

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 (Public Utility Authority) holds investments (including amounts held by bond trustees) in Public Financing Authority bonds in the amount of $13,905,492. This investment is in the 1995 Series C Bonds.

$1,600,000 of cash and investments (including amounts held by bond trustees) reported in the Redevelopment Agency Debt Service Fund (a major fund of the Agency) and the Governmental Activities in the Statement of Net Assets are held in the form of investment agreements issued by Transamerica Life Insurance Company. These mature on August 31, 2028.

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 $13,905,492 (consisting of $13,905,492 in the 1995 Series C Bonds).

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, 2010, $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, 2010, 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:

Investment Type	Reported Amount
Money market funds	$ 15,509,536
Investment Agreements	5,880,094

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 $14,089,329 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.

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, 2010, $1,551,375 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.

Note 5 Accounts Receivable

The following is a list of accounts receivable, net of allowances at June 30, 2010:

	Receivable
Governmental Activities - Accounts	$ 2,755,590
Business-type Activities - Accounts	2,711,653
Totals	$ 5,467,243

Note 6 Interfund Activity

The following represents the interfund activity of the City for the fiscal year ended June 30, 2010.

a. Transfers

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General	$ 33,314,401	$ -
Redevelopment Agency Debt Service		100,000
Nonmajor Governmental Funds:		
Gas Tax		460,000
Measure "I"		40,000
Community Development Block Grant		75,000
Traffic Offender		30,000
TDA Article 8		225,000
LLMD Annexation		80,000
Public Safety		120,000
COPS Grant		100,000
Transit	40,000	
Redevelopment Agency Capital Projects	100,000	
Major Enterprise Fund:		
Correctional Facility		27,933,710
Public Utility Authority		4,290,691
Totals	$ 33,454,401	$ 33,454,401

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 partially consisted of $4,165,691 made during the fiscal year ended June 30, 2010 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. The remainder of transfers were made for the purposes noted in the preceding paragraph.

Transfers from the Adelanto Correctional Facility consisting of $27,933,710 were made during the fiscal year ended June 30, 2010 in accordance with the sale of the Adelanto Correctional Facility to private operators.

Note 6 Interfund Activity (Continued)

b. Due To/ From Other Funds

Fund	Receivable	Payable
Major Governmental Funds:		
General	$ 9,566,051	$ -
Sanitation	3,944,746	3,180,838
Redevelopment Agency Debt Service		2,732,637
Nonmajor Governmental Funds:		
Measure "I"	192,055	243,767
Community Development Block Grant		117,709
VVEDA Low/Mod Income Housing	41,098	90,639
Maverick Stadium	44,565	2,457,711
TDA Article 8		22,253
VVEDA Redevelopment Agency Special Revenue	38,714	
Transit	6,995	6,637
Redevelopment Agency Capital Projects	239,963	237,203
Redevelopment Agency Project Area 3 Capital Projects	61,518	
Redevelopment Agency Project Area 3 Debt Service		76,588
Adelanto Community Benefit Corporation	25,000	
Major Enterprise Fund:		
Public Utility Authority		5,233,125
Correctional Facility	1,166,238	737,810
Internal Service Fund		190,026
	$ 15,326,943	$ 15,326,943

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, 2010, 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 were to provide the Redevelopment Agency with funding for projects and have no stated interest rate. There is no future minimum debt service requirement as repayment will be made when funds are available.

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, 2010 was as follows:

Redevelopment Agency	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
Capital Assets, not being depreciated:				
Land	$ 8,700	$ -	$ -	$ 8,700
Total	8,700			8,700
Capital Assets, being depreciated:				
Buildings	458,400			458,400
Structures and Improvements	20,000			20,000
Total	478,400			478,400
Less accumulated depreciation for:				
Buildings	(171,900)	(9,168)		(181,068)
Structures and Improvements	(7,500)	(400)		(7,900)
Total	(179,400)	(9,568)		(188,968)
Capital Assets being depreciated, net	299,000	(9,568)		289,432
Capital Assets, net	$ 307,700	$ (9,568)	$ -	$ 298,132

Transit Fund				
Capital Assets, being depreciated:				
Machinery and equipment	$ 270,941	$ -	$ -	$ 270,941
Less-Accumulated depreciation	(270,941)			(270,941)
Total Transit Capital Assets, net	$ -	$ -	$ -	$ -

Internal Service Fund				
Capital Assets, being depreciated:				
Machinery and equipment	$ 800,812	$ -	$ -	$ 800,812
Less - Accumulated Depreciation	(120,122)	(80,081)		(200,203)
Total Capital Assets, being depreciated	680,690	(80,081)		600,609
Total Capital Assets, net	$ 680,690	$ (80,081)	$ -	$ 600,609

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 in the amount of $28,028 and public safety expense in the amount of $52,053 in the Statement of Activities.

Note 7 Capital Assets (Continued)

b. Business-type activities

Capital assets of business-type activities for the fiscal year ended June 30, 2010 was as follows:

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
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	1,435,441		(1,435,441)	
Less - Accumulated depreciation	(4,425,553)	(241,965)	4,667,518	
Total Capital Assets, being depreciated	6,380,814		(6,138,849)	
Total Correctional Facility Capital Assets, net	$ 6,485,474	$ -	$ (6,243,509)	$ -
Public Utility Authority Activity				
Capital Assets, not being depreciated:				
Land	$ 1,157,596	$ -	$ -	$ 1,157,596
Water rights	3,124,799			3,124,799
Construction in progress	9,854,778	4,563,668		14,418,446
Total Capital Assets, not being depreciated	14,137,173	4,563,668		18,700,841
Capital Assets, being depreciated:				
Buildings and improvements	130,128			130,128
Fields and grounds	7,105,847			7,105,847
Wells and pump stations	8,860,081			8,860,081
Reservoirs	387,863			387,863
Machinery and equipment	386,264			386,264
Pipelines	12,553,861			12,553,861
Vehicles	483,999			483,999
Less - Accumulated Depreciation	(7,257,016)	(667,003)		(7,924,019)
Total Capital Assets, being depreciated	22,651,027	(667,003)		21,984,024
Total Authority Capital Assets, net	$ 36,788,200	$ 3,896,665	$ -	$ 40,684,865
Total Enterprise Funds				
Capital Assets, not being depreciated:				
Land	$ 1,262,256	$ -	$ (104,660)	$ 1,157,596
Water rights	3,124,799			3,124,799
Construction in progress	9,854,778	4,563,668		14,418,446
Total Capital Assets, not being depreciated	14,241,833	4,563,668	(104,660)	18,700,841
Capital Assets, being depreciated:				
Buildings and improvements	130,128			130,128
Fields and grounds	16,476,773		(9,370,926)	7,105,847
Wells and pump stations	8,860,081			8,860,081
Reservoirs	387,863			387,863
Machinery and equipment	1,821,705		(1,435,441)	386,264
Pipelines	12,553,861			12,553,861
Vehicles	483,999			483,999
Less - Accumulated depreciation	(11,682,569)	(667,003)	4,425,553	(7,924,019)
Total Capital Assets, being depreciated	29,031,841	(667,003)	(6,380,814)	21,984,024
Total Capital Assets, net	$ 43,273,674	$ 3,896,665	$ (6,485,474)	$ 40,684,865

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.

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, 2010:

	Balance July 1, 2009	Additions/ Accretions	Repayments	Balance June 30, 2010	Due within one year
Adelanto Improvement Project, Tax Allocation Bonds, Issue 1993B	$ 11,315,000	$ -	$ -	$ 11,315,000	$ 540,000
Adelanto Public Financing Authority, Local Agency Taxable Subordinated Revenue Bonds 1995 Series A	3,140,000		520,000	2,620,000	15,000
Adelanto Public Financing Authority, Local Agency Second Subordinated Revenue Bonds 1995 Series B	15,210,000		295,000	14,915,000	310,000
Adelanto Public Financing Authority, Local Agency Third Subordinated Revenue Bonds 1995 Series C	13,849,905	1,040,220	984,633	13,905,492	343,030
Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds	3,450,000		55,000	3,395,000	55,000
Total bonded indebtedness	46,964,905	1,040,220	1,854,633	46,150,492	1,263,030
Compensated Absences	190,853	190,648	185,300	196,201	
Intermountain Power Agency Settlement Agreement	1,989,390			1,989,390	
San Bernardino County Tax Increment Loans	17,291,314	2,296,736		19,588,050	
Total other long-term liabilities	19,471,557	2,487,384	185,300	21,773,641	
Total long-term liabilities	$ 66,436,462	$ 3,527,604	$ 2,039,933	$ 67,924,133	$ 1,263,030

A description of individual long-term obligations outstanding at June 30, 2010 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.

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

A. 1995 Bonds (Continued)

The 1995 Series A, B, and C 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, 2010. 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, 2010 was $2,620,000.

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:

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 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, 2010, was $14,915,000.

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.

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:

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%

The 1995 Series C Bonds carry no reserve fund requirement.

During the fiscal year ended June 30, 2010, the Agency recognized accretion of $1,040,220 and made payments to the Water Authority of $984,633. The balance outstanding on the 1995 Series C Bonds, at June 30, 2010, was $13,905,492.

B. 1993 Tax Allocation 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%

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

B. 1993 Tax Allocation Bonds (Continued)

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, 2010 was $11,315,000.

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 was $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 utilized bond proceeds for a variety of redevelopment and economic development purposes.

The outstanding balance on the 2007 Tax Allocation Bonds, at June 30, 2010, was $3,395,000.

D. Debt Service Requirements

The following schedules illustrate the debt service requirements to maturity for the long-term debt bonds outstanding as of June 30, 2010:

Fiscal Year Ended June 30,	1993 Series B Tax Allocation Bonds		
	Principal	Interest	Total
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	670,000	474,925	1,144,925
2016-2020	4,005,000	1,975,188	5,980,188
2021-2024	4,295,000	487,989	4,782,989
	$ 11,315,000	$ 5,178,115	$ 16,493,115

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

D. Debt Service Requirements (Continued)

The following schedules illustrate the debt service requirements to maturity for the long-term debt bonds outstanding as of June 30, 2010 (Continued):

Fiscal Year Ended June 30,	1995 Series A Revenue Bonds		
	Principal	Interest	Total
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	15,000	183,780	198,780
2016-2020	85,000	898,020	983,020
2021-2025	1,185,000	842,940	2,027,940
2026	1,275,000	45,900	1,320,900
	$ 2,620,000	$ 2,716,560	$ 5,336,560

Fiscal Year Ended June 30,	1995 Series B Revenue Bonds		
	Principal	Interest	Total
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	400,000	841,366	1,241,366
2016-2020	2,360,000	3,785,358	6,145,358
2021-2025	3,075,000	2,945,095	6,020,095
2026-2029	7,720,000	1,137,152	8,857,152
	$ 14,915,000	$ 12,816,211	$ 27,731,211

Fiscal Year Ended June 30,	1995 Series C Revenue Bonds		
	Principal	Interest	Total
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	298,287	900,966	1,199,253
2016-2020	1,380,707	5,569,931	6,950,638
2021-2025	1,215,746	7,585,775	8,801,521
2026-2029	9,705,520	8,754,317	18,459,837
	$ 13,905,492	$ 25,872,218	$ 39,777,710

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

D. Debt Service Requirements (Continued)

The following schedules illustrate the debt service requirements to maturity for the governmental long-term debt bonds outstanding as of June 30, 2010 (Continued):

Fiscal Year Ended June 30,	2007 Tax Allocation Bonds		
	Principal	Interest	Total
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	65,000	181,203	246,203
2016-2020	385,000	853,590	1,238,590
2021-2025	500,000	737,080	1,237,080
2026-2030	660,000	567,600	1,227,600
2031-2035	880,000	338,100	1,218,100
2036-2038	665,000	61,350	726,350
	$ 3,395,000	$ 3,491,075	$ 6,886,075

Fiscal Year Ended June 30,	Total		
	Principal	Interest	Total
2011	$ 1,263,030	$ 2,601,627	$ 3,864,657
2012	1,307,183	2,601,763	3,908,946
2013	1,340,433	2,597,443	3,937,876
2014	1,399,586	2,592,324	3,991,910
2015	1,448,287	2,582,240	4,030,527
2016-2020	8,215,707	12,869,240	21,084,947
2021-2025	10,270,746	12,598,879	22,869,625
2026-2030	19,360,520	10,504,969	29,865,489
2031-2035	880,000	338,100	1,218,100
2036-2038	665,000	61,350	726,350
	$ 46,150,492	$ 49,347,935	$ 95,498,427

E. 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 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.

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, 2010.

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, 2010 was $19,588,050.

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, 2010, the following bond issues outstanding are considered defeased:

1986 Tax Allocation Bonds	$ 1,550,000

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, 2010:

	Balance July 1, 2009	Additions/ accretions	Principal payments	Balance June 30, 2010	Due within one year
Adelanto Public Utility Authority Refunding Revenue Bonds, 2005 Series A	$ 54,395,000	$ -	$ (54,395,000)	$ -	$ -
Adelanto Public Utility Authority Refunding Revenue Bonds, 2005 Series B	14,720,000		(14,720,000)		
Adelanto Public Utility Authority Refunding Revenue Bonds, 2009 Series A		76,825,000		76,825,000	4,945,529
Unamortized discount		(1,131,591)	19,994	(1,111,597)	
Adelanto Correctional Facility Lease Revenue Refunding Bonds - 2001	1,190,000		(1,190,000)		
Bond Premium	29,545		(29,545)		
Compensated absences	283,622	(245,662)	14,932	52,892	13,223
Total long-term liabilities	$ 70,618,167	$ 75,447,747	$ (70,299,619)	$ 75,766,295	$ 4,958,752

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

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

conducted every fourth Wednesday. The applicable auction rate will not exceed the ARB maximum rate of 12% per annum.

On December 22, 2009, the Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A were issued which refunded the 2005 A and B Bonds. Please see the note for the Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A for additional information.

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.

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

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.

On December 22, 2009, the Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A were issued and refunded the 2005 A and 2005 B Bonds. The 2005 A and 2005 B Bonds were defeased and are no longer a debt of the Authority. Please see the note for the Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A for additional information.

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.

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

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

On December 22, 2009, the Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A were issued and refunded the 2005 A and 2005 B Bonds. The 2005 A and 2005 B Bonds were defeased and are no longer a debt of the Authority. Please see the note for the Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A for additional information.

C. Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A

On December 22, 2009, the Adelanto Public Utility Authority issued $76,825,000 Fixed Rate Refunding Revenue Bonds to provide 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), ii) finance certain capital improvements to the Authority's water treatment, production, storage and distribution system and its wastewater collection and treatment system and other related costs, iii) fund a debt service reserve fund for the 2009 Bonds, and iv) pay the costs of issuing the 2009 Bonds. The bonds are composed of serial and term bonds. The serial bonds have varies maturity dates with the last maturity date being July 1, 2026. The interest rates range from 4.00% to 6.25%. There are also two term bonds with one term bond in the amount of $14,800,000 (maturity date of July 1, 2031 and an interest rate of 6.625%), and the second term bond in the amount of $36,885,000 (maturity date of July 1, 2039 and an interest rate of 6.750%).

The 2009 Bonds are being issued pursuant to an Indenture of Trust, dated as of September 1, 2005, as amended and supplemented including the Fourth Supplemental Indenture dated as of November 1, 2009 by and between the Authority and the Trustee. Interest on the 2009 Bonds are payable on January 1 and July 1 of each year, commencing on July 1, 2010.

The 2009 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of Pledged Utility Revenue and from certain other amounts on deposit in funds and accounts under the Indenture. Pledged Utility Revenues primarily consist of i) Net wastewater revenues and ii) net water revenues. In order to comply with applicable law, each of the Water and Wastewater Enterprises are obligated to pay only its proportionate share of the 2009 Bonds (59% for Water and 41% for Wastewater).

The Authority has covenanted to fix, prescribe and collect fees, tolls, assessments, rates and charges for the Utility System in order to satisfy certain coverage requirements.

The 2009 Bonds maturing on or before July 1, 2019 are not subject to optional redemption prior to maturity. The 2009 Bonds maturing on or after July 1, 2020 are subject to redemption prior to their respective maturity dates, at the option of the Authority, as a whole, or in part, as determined by the Authority, on any date after July 1, 2019, from any source of available funds, at the principal amount of the 2009 Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The 2009 Term Bonds are subject to redemption in part by lot, on July 1 in each year commencing July 1, 2027 from Sinking Fund Installments made by the Authority into the Debt Service Fund, at a redemption price equal to the principal amount to be redeemed, without premium, in the aggregate respective principal amounts and on July 1 in the respective years set forth in the following tables, or in lieu thereof may be purchased.

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

C. Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A (Continued)

The Authority is obligated to maintain an amount in the debt service reserve account equal to the debt service reserve requirement which is equal to the least of (a) 10% of the initial offering price to the public of the Bonds, (b) the greatest amount of Bond Debt Service in any Bond Year during the period commencing with the Bond Year in which the determination is being made and terminating with the last Bond Year in which any Bond is due, or (c) 125% of the sum of the Bond Debt Service for all Bond Years during the period commencing with the Bond Year in which such calculation is made and terminating with the last Bond Year in which any Bond debt service is due, divided by the number of such Bond Years. The balance in the debt service reserve account as of June 30, 2010 is $6,159,482.

The Rate Stabilization Fund is are pledged to secure payment, to the extent Gross Wastewater Revenues, Gross Water Revenues and/or purchased securities revenues are insufficient for such purposes, the following amounts in the following order of priority:

1. All wastewater operation and maintenance costs and wastewater operation and maintenance costs to become due and payable in the current fiscal year,
2. Principal of and interest on the outstanding bonds and parity obligations becoming due and payable during the fiscal year, including sinking fund installments,
3. All other payments required for compliance with the indenture and the legal documents pursuant to which any parity obligations were issued,
4. Water purchase payments and wastewater purchase payments up to a maximum of $1 million annually; provided, however, that no amounts will be transferred from the Rate Stabilization Fund for this purpose unless pledged utility revenues plus additional revenues equal 125% of debt service in the current fiscal year,
5. Any termination payments.

The Rate Stabilization Requirement is $2,100,000 and is equal to the amount currently in the Rate Stabilization Account as of June 30, 2010.

As of June 30, 2010, the amount due on the Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A is $76,825,000.

D. 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)

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

D. Adelanto Correctional Facility 2001 A Lease Revenue Refunding Bonds (Continued)

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.

E. Debt Service Requirements

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

Fiscal year	Fixed Rate Refunding Revenue Bonds 2009 Series A
2011	$ 4,945,529
2012	4,824,906
2013	5,966,606
2014	5,964,106
2015	5,964,706
2016-2020	29,829,416
2021-2025	29,830,601
2026-2030	29,828,594
2031-2035	29,827,079
2036-2040	29,828,771
	176,810,314
Less amount representing interest	99,985,314
Balance outstanding	$ 76,825,000

F. Defeasance of Debt

At June 30, 2010, the 1995, 1998, 2000, and 2005 debt amounts have been paid in full. There are no outstanding debt balances related to these issues.

G. Compensated Absences

As of the fiscal year ended June 30, 2010, the total accrued employee leave benefits was $52,892.

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.

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

Note 11 Commitments and Contingencies (Continued)

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.

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, 2010.

At June 30, 2010, 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

Note 11 Commitments and Contingencies (Continued)

c. Intermountain Power Agency Settlement Agreement (Continued)

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 $13,662,706. 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.

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.

Note 11 Commitments and Contingencies (Continued)

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.

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, 2010 the balance outstanding was $19,588,050.

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, 2010 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, 2010, 2009, 2008 were $408,349, $397,499, and $379,860, respectively, and equal 100% of the required contributions for each fiscal year.

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

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.

Note 16 Subsequent Events (Continued)

RDA Dissolution (Continued)

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.

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. As of October 20th, 2013, no payment schedule has been determined. An amount of $4,524,000 has been accrued as a settlement payable due to the undeterminable amount of the interest and fees that will be due.

Note 17 Prior Period Adjustments

A prior period adjustment of ($224,314) was made to the Adelanto Public Utility Authority Enterprise Fund for an understatement of accounts payable related to water purchases and replacement and makeup water obligations in the prior fiscal year.

A prior period adjustment of $502,209 was made to the Correctional Facility Enterprise Fund for an understatement of accounts receivable in the prior fiscal year.

A prior period adjustment of ($12,508) was made to the General Fund due to an understatement of accounts payable in the prior fiscal year.

A prior period adjustment of ($472,506) was made to the Inmate Welfare Benefit Trust Fund due to an understatement of accounts payable in the prior fiscal year.

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes and assessments	$ 2,570,000	$ 1,700,000	$ 4,206,730	$ 2,506,730
Licenses and permits	315,200	339,500	312,428	(27,072)
Fines, forfeitures, and penalties	147,500	172,000	91,482	(80,518)
Investment earnings	1,234,310	1,234,310	1,254,276	19,966
Intergovernmental revenue	3,899,000	4,131,000	48,852	(4,082,148)
Charges for current services	310,500	258,500	2,239,160	1,980,660
Other revenues	1,858,000	1,849,800	476,214	(1,373,586)
Total revenues	10,334,510	9,685,110	8,629,142	(1,055,968)
EXPENDITURES				
Current:				
General government:				
City council	91,690	91,690	89,229	2,461
City manager	467,719	442,941	479,929	(36,988)
City clerk	211,768	161,268	169,306	(8,038)
Finance	238,357	221,407	220,995	412
City attorney	350,000	300,000	470,874	(170,874)
Human resource/IT	576,034	576,034	507,031	69,003
Non-departmental	1,044,806	992,806	956,875	35,931
Total general government	2,980,374	2,786,146	2,894,239	(108,093)
Public safety:				
Police	5,051,053	4,597,632	4,539,411	58,221
Fire	3,190,486	3,187,486	3,205,743	(18,257)
Code enforcement	360,473	406,973	392,253	14,720
Animal control	183,388	179,088	279,727	(100,639)
Total public safety	8,785,400	8,371,179	8,417,134	(45,955)
Public works:				
Street maintenance	861,405	863,305	889,864	(26,559)
Facilities	212,736	210,436	205,505	4,931
Engineering and other	342,903	320,403	219,701	100,702
Building and safety	277,823	237,823	270,066	(32,243)
Vehicle maintenance	168,606	168,606	170,943	(2,337)
Total public works	1,863,473	1,800,573	1,756,079	44,494
Community development	502,411	493,411	545,721	(52,310)
Total community development	502,411	493,411	545,721	(52,310)

(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, 2010
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Parks and recreation:				
Senior Center	$ 23,000	$ 21,000	$ 15,039	$ 5,961
Community Center	30,000	30,000	23,193	6,807
Parks and grounds	211,656	211,656	237,102	(25,446)
Total parks and recreation	264,656	262,656	275,334	(12,678)
Debt service:				
Interest and other charges			3,604	(3,604)
Total debt service			3,604	(3,604)
Total expenditures	14,396,314	13,713,965	13,892,111	(178,146)
Excess of revenues over (under) expenditures	(4,061,804)	(4,028,855)	(5,262,969)	(1,234,114)
OTHER FINANCING SOURCES (USES)				
Transfer in related to Sale of prison			27,933,710	27,933,710
Transfers in	4,165,691	4,165,691	5,380,691	1,215,000
Total other financing sources (uses)	4,165,691	4,165,691	33,314,401	29,148,710
Net Change in Fund Balance	103,887	136,836	28,051,432	27,914,596
Fund balance - July 1, 2009	1,629,720	1,629,720	1,629,720	
Prior period adjustments			(12,508)	(12,508)
Fund balance - July 1, 2009, restated	1,629,720	1,629,720	1,617,212	(12,508)
Fund balance - June 30, 2010	$ 1,733,607	$ 1,766,556	$ 29,668,644	$ 27,902,088

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment earnings	$ 400	$ 400	$ 171	$ (229)
Other revenues	110,000	110,000	137,325	27,325
Charges for current services	2,450,000	2,450,000	3,030,583	580,583
Total revenues	2,560,400	2,560,400	3,168,079	607,679
EXPENDITURES				
Current:				
Public works	2,559,610	2,559,610	3,048,367	(488,757)
Capital outlay			293	(293)
Total expenditures	2,559,610	2,559,610	3,048,660	(489,050)
Net Change in Fund Balance	790	790	119,419	118,629
Fund balance (deficit) - July 1, 2009	(444,253)	(444,253)	(444,253)	
Fund balance (deficit) - June 30, 2010	$ (443,463)	$ (443,463)	$ (324,834)	$ 118,629

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 5,000,000	$ 5,000,000	$ 6,840,936	$ 1,840,936
Investment earnings	300,000	300,000	93,590	(206,410)
Total revenues	5,300,000	5,300,000	6,934,526	1,634,526
EXPENDITURES				
Pass-through payments	175,000	175,000	4,236,117	(4,061,117)
Debt service:				
Principal retirement	5,000,000	5,000,000	1,799,633	3,200,367
Interest and other charges			1,785,818	(1,785,818)
Total expenditures	5,175,000	5,175,000	7,821,568	(2,646,568)
Excess of revenues over (under) expenditures	125,000	125,000	(887,042)	(1,012,042)
OTHER FINANCING SOURCES (USES)				
Transfer out	(100,000)	(100,000)	(100,000)	
Total other financing sources (uses)	(100,000)	(100,000)	(100,000)	
Net Change in Fund Balance	25,000	25,000	(987,042)	(1,012,042)
Fund balance - July 1, 2009	9,227,787	9,227,787	9,227,787	
Fund balance - June 30, 2010	$ 9,252,787	$ 9,252,787	$ 8,240,745	$ (1,012,042)

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CITY OF ADELANTO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue Funds					
	Gas Tax Street	Measure "I"	Community Development Block Grant	Special Park	Community Facilities District	Adelanto Portion of VVEDA Low/Moderate Income Housing Special Revenue Fund
ASSETS						
Cash and investments	$ 963,464	$ 4,055,750	$ -	$ 1,812,523	$ 181,436	$ 773,871
Cash and investments with fiscal agents						
Accounts receivable - net	328,827	134,905	12,500		1,481	65,582
Interest receivable		212				
Due from other funds		192,055				41,098
Notes receivable						
Land held for resale						
Total assets	$ 1,292,291	$ 4,382,922	$ 12,500	$ 1,812,523	$ 182,917	$ 880,551
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ -	$ 27,933	$ -	$ -	$ -	$ -
Accrued expenditures						
Deposits payable					87,531	
Due to other funds		243,767	117,709			90,639
Deferred revenue	115,054	250,000				
Advances payable						
Total Liabilities	115,054	521,700	117,709		87,531	90,639
Fund Balances:						
Reserved:						
Land held for resale						
Debt service						
Unreserved:						
Designated for special revenue purposes	1,177,237	3,861,222		1,812,523	95,386	789,912
Undesignated			(105,209)			
Total fund balances	1,177,237	3,861,222	(105,209)	1,812,523	95,386	789,912
Total liabilities and fund balances	$ 1,292,291	$ 4,382,922	$ 12,500	$ 1,812,523	$ 182,917	$ 880,551

Special Revenue Funds

Traffic Impact Fees	Fire Mitigation Fees	Maverick Stadium	Traffic Offender	TDA Article 8	Adelanto Community Benefit Corporation	Redevelopment Agency Project Area 3 Housing Set-Aside	Drainage Impact
$ 963,488	$ 57,268	$ -	$ 60,748	$ -	$ 1,330	$ 405,402	$ 3,594,824
		40,410		317,631			12
		44,565			25,000		
$ 963,488	$ 57,268	$ 84,975	$ 60,748	$ 317,631	$ 26,330	$ 405,402	$ 3,594,836
$ -	$ -	$ 12,165	$ -	$ -	$ 291	$ -	$ 51,218
		3,533					
		2,457,711		22,253			
		2,473,409		22,253	291		51,218
963,488	57,268		60,748	295,378	26,039	405,402	3,543,618
		(2,388,434)					
963,488	57,268	(2,388,434)	60,748	295,378	26,039	405,402	3,543,618
$ 963,488	$ 57,268	$ 84,975	$ 60,748	$ 317,631	$ 26,330	$ 405,402	$ 3,594,836

(Continued)

CITY OF ADELANTO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010
(Continued)

	Special Revenue Funds					
	Asset Forfeiture Education	Public Safety	FEMA/ OES	California AB Distributions	LLMD Annexation	Adelanto Portion of VVEDA Redevelopment Agency Special Revenue Fund
ASSETS						
Cash and investments	$ 32,762	$ 14,149	$ 207,312	$ 105,514	$ 25,693	$ 313,112
Cash and investments with fiscal agents						
Accounts receivable - net				9,868	2,797	177,302
Interest receivable						
Due from other funds						38,714
Notes receivable						
Land held for resale						
Total assets	$ 32,762	$ 14,149	$ 207,312	$ 115,382	$ 28,490	$ 529,128
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ -	$ -	$ -	$ -	$ 22	$ 172,249
Accrued expenditures						
Deposits payable						
Due to other funds						
Deferred revenue						
Advances payable						
Total Liabilities					22	172,249
Fund Balances:						
Reserved:						
Land held for resale						
Debt service						
Unreserved:						
Designated for special revenue purposes	32,762	14,149	207,312	115,382	28,468	356,879
Undesignated						
Total fund balances	32,762	14,149	207,312	115,382	28,468	356,879
Total liabilities and fund balances	$ 32,762	$ 14,149	$ 207,312	$ 115,382	$ 28,490	$ 529,128

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
$ 83,951	$ -	$ 103,766	$ 3,026	$ 1,789,676	$ 4,020,088	$ -	$ 19,569,153
						251,908	251,908
		8,977		9,266			1,109,558
							212
	6,995			239,963	61,518		649,908
				1,491,430			1,491,430
				1,514,300			1,514,300
$ 83,951	$ 6,995	$ 112,743	$ 3,026	$ 5,044,635	$ 4,081,606	$ 251,908	$ 24,586,469
$ -	$ 1,000	$ -	$ 75	$ -	$ -	$ 36,256	$ 301,209
							3,533
							87,531
	6,637			237,203		76,588	3,252,507
				1,723,817			2,088,871
				1,924,243	600,000		2,524,243
	7,637		75	3,885,263	600,000	112,844	8,257,894
				1,514,300			1,514,300
						139,064	139,064
83,951		112,743	2,951		3,481,606		17,524,424
	(642)			(354,928)			(2,849,213)
83,951	(642)	112,743	2,951	1,159,372	3,481,606	139,064	16,328,575
$ 83,951	$ 6,995	$ 112,743	$ 3,026	$ 5,044,635	$ 4,081,606	$ 251,908	$ 24,586,469

CITY OF ADELANTO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds					
	Gas Tax Street	Measure "I"	Community Development Block Grant	Special Park	Community Facilities District	Adelanto Portion of VVEDA Low/Moderate Income Housing Special Revenue Fund
REVENUES						
Taxes	$ -	$ -	$ -	$ -	$ 48,479	$ 118,577
Licenses and permits				73,755		
Fines, forfeitures, and penalties						
Investment earnings		17,206				13,576
Charges for current services						
Intergovernmental revenue	893,551	688,076	252,234			
Other revenues						
Total revenues	893,551	705,282	252,234	73,755	48,479	132,153
EXPENDITURES						
Current:						
Public safety						
Public works		119,122				
Community development					1,869	
Parks and grounds				50,283		
Capital outlay		9,767	254,537	251,053		
Debt service:						
Principal retirement						
Interest and other charges						
Pass-through payments						
Total expenditures		128,889	254,537	301,336	1,869	
Excess of revenues over (under) expenditures	893,551	576,393	(2,303)	(227,581)	46,610	132,153
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in						
Transfers out	(460,000)	(40,000)	(75,000)			
Total other financing sources (uses)	(460,000)	(40,000)	(75,000)			
Net Change in Fund Balances	433,551	536,393	(77,303)	(227,581)	46,610	132,153
Fund balances (deficits) - July 1, 2009	743,686	3,324,829	(27,906)	2,040,104	48,776	657,759
Prior period adjustments						
Fund balances (deficit) - July 1, 2009, restated	743,686	3,324,829	(27,906)	2,040,104	48,776	657,759
Fund balances (deficits) - June 30, 2010	$ 1,177,237	$ 3,861,222	$ (105,209)	$ 1,812,523	$ 95,386	$ 789,912

Special Revenue Funds

Traffic Impact Fees	Fire Mitigation Fees	Maverick Stadium	Traffic Offender	TDA Article 8	Adelanto Community Benefit Corporation	Redevelopment Agency Project Area 3 Housing Set-Aside	Drainage Impact
$ -	$ -	$ -	$ -	$ -	$ -	$ 94,070	$ -
							79,150
108,056			30,041				
			1,201			1,726	12
	6,036	90,846					
				388,565			
					26,340		
108,056	6,036	90,846	31,242	388,565	26,340	95,796	79,162
							51,268
					291		
		209,586					
		4,500					53,690
					10		
		214,086			301		104,958
108,056	6,036	(123,240)	31,242	388,565	26,039	95,796	(25,796)
			(30,000)	(225,000)			
			(30,000)	(225,000)			
108,056	6,036	(123,240)	1,242	163,565	26,039	95,796	(25,796)
855,432	51,232	(2,265,194)	59,506	131,813		309,606	3,569,414
855,432	51,232	(2,265,194)	59,506	131,813		309,606	3,569,414
$ 963,488	$ 57,268	$ (2,388,434)	$ 60,748	$ 295,378	$ 26,039	$ 405,402	$ 3,543,618

(Continued)

CITY OF ADELANTO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010
(Continued)

	Special Revenue Funds					
	Asset Forfeiture Education	Public Safety	FEMA/ OES	California AB Distributions	LLMD Annexation	Adelanto Portion of VVEDA Redevelopment Agency Special Revenue Fund
REVENUES						
Taxes	$ -	$ 114,539	$ -	$ -	$ 147,279	$ 177,302
Licenses and permits						
Fines, forfeitures, and penalties						
Investment earnings						9,526
Charges for current services						
Intergovernmental revenue			82,327	18,704		
Other revenues						126,988
Total revenues		114,539	82,327	18,704	147,279	313,816
EXPENDITURES						
Current:						
Public safety	9,086		7,359			
Public works				5,400		
Community development					29,139	290,182
Parks and grounds						
Capital outlay			28,900			
Debt service:						
Principal retirement						
Interest and other charges						
Pass-through payment						
Total expenditures	9,086		36,259	5,400	29,139	290,182
Excess of revenues over (under) expenditures	(9,086)	114,539	46,068	13,304	118,140	23,634
OTHER FINANCING SOURCES (USES)						
Proceeds on sales of property						
Transfers in						
Transfers out		(120,000)			(80,000)	
Total other financing sources (uses)		(120,000)			(80,000)	
Net Change in Fund Balances	(9,086)	(5,461)	46,068	13,304	38,140	23,634
Fund balances (deficits) - July 1, 2009	41,848	19,610	161,244	102,078	(9,672)	333,245
Prior period adjustments						
Fund balances (deficit) - July 1, 2009, restated	41,848	19,610	161,244	102,078	(9,672)	333,245
Fund balances (deficits) - June 30, 2010	$ 32,762	$ 14,149	$ 207,312	$ 115,382	$ 28,468	$ 356,879

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
$ -	$ -	$ -	$ -	$ -	$ -	$ 376,281	$ 1,076,527
							152,905
							138,097
				76,484	21,898	184	141,813
				38,962			135,844
		100,208					2,423,665
							153,328
		100,208		115,446	21,898	376,465	4,222,179
			9,197				25,642
	40,420						216,210
				151,694	4,340		477,515
							259,869
							602,447
						55,000	55,000
					20	194,179	194,209
						387,941	387,941
	40,420		9,197	151,694	4,360	637,120	2,218,833
	(40,420)	100,208	(9,197)	(36,248)	17,538	(260,655)	2,003,346
				119,200			119,200
	40,000			100,000			140,000
		(100,000)					(1,130,000)
	40,000	(100,000)		219,200			(870,800)
	(420)	208	(9,197)	182,952	17,538	(260,655)	1,132,546
83,951	(12,730)	112,535	12,148	976,420	3,464,068	399,719	15,183,521
	12,508						12,508
83,951	(222)	112,535	12,148	976,420	3,464,068	399,719	15,196,029
83,951	$ (642)	$ 112,743	$ 2,951	$ 1,159,372	$ 3,481,606	$ 139,064	$ 16,328,575

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	$ 7,000	$ -	$ (7,000)
Intergovernmental revenue	539,000	893,551	354,551
Total revenues	546,000	893,551	347,551
EXPENDITURES			
Capital outlay			
Total expenditures			
Excess of revenues over (under) expenditures	546,000	893,551	347,551
OTHER FINANCING SOURCES (USES)			
Transfers out	(460,000)	(460,000)	
Total other financing sources (uses)	(460,000)	(460,000)	
Net Change in Fund Balance	86,000	433,551	347,551
Fund balance - July 1, 2009	743,686	743,686	
Fund balance - June 30, 2010	$ 829,686	$ 1,177,237	$ 347,551

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	$ 56,000	$ 17,206	$ (38,794)
Intergovernmental revenue	1,190,000	688,076	(501,924)
Total revenues	1,246,000	705,282	(540,718)
EXPENDITURES			
Current:			
Public works	155,000	119,122	35,878
Capital outlay	3,975,000	9,767	3,965,233
Total expenditures	4,130,000	128,889	4,001,111
Excess of revenues over (under) expenditures	(2,884,000)	576,393	3,460,393
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000		(100,000)
Transfers out	(440,000)	(40,000)	400,000
Total other financing sources (uses)	(340,000)	(40,000)	300,000
Net Change in Fund Balance	(3,224,000)	536,393	3,760,393
Fund balance - July 1, 2009	3,324,829	3,324,829	
Fund balance - June 30, 2010	$ 100,829	$ 3,861,222	$ 3,760,393

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	$ 190,000	$ 252,234	$ 62,234
Total revenues	190,000	252,234	62,234
EXPENDITURES			
Capital outlay	115,000	254,537	(139,537)
Total expenditures	115,000	254,537	(139,537)
Excess of revenues over (under) expenditures	75,000	(2,303)	(77,303)
OTHER FINANCING SOURCES (USES)			
Transfers out	(75,000)	(75,000)	
Total other financing sources (uses)	(75,000)	(75,000)	
Net Change in Fund Balance		(77,303)	(77,303)
Fund balance (deficit) - July 1, 2009	(27,906)	(27,906)	
Fund balance (deficit) - June 30, 2010	$ (27,906)	$ (105,209)	$ (77,303)

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and permits	$ 30,000	$ 73,755	$ 43,755
Investment earnings	10,000		(10,000)
Total revenues	40,000	73,755	33,755
EXPENDITURES			
Current:			
Parks and grounds	55,000	50,283	4,717
Capital outlay	2,000,000	251,053	1,748,947
Total expenditures	2,055,000	301,336	1,753,664
Excess of revenues over (under) expenditures	(2,015,000)	(227,581)	1,787,419
Net Change in Fund Balance	(2,015,000)	(227,581)	1,787,419
Fund balance - July 1, 2009	2,040,104	2,040,104	
Fund balance - June 30, 2010	$ 25,104	$ 1,812,523	$ 1,787,419

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for current services	$ 100,235	$ 90,846	$ (9,389)
Total revenues	100,235	90,846	(9,389)
EXPENDITURES			
Current:			
Parks and grounds	193,904	209,586	(15,682)
Capital outlay	10,000	4,500	5,500
Total expenditures	203,904	214,086	(10,182)
Net Change in Fund Balance	(103,669)	(123,240)	(19,571)
Fund balance (deficit) - July 1, 2009	(2,265,194)	(2,265,194)	
Fund balance (deficit) - June 30, 2010	$ (2,368,863)	$ (2,388,434)	$ (19,571)

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Fine, forfeitures, and penalties	$ 45,000	$ 30,041	$ (14,959)
Investment earnings	500	1,201	701
Total revenues	45,500	31,242	(14,258)
OTHER FINANCING SOURCES (USES)			
Transfers out	(30,000)	(30,000)	
Total other financing sources (uses)	(30,000)	(30,000)	
Net Change in Fund Balance	15,500	1,242	(14,258)
Fund balance - July 1, 2009	59,506	59,506	
Fund balance - June 30, 2010	$ 75,006	$ 60,748	$ (14,258)

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	$ 3,000	$ -	$ (3,000)
Intergovernmental revenue	71,000	388,565	317,565
Total revenues	74,000	388,565	314,565
EXPENDITURES			
Capital outlay	100,000		100,000
Total expenditures	100,000		100,000
Excess of revenues over (under) expenditures	(26,000)	388,565	414,565
OTHER FINANCING SOURCES (USES)			
Transfers out	(225,000)	(225,000)	
Total other financing sources (uses)	(225,000)	(225,000)	
Net Change in Fund Balance	(251,000)	163,565	414,565
Fund balance - July 1, 2009	131,813	131,813	
Fund balance - June 30, 2010	$ (119,187)	$ 295,378	$ 414,565

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	$ 120,000	$ 94,070	$ (25,930)
Investment earnings		1,726	1,726
Total revenues	120,000	95,796	(24,204)
EXPENDITURES			
Current:			
Community development	740		740
Total expenditures	740		740
Net Change in Fund Balance	119,260	95,796	(23,464)
Fund balance - July 1, 2009	309,606	309,606	
Fund balance - June 30, 2010	$ 428,866	$ 405,402	$ (23,464)

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and permits	$ 60,000	$ 79,150	$ 19,150
Investment earnings	10,000	12	(9,988)
Intergovernmental revenue	350,000		(350,000)
Total revenues	420,000	79,162	(340,838)
EXPENDITURES			
Current:			
Public works		51,268	(51,268)
Capital outlay	1,400,000	53,690	1,346,310
Total expenditures	1,400,000	104,958	1,295,042
Excess of revenues over (under) expenditures	(980,000)	(25,796)	954,204
OTHER FINANCING SOURCES (USES)			
Transfers in	400,000		(400,000)
Total other financing sources (uses)	400,000		(400,000)
Net Change in Fund Balance	(580,000)	(25,796)	554,204
Fund balance - July 1, 2009	3,569,414	3,569,414	
Fund balance - June 30, 2010	$ 2,989,414	$ 3,543,618	$ 554,204

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	$ 200	$ -	$ (200)
Total revenues	200		(200)
EXPENDITURES			
Current:			
Public safety	10,000	9,086	914
Total expenditures	10,000	9,086	914
Net Change in Fund Balance	(9,800)	(9,086)	714
Fund balance - July 1, 2009	41,848	41,848	
Fund balance - June 30, 2010	$ 32,048	$ 32,762	$ 714

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	$ 123,000	$ 114,539	$ (8,461)
Total revenues	123,000	114,539	(8,461)
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	(5,461)	(8,461)
Fund balance - July 1, 2009	19,610	19,610	
Fund balance - June 30, 2010	$ 22,610	$ 14,149	$ (8,461)

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	$ 1,000	$ -	$ (1,000)
Intergovernmental revenue	18,000	18,704	704
Total revenues	19,000	18,704	(296)
EXPENDITURES			
Current:			
Public works		5,400	(5,400)
Total expenditures		5,400	(5,400)
Excess of revenues over (under) expenditures	19,000	13,304	(5,696)
OTHER FINANCING SOURCES (USES)			
Transfers out	(100,000)		100,000
Total other financing sources (uses)	(100,000)		100,000
Net Change in Fund Balance	(81,000)	13,304	94,304
Fund balance - July 1, 2009	102,078	102,078	
Fund balance - June 30, 2010	$ 21,078	$ 115,382	$ 94,304

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Other revenues	$ -	$ -	$ -
Total revenues			
EXPENDITURES			
Current:			
Public works	40,000	40,420	(420)
Total expenditures	40,000	40,420	(420)
Excess of revenues over (under) expenditures	(40,000)	(40,420)	(420)
OTHER FINANCING SOURCES (USES)			
Transfers in	40,000	40,000	
Total other financing sources (uses)	40,000	40,000	
Net Change in Fund Balance		(420)	(420)
Fund balance (deficit) - July 1, 2009	(12,730)	(12,730)	
Prior period adjustments		12,508	12,508
Fund balance (deficit) - July 1, 2009, restated	(12,730)	(222)	12,508
Fund balance (deficit) - June 30, 2010	$ (12,730)	$ (642)	$ 12,088

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	$ 1,000	$ -	$ (1,000)
Intergovernmental revenue	100,000	100,208	208
Total revenues	101,000	100,208	(792)
OTHER FINANCING SOURCES (USES)			
Transfers out	(100,000)	(100,000)	
Total other financing sources (uses)	(100,000)	(100,000)	
Net Change in Fund Balance	1,000	208	(792)
Fund balance - July 1, 2009	112,535	112,535	
Fund balance - June 30, 2010	$ 113,535	$ 112,743	$ (792)

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	$ 2,000	$ 76,484	$ 74,484
Charges for current services		38,962	38,962
Total revenues	2,000	115,446	113,446
EXPENDITURES			
Current:			
Community development	269,350	151,694	117,656
Capital outlay	100,000		100,000
Total expenditures	369,350	151,694	217,656
Excess of revenues over (under) expenditures	(367,350)	(36,248)	331,102
OTHER FINANCING SOURCES (USES)			
Proceeds of sale of property	300,000	119,200	(180,800)
Transfers in	100,000	100,000	
Total other financing sources (uses)	400,000	219,200	(180,800)
Net Change in Fund Balance	32,650	182,952	150,302
Fund balance - July 1, 2009	976,420	976,420	
Fund balance - June 30, 2010	$ 1,009,070	$ 1,159,372	$ 150,302

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	$ -	$ 21,898	$ 21,898
Total revenues		21,898	21,898
EXPENDITURES			
Current:			
Community development	52,000	4,340	47,660
Capital outlay	3,050,000		3,050,000
Debt service:			
Interest and other charges		20	(20)
Total expenditures	3,102,000	4,360	3,097,640
Excess of revenues over (under) expenditures	(3,102,000)	17,538	3,119,538
OTHER FINANCING SOURCES (USES)			
Transfers in	200,000		(200,000)
Total other financing sources (uses)	200,000		(200,000)
Net Change in Fund Balance	(2,902,000)	17,538	2,919,538
Fund balance - July 1, 2009	3,464,068	3,464,068	
Fund balance - June 30, 2010	$ 562,068	$ 3,481,606	$ 2,919,538

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, 2010

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	$ -	$ 376,281	$ 376,281
Investment earnings		184	184
Total revenues		376,465	376,465
EXPENDITURES			
Debt service:			
Principal retirement		55,000	(55,000)
Interest and other charges	300,000	194,179	105,821
Pass-through payments		387,941	(387,941)
Total expenditures	300,000	637,120	(337,120)
Net Change in Fund Balance	(300,000)	(260,655)	39,345
Fund balance - July 1, 2009	399,719	399,719	
Fund balance - June 30, 2010	$ 99,719	$ 139,064	$ 39,345