

**City of Adelanto  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2012**

CITY OF ADELANTO, CALIFORNIA  
ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2012

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FINANCIAL  
SECTION



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**INDEPENDENT AUDITOR'S REPORT**

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California (City) as of and for the fiscal year ended June 30, 2012, 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, 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, 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions.*

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 on pages 59 to 61 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
June 27, 2014

**CITY OF ADELANTO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 21,957,469	\$ 8,282,470	\$ 30,239,939
Cash and investments with fiscal agents		20,736,614	20,736,614
Receivables:			
Accounts receivable - net	1,138,864	2,960,021	4,098,885
Notes/Contracts	66,379		66,379
Interest		3,856	3,856
Deposits	49,031		49,031
Internal balances	6,001,224	(6,001,224)	
CalPERS side fund	1,615,177		1,615,177
Advances to successor agency	2,524,243		2,524,243
Due from private purpose trust funds	450,689		450,689
Prepaid expenses		8,088	8,088
Inventory		66,959	66,959
Investment in Adelanto Public Financing Authority bonds		13,905,492	13,905,492
Deferred charges - net of accumulated amortization		1,320,375	1,320,375
Deferred losses on debt refunding		7,150,043	7,150,043
Capital assets not being depreciated		21,823,773	21,823,773
Capital assets - net of accumulated depreciation	440,447	20,650,018	21,090,465
<b>Total assets</b>	<b>34,243,523</b>	<b>90,906,485</b>	<b>125,150,008</b>
<b>LIABILITIES</b>			
Accounts payable	286,265	3,940,458	4,226,723
Interest payable		2,412,453	2,412,453
Accrued expenses	111,271	67,161	178,432
Deposits payable	329,768	469,405	799,173
Noncurrent liabilities:			
Due within one year		1,165,000	1,165,000
Due in more than one year	188,229	79,243,528	79,431,757
<b>Total liabilities</b>	<b>915,533</b>	<b>87,298,005</b>	<b>88,213,538</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	440,447		440,447
Restricted for:			
Streets, highways, bikeways, public transit, and other related purposes	5,335,744		5,335,744
Housing	1,473,884		1,473,884
Parks	1,182,426		1,182,426
Public safety	530,512		530,512
Unrestricted	24,364,977	3,608,480	27,973,457
<b>Total net assets</b>	<b>\$ 33,327,990</b>	<b>\$ 3,608,480</b>	<b>\$ 36,936,470</b>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government	\$ 3,761,583	\$ 242,225	\$ 255,483	\$ -
Public safety	8,689,561	204,321	608,372	400,382
Public works	1,961,296	492,742	756,996	153,283
Community development	1,428,332	120,932		274,832
Parks and recreation	614,841	29,302		216,159
Pass through payments	131,060			
Interest on long-term debt	3,306,239			
Total Governmental Activities	<u>19,892,912</u>	<u>1,089,522</u>	<u>1,620,851</u>	<u>1,044,656</u>
<b>Business-type Activities:</b>				
Correctional facility	682,853			
Public Utility Authority	13,674,452	13,801,544		
Total Business-type Activities	<u>14,357,305</u>	<u>13,801,544</u>		
Total Primary Government	<u>\$ 34,250,217</u>	<u>\$ 14,891,066</u>	<u>\$ 1,620,851</u>	<u>\$ 1,044,656</u>

**General Revenues:**

Taxes:  
Sales taxes  
Property taxes  
Franchise taxes  
Transient occupancy taxes  
Business license taxes  
Motor vehicle in lieu, unrestricted  
Earnings on investments  
Special assessment  
Miscellaneous  
Transfers

Total general revenues and transfers

Change in net assets before extraordinary item

Gain on transfer of assets and liabilities to RDA successor trust funds

Change in net assets

Net assets (deficit) - July 1, 2011

Prior period adjustment

Net assets (deficit) - July 1, 2011, restated

Net assets (deficit) - June 30, 2012

**See Notes to the Basic Financial Statements**

Net (Expenses) Revenues  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,263,875)	\$ -	\$ (3,263,875)
(7,476,486)		(7,476,486)
(558,275)		(558,275)
(1,032,568)		(1,032,568)
(369,380)		(369,380)
(131,060)		(131,060)
(3,306,239)		(3,306,239)
<u>(16,137,883)</u>		<u>(16,137,883)</u>
	(682,853)	(682,853)
	127,092	127,092
	<u>(555,761)</u>	<u>(555,761)</u>
<u>(16,137,883)</u>	<u>(555,761)</u>	<u>(16,693,644)</u>
1,113,480		1,113,480
4,048,385		4,048,385
1,144,085		1,144,085
47,271		47,271
78,030		78,030
1,952,654		1,952,654
1,279,643	1,287,495	2,567,138
1,036,312		1,036,312
886,545		886,545
1,413,174	(1,413,174)	
<u>12,999,579</u>	<u>(125,679)</u>	<u>12,873,900</u>
(3,138,304)	(681,440)	(3,819,744)
<u>53,284,202</u>		<u>53,284,202</u>
<u>50,145,898</u>	<u>(681,440)</u>	<u>49,464,458</u>
(16,529,344)	4,289,920	(12,239,424)
<u>(288,564)</u>		<u>(288,564)</u>
<u>(16,817,908)</u>	<u>4,289,920</u>	<u>(12,527,988)</u>
<u>\$ 33,327,990</u>	<u>\$ 3,608,480</u>	<u>\$ 36,936,470</u>

**CITY OF ADELANTO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	General Fund	Sanitation Special Revenue Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 7,297,536	\$ -	\$ -	\$ 14,659,933	\$ 21,957,469
Accounts receivable - net	552,938			585,926	1,138,864
Due from other funds	8,953,981	3,944,746		150,984	13,049,711
Due from private purpose trust funds	450,689				450,689
Notes/Contracts receivable	66,379				66,379
Deposits receivable	49,031				49,031
Advances to private purpose trust funds	2,524,243				2,524,243
<b>Total assets</b>	<b>\$ 19,894,797</b>	<b>\$ 3,944,746</b>	<b>\$ -</b>	<b>\$ 15,396,843</b>	<b>\$ 39,236,386</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 224,573	\$ 3,503	\$ -	\$ 58,189	\$ 286,265
Accrued expenditures	102,234			9,037	111,271
Due to other funds		3,985,118		3,063,369	7,048,487
Deposits payable	171,699	91,642		66,427	329,768
Deferred revenue				387,512	387,512
<b>Total liabilities</b>	<b>498,506</b>	<b>4,080,263</b>		<b>3,584,534</b>	<b>8,163,303</b>
<b>Fund balances</b>					
Nonspendable	2,590,622				2,590,622
Restricted for:					
Streets and roads				7,130,501	7,130,501
Public safety				502,514	502,514
Community development				2,348,341	2,348,341
Parks and recreation				1,182,426	1,182,426
Public works				3,420,109	3,420,109
Unassigned	16,805,669	(135,517)		(2,771,582)	13,898,570
<b>Total fund balances (deficit)</b>	<b>19,396,291</b>	<b>(135,517)</b>		<b>11,812,309</b>	<b>31,073,083</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,894,797</b>	<b>\$ 3,944,746</b>	<b>\$ -</b>	<b>\$ 15,396,843</b>	<b>\$ 39,236,386</b>

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, 2012**

Fund balances of governmental funds	\$	31,073,083
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>The CalPERS side fund is an asset that is not available to pay for current period expenditures and, therefore, not included as financial resources in governmental funds</p>		1,615,177
<p>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.</p>		387,512
<p>Long-term debt and compensated absences have not been included in the governmental funds:</p>		
Compensated absences		(188,229)
<p>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.</p>		
		440,447
Net assets of governmental activities	\$	33,327,990

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, 2012**

	General Fund	Sanitation Special Revenue Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes and assessments	\$ 4,501,100	\$ -	\$ 3,235,838	\$ 676,500	\$ 8,413,438
Licenses and permits	352,974			613,568	966,542
Fines, forfeitures, and penalties	211,338			908,512	1,119,850
Investment earnings	1,026,891		88,546	12,408	1,127,845
Charges for current services	843,195	80,093		166,234	1,089,522
Intergovernmental revenue	182,767			1,403,127	1,585,894
Other revenues	138,517			748,028	886,545
<b>Total revenues</b>	<b>7,256,782</b>	<b>80,093</b>	<b>3,324,384</b>	<b>4,528,377</b>	<b>15,189,636</b>
<b>EXPENDITURES</b>					
Current:					
General government	3,330,258				3,330,258
Public safety	8,558,504			79,004	8,637,508
Public works	1,943,920			17,376	1,961,296
Community development	842,278			586,054	1,428,332
Parks and recreation	329,566			285,275	614,841
Pass-through payments			131,060		131,060
Capital outlay				407,063	407,063
Debt service:					
Principal retirement			1,985,867	60,000	2,045,867
Interest and other charges			2,717,828	186,869	2,904,697
<b>Total expenditures</b>	<b>15,004,526</b>		<b>4,834,755</b>	<b>1,621,641</b>	<b>21,460,922</b>
Excess of revenues over (under) expenditures	(7,747,744)	80,093	(1,510,371)	2,906,736	(6,271,286)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from loans and capital accretions			1,044,138		1,044,138
Transfers in	2,780,174			462,035	3,242,209
Transfers out			(462,035)	(1,367,000)	(1,829,035)
<b>Total other financing sources (uses)</b>	<b>2,780,174</b>		<b>582,103</b>	<b>(904,965)</b>	<b>2,457,312</b>
Net change in fund balances before extraordinary item	(4,967,570)	80,093	(928,268)	2,001,771	(3,813,974)
<b>EXTRAORDINARY ITEM</b>					
Gain (Loss) on transfer of assets and liabilities to RDA successor trust fund			(9,075,972)	(3,549,693)	(12,625,665)
Net change in fund balances	(4,967,570)	80,093	(10,004,240)	(1,547,922)	(16,439,639)
Fund balances (deficit) - July 1, 2011	24,363,861	(215,610)	10,004,240	13,360,231	47,512,722
Fund balances (deficit) - June 30, 2012	<u>\$ 19,396,291</u>	<u>\$ (135,517)</u>	<u>\$ -</u>	<u>\$ 11,812,309</u>	<u>\$ 31,073,083</u>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2012**

Net change in fund balances - total governmental funds	\$ (16,439,639)
Amounts reported for governmental activities in the statement of activities differ because:	
Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected, it is reflected in revenue. This is the net change between notes receivable collected and issued.	(401,542)
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.	1,001,729
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.	3,766
The repayment or accumulation of the CalPERS side fund liability or asset consumes the current financial resources of the governmental funds and decreases or increases the balance of Cal PERS side fund on the government-wide statements. The increase or decrease of the side fund liability or asset due to interest does not consume current financial resources of the governmental funds but increases the or decreases balance of the CalPERS side fund on the governmental-wide statements. This is the net change in the side fund liability or asset.	151,798
Difference in the gain/loss on the dissolution of the redevelopment agency between the government activities \$53,284,202 and the fund financial statements (\$12,625,665).	65,909,867
The internal service fund is used by management to charge the costs of equipment repair and maintenance to individual funds. The net revenues (expenses) of the internal service fund is reported with governmental activities.	<u>(80,081)</u>
Change in net assets of governmental activities	<u>\$ 50,145,898</u>

**CITY OF ADELANTO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012**

	Enterprise Funds			Governmental
	Correctional Facility	Public Utility Authority	Total	Activities Internal Service Fund
<b>ASSETS</b>				
Current Assets:				
Cash and cash investments	\$ 1,877,617	\$ 6,404,853	\$ 8,282,470	\$ -
Restricted cash and investments with fiscal agents		20,736,614	20,736,614	
Accounts receivable, net		2,960,021	2,960,021	
Interest receivable		3,856	3,856	
Inventory		66,959	66,959	
Due from other funds	471,336	210,696	682,032	
Prepaid items		8,088	8,088	
Total Current Assets	<u>2,348,953</u>	<u>30,391,087</u>	<u>32,740,040</u>	
Noncurrent Assets:				
Deferred issuance costs		1,320,375	1,320,375	
Deferred loss on bond refunding		7,150,043	7,150,043	
Investment in Adelanto Public Financing Authority Bonds		13,905,492	13,905,492	
Capital assets:				
Land and water rights		4,946,743	4,946,743	
Depreciable assets, net		20,650,018	20,650,018	440,447
Construction in progress		16,877,030	16,877,030	
Total Noncurrent Assets		<u>64,849,701</u>	<u>64,849,701</u>	<u>440,447</u>
Total Assets	<u>2,348,953</u>	<u>95,240,788</u>	<u>97,589,741</u>	<u>440,447</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	1,781,350	2,159,108	3,940,458	
Accrued liabilities		67,161	67,161	
Accrued interest payable		2,412,453	2,412,453	
Deposits payable		469,405	469,405	
Due to other funds		6,683,256	6,683,256	
Current portion of long-term obligations		1,165,000	1,165,000	
Total Current Liabilities	<u>1,781,350</u>	<u>12,956,383</u>	<u>14,737,733</u>	
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations:				
Compensated absences		94,470	94,470	
Settlement payable		4,524,000	4,524,000	
Bonds payable		74,625,058	74,625,058	
Total Noncurrent Liabilities		<u>79,243,528</u>	<u>79,243,528</u>	
Total Liabilities	<u>1,781,350</u>	<u>92,199,911</u>	<u>93,981,261</u>	
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt				440,447
Unrestricted	567,603	3,040,877	3,608,480	
Total Net Assets	<u>\$ 567,603</u>	<u>\$ 3,040,877</u>	<u>\$ 3,608,480</u>	<u>\$ 440,447</u>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Enterprise Funds			Governmental
	Correctional Facility	Public Utility Authority	Total	Activities Internal Service Fund
<b>Operating Revenues:</b>				
Sales and service charges	\$ -	\$ 13,801,544	\$ 13,801,544	\$ -
Total Operating Revenues		13,801,544	13,801,544	
<b>Operating Expenses:</b>				
Salaries and benefits	335,440	1,343,971	1,679,411	
Contractual services	345,728	1,793,397	2,139,125	
Utilities	1,685	838,009	839,694	
Sewer operations		1,255,069	1,255,069	
Water operations		1,210,494	1,210,494	
Administration		550,310	550,310	
Depreciation		667,003	667,003	80,081
Total Operating Expenses	682,853	7,658,253	8,341,106	80,081
Operating Income (Loss)	(682,853)	6,143,291	5,460,438	(80,081)
<b>Nonoperating Revenues (Expenses):</b>				
Interest revenue	6,616	1,280,879	1,287,495	
Interest expense and fiscal charges		(5,693,641)	(5,693,641)	
Amortization expense		(322,558)	(322,558)	
Total Nonoperating Revenues (Expenses)	6,616	(4,735,320)	(4,728,704)	
Income (Loss) Before Transfers	(676,237)	1,407,971	731,734	(80,081)
<b>Transfers</b>				
Transfers out	(24,000)	(1,389,174)	(1,413,174)	
Changes in Net Assets	(700,237)	18,797	(681,440)	(80,081)
<b>Net Assets</b>				
Beginning of fiscal year, July 1, 2011	1,267,840	3,022,080	4,289,920	520,528
End of fiscal year, June 30, 2012	<u>\$ 567,603</u>	<u>\$ 3,040,877</u>	<u>\$ 3,608,480</u>	<u>\$ 440,447</u>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2012**

	Enterprise Funds			Governmental
	Correctional Facility	Public Utility Authority	Total	Activities Internal Service Fund
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ -	\$ 13,660,733	\$ 13,660,733	\$ -
Cash paid to suppliers for goods and services	(112,262)	(6,905,301)	(7,017,563)	
Cash paid to employees for services	(335,440)	(1,303,506)	(1,638,946)	
Net Cash Provided (Used) by Operating Activities	(447,702)	5,451,926	5,004,224	
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers from/(to) other funds	(24,000)	(1,389,174)	(1,413,174)	
Due from other funds	2,203,452		2,203,452	
Due to other funds	(884,432)	(447,780)	(1,332,212)	
Net Cash Provided (Used) by Non-Capital Financing Activities	1,295,020	(1,836,954)	(541,934)	
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchases of capital assets		(1,410,231)	(1,410,231)	
Interest paid on long term debt		(5,796,393)	(5,796,393)	
Net Cash Provided (Used) by Capital and Related Financing Activities		(7,206,624)	(7,206,624)	
<b>Cash Flows from Investing Activities:</b>				
Interest received	6,616	1,281,971	1,288,587	
Net Cash Provided (Used) by Investing Activities	6,616	1,281,971	1,288,587	
Net Increase (Decrease) in Cash and Cash Equivalents	853,934	(2,309,681)	(1,455,747)	
<b>Cash and Cash Equivalents at Beginning of Fiscal Year</b>	<u>1,023,683</u>	<u>29,451,148</u>	<u>30,474,831</u>	
<b>Cash and Cash Equivalents at End of Fiscal Year</b>	<u>\$ 1,877,617</u>	<u>\$ 27,141,467</u>	<u>\$ 29,019,084</u>	<u>\$ -</u>
<b>Reconciliation to Statement of Net Assets:</b>				
Cash and investments	\$ 1,877,617	\$ 6,404,853	\$ 8,282,470	\$ -
Restricted cash and investments with fiscal agents		20,736,614	20,736,614	
Cash and Cash Equivalents	<u>\$ 1,877,617</u>	<u>\$ 27,141,467</u>	<u>\$ 29,019,084</u>	<u>\$ -</u>

(Continued)

See Notes to the Basic Financial Statements

CITY OF ADELANTO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2012  
(Continued)

	Enterprise Funds			Governmental
	Correctional Facility	Public Utility Authority	Total	Activities Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (682,853)	\$ 6,143,291	\$ 5,460,438	\$ (80,081)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation		667,003	667,003	80,081
(Increase) decrease in accounts receivable		(151,269)	(151,269)	
Increase (decrease) in accounts payable	235,151	(1,258,022)	(1,022,871)	
Increase (decrease) in accrued liabilities		23,774	23,774	
Increase (decrease) in other payables		10,458	10,458	
Increase (decrease) in compensated absences		16,691	16,691	
Total Adjustments	235,151	(691,365)	(456,214)	80,081
Net Cash Provided (Used) by Operating Activities	<u>\$ (447,702)</u>	<u>\$ 5,451,926</u>	<u>\$ 5,004,224</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

	Private Purpose Trust Funds		Pension Trust	Agency Fund
	Luetke Foundation	Successor Agency	Inmate Welfare Benefit	Assessment District 1A
<b>ASSETS</b>				
Cash and investments	\$ 27,538	\$ 6,286,058	\$ -	\$ 1,290,151
Restricted cash and investments with fiscal agents		10,332,462		1,317,316
Accounts receivable		30,663		11,891
Notes receivable		1,015,170		
Deferred charges		1,128,868		
Deferred loss on debt refunding		792,213		
Due from bondholders				1,262,692
	<u>\$ 27,538</u>	<u>\$ 19,585,434</u>	<u>\$ -</u>	<u>\$ 3,882,050</u>
Total assets	<u>\$ 27,538</u>	<u>\$ 19,585,434</u>	<u>\$ -</u>	<u>\$ 3,882,050</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 7,754	\$ 513	\$ -
Pass-through payable		1,051,398		
Due to City of Adelanto	10,566	440,123		
Interest payable		721,240		
Long-term debt		68,510,344		3,882,050
Advances from City of Adelanto		2,524,243		
	<u>10,566</u>	<u>73,255,102</u>	<u>513</u>	<u>\$ 3,882,050</u>
Total liabilities	<u>10,566</u>	<u>73,255,102</u>	<u>513</u>	<u>\$ 3,882,050</u>
<b>NET ASSETS</b>				
Unrestricted	<u>16,972</u>	<u>(53,669,668)</u>	<u>(513)</u>	
Total net assets (deficit)	<u>\$ 16,972</u>	<u>\$ (53,669,668)</u>	<u>\$ (513)</u>	

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, 2012**

	<u>Private Purpose Trust Funds</u>		<u>Pension Trust</u>
	<u>Luetke Foundation</u>	<u>Successor Agency</u>	<u>Inmate Welfare Benefit</u>
<b>Additions</b>			
Other	\$ 15,980	\$ -	\$ -
Total additions	<u>15,980</u>	<u>-</u>	<u>-</u>
<b>Deletions</b>			
Net assets received upon dissolution of redevelopment agency Administration	6,651	53,284,202	
Interest expense		247,371	
Amortization expense		138,095	
Total deletions	<u>6,651</u>	<u>53,669,668</u>	
Change in net assets	9,329	(53,669,668)	
Net assets (deficit) - July 1, 2011	<u>7,643</u>		<u>(513)</u>
Net assets (deficit) - June 30, 2012	<u>\$ 16,972</u>	<u>\$ (53,669,668)</u>	<u>\$ (513)</u>

See Notes to the Basic Financial Statements

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## **Notes to Basic Financial Statements**

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 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 activities of the Adelanto Redevelopment Agency were transferred to the Redevelopment Agency's Successor Agency on February 1, 2012 and the Agency is no longer considered to be a component unit of the City. See Note 15 for more information.

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 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 unit, an entity for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 unit is considered to be a blended component unit because the City Council serves as the governing board for the Authority. The blended component unit, although legally separate is, in substance, part of the City's operations, therefore data from the units are reported with the interfund data of the primary government.

The Adelanto Public Utility Authority 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 funds, private-purpose trust fund, and pension trust fund 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.

Agency funds use the accrual basis of accounting but only report assets and liabilities and therefore have no measurement focus.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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. This fund has ceased operations and has become a part of the Successor Agency. See note 15 for more information.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

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

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

**d. Assets, Liabilities, Net Assets or Equity**

**Cash and Cash Equivalents**

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 (loss) reported for that fiscal year. Investment income (loss) includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of an investment.

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

Authorized investments include:

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 nonspendable fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

**Property Taxes**

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

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

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

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 as inventory at the lower of acquisition cost or net realizable value. The fund balance is considered nonspendable in an amount equal to the carrying value of land held for resale or exchange because such assets are not available to finance the City's current operations.

**Restricted Assets**

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

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

**Capital Assets**

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012.

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

<u>Assets</u>	<u>Years</u>
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 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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 an other financing source. Premiums received are reported as an other financing source, while discounts are reported as an other financing use. 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. Net assets invested in capital assets, net of related debt groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category. 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.

**Fund Balance**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (the City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

**Fund Balance (Continued)**

- Assigned fund balance – amounts that are constrained by the City’s intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- Unassigned fund balance – the residual classification for the City’s funds that include amounts not contained in the other classifications.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the City’s policy is to apply restricted resources first.

**CalPERS side fund**

During the 2005-2006 fiscal year, the City was required to participate in the California Public Employees Retirement System (CalPERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and funded status of the City’s plan, in addition to the existing unfunded liability. The superfunded miscellaneous plan had an asset of \$1,728,611 and the public safety plan had an outstanding liability of (\$113,434) at June 30, 2012.

**e. Estimates**

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

**f. New Accounting Pronouncements**

The City has implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 64 during the fiscal year ended June 30, 2012.

**Governmental Accounting Standards Board Statement No. 64**

For the fiscal year ended June 30, 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions.” This statement is effective for periods beginning after June 15, 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the City’s financial statements for the fiscal year ended June 30, 2012.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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:**

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.

The CalPERS side fund with a balance of \$1,728,611 for the miscanellenous plan (superfunded) and (\$113,434) for safety plan (underfunded) totaling \$ 1,615,177 is an asset that is not available to pay for current-period expenditures and therefore, are not reported as governmental fund assets.

Compensated absences, are not due and payable in the current period and therefore, are not reported in the funds. The compensated absences balance as of June 30, 2012 was \$188,229.

**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 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 principal repayment:	
Tax allocation bonds	\$       630,000
Revenue bonds	1,415,867
	<u>\$   2,045,867</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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.

**Fund Deficits**

The following funds contained a deficit fund balance as of June 30, 2012:

<u>Major Fund</u>	
Sanitation	\$ (135,517)
<u>Nonmajor Funds</u>	
Special Revenue Funds:	
Community Development Block Grant	(14,677)
Maverick Stadium	(2,755,794)
Transit	(1,111)

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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 2**    **Stewardship, Compliance, and Accountability (Continued)**

Deficit Net Assets

The Successor Agency has a deficit in net assets of \$53,284,202 at June 30, 2012. The City projects that future tax appropriations will be sufficient to cover all future long term debt service payments, which makes up the majority of the Successor Agency's liabilities.

**Excess of Expenditures over Appropriations**

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

Fund	Final Appropriation	Expenditure	Excess
<u>Major Fund</u>			
General Fund			
Community Development	\$ 479,987	\$ 842,278	\$ 362,291
Parks and Recreation	280,136	329,566	49,430
<u>Nonmajor Governmental Funds:</u>			
Maverick Stadium Special Revenue Fund	244,738	271,653	26,915
RDA Project Area 3 Capital Projects Fund	5,000	221,155	216,155

**Note 3**    **Cash and Investments**

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 30,239,939
Restricted cash and investments with fiscal agents	20,736,614
Investment in Adelanto Public Financing Authority Bonds	13,905,492
Fiduciary funds:	
Cash and investments	7,603,747
Restricted cash and investments with fiscal agents	11,649,778
Total cash and investments	<u>\$ 84,135,570</u>

Cash and investments as of June 30, 2012 consist of the following:

Petty cash	\$ 4,436
Deposits with financial institutions	21,718,873
Investments	62,412,261
Total cash and investments	<u>\$ 84,135,570</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$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.

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**C. Disclosures Relating to Interest Rate Risk**

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

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

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool	\$ 4,341,038	\$ 4,341,038	\$ -	\$ -	\$ -
Held by Bond Trustees:					
Money Market Funds	39,885,637	39,885,637			
Investment Agreements	4,280,094				4,280,094
Bonds *	13,905,492	322,183	320,432	895,765	12,367,112
	<u>\$ 62,412,261</u>	<u>\$ 44,548,858</u>	<u>\$ 320,432</u>	<u>\$ 895,765</u>	<u>\$ 16,647,206</u>

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

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

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

**E. Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 4,341,038	N/A	\$ -	\$ -	\$ -	\$ -	\$ 4,341,038
Held by bond trustee:							
Money Market Funds	39,885,637	N/A		39,885,637			
Investment Agreements	4,280,094	N/A					4,280,094
Bonds	13,905,492	N/A					13,905,492
Total	<u>\$ 62,412,261</u>		<u>\$ -</u>	<u>\$ 39,885,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,526,624</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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	Type	Amount
IXIS Investment Agreements	Investment Agreements	\$     4,280,094
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.

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, 2012, all of the City's deposits with financial institutions were either under federal depository insurance limits or are held in collateralized accounts. City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Money market funds	\$   11,649,778
Investment Agreements	4,280,094

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 4**      **Notes Receivable**

Notes receivable aggregating \$ 18,263,044 from the sale of the Water and Wastewater System at fair value are discussed as follows:

- The \$11,831,875 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. 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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 5**      **Accounts Receivable**

The following is a list of accounts receivable, net of allowances at June 30, 2012:

	Receivable
Governmental Activities - Accounts	\$    1,138,864
Business-type Activities - Accounts	2,960,021
Totals	\$    4,098,885

**Note 6**      **Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2012.

**a.    Transfers**

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General	\$    2,780,174	\$            -
Redevelopment Agency Debt Service		462,035
Nonmajor Governmental Funds:		
Gas Tax		726,000
CDBG		120,000
Community Facilities District		11,000
Traffic Offender		30,000
TDA Article 8		225,000
LLMD Annexation		80,000
Public Safety		75,000
COPS Grant		100,000
Redevelopment Agency Capital Projects	462,035	
Major Enterprise Funds:		
Correctional Facility		24,000
Public Utility Authority		1,389,174
Totals	\$    3,242,209	\$    3,242,209

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 \$1,264,174 made during the fiscal year ended June 30, 2012 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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 6**    **Interfund Activity (Continued)**

**b.    Due To/ From Other Funds**

Fund	Receivable	Payable
Major Governmental Funds:		
General	\$ 9,404,670	\$ -
Sanitation	3,944,746	3,985,118
Nonmajor Governmental Funds:		
Gas Tax		115,054
Community Development Block Grant		46,992
VVEDA Low/Mod Income Housing	99,018	90,639
Maverick Stadium	44,565	2,781,490
VVEDA Redevelopment Agency Special Revenue	406	21,088
Transit	6,995	8,106
Major Enterprise Funds:		
Public Utility Authority	210,696	6,683,256
Correctional Facility	471,336	
Fiduciary Funds		
RDA Successor Agency		440,123
Luetke Foundation		10,566
	<u>\$ 14,182,432</u>	<u>\$ 14,182,432</u>

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, 2012, 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	\$ -
Fiduciary Fund:		
RDA Successor Agency		2,524,243
	<u>\$ 2,524,243</u>	<u>\$ 2,524,243</u>

The advances between the City of Adelanto and the RDA Successor Agency were to provide the Successor Agency with funding for projects and have no stated interest rate. There is no future minimum debt service requirement as repayment will be made when funds are available.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 7 Capital Assets**

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

Capital assets of governmental activities for the fiscal year ended June 30, 2012 was as follows:

<b>Transit Fund</b>	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital Assets, being depreciated:				
Machinery and equipment	\$ 270,941	\$ -	\$ -	\$ 270,941
Less-Accumulated depreciation	(270,941)			(270,941)
<b>Total Transit Capital Assets, net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Internal Service Fund</b>				
Capital Assets, being depreciated:				
Machinery and equipment	\$ 800,812	\$ -	\$ -	\$ 800,812
Less - Accumulated Depreciation	(280,284)	(80,081)		(360,365)
Total Capital Assets, being depreciated	520,528	(80,081)		440,447
<b>Total ISF Capital Assets, net</b>	<b>\$ 520,528</b>	<b>\$ (80,081)</b>	<b>\$ -</b>	<b>\$ 440,447</b>

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.

**a. Business-type activities**

Capital assets of business-type activities for the fiscal year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 1,815,381	\$ 6,563	\$ -	\$ 1,821,944
Water rights	3,124,799			3,124,799
Construction in progress	15,473,362	1,403,668		16,877,030
Total Capital Assets, not being depreciated	20,413,542	1,410,231		21,823,773
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	(8,591,022)	(667,003)		(9,258,025)
Total Capital Assets, being depreciated, net	21,317,021	(667,003)		20,650,018
<b>Total Authority Capital Assets, net</b>	<b>\$ 41,730,563</b>	<b>\$ 743,228</b>	<b>\$ -</b>	<b>\$ 42,473,791</b>

Depreciation for the public utility authority is charged to public utility authority expense in the Statement of Activities.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012:

	Balance July 1, 2011	Additions/ Accretions	Repayments	Transfer to Successor Agency	Balance June 30, 2012	Due within one year
Adelanto Improvement Project, Tax Allocation Bonds, Issue 1993B	\$ 10,775,000	\$ -	\$ 570,000	\$ 10,205,000	\$ -	\$ -
Adelanto Public Financing Authority, Local Agency Taxable Subordinated Revenue Bonds 1995 Series A	2,605,000		15,000	2,590,000		
Adelanto Public Financing Authority, Local Agency Second Subordinated Revenue Bonds 1995 Series B	14,605,000		330,000	14,275,000		
Adelanto Public Financing Authority, Local Agency Third Subordinated Revenue Bonds 1995 Series C	13,921,840	1,044,138	1,070,867	13,895,111		
Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds	3,340,000		60,000	3,280,000		
Total bonded indebtedness	45,246,840	1,044,138	2,045,867	44,245,111		
Compensated Absences	191,995	147,382	151,148		188,229	
Intermountain Power Agency Settlement Agreement	1,989,390			1,989,390		
San Bernardino County Tax Increment Loans	22,275,843			22,275,843		
Total other long-term liabilities	24,457,228	147,382	151,148	24,265,233	188,229	
Total long-term liabilities	\$ 69,704,068	\$ 1,191,520	\$ 2,197,015	\$ 68,510,344	\$ 188,229	\$ -

**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, 2012:

	Balance July 1, 2011	Additions	Principal payments	Balance June 30, 2012	Due within one year
Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A	\$ 76,825,000	\$ -	\$ -	\$ 76,825,000	\$ 1,165,000
Unamortized discount	(1,091,603)		(56,661)	(1,034,942)	
Compensated Absences	77,779	41,183	24,492	94,470	
Settlement Payable	4,524,000			4,524,000	
Total long-term debt	\$ 80,335,176	\$ 41,183	\$ (32,169)	\$ 80,408,528	\$ 1,165,000

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

and continues for the remaining life of the 2005 Series B Bonds. The Authority will pay a fixed rate of 3.447% and receive amounts based upon a variable rate (based on 63% of LIBOR plus 30 basis points). The payment obligations of the Authority under the 2005 SWAP (excluding Termination Payments thereunder) will constitute Parity Obligations and the payments received by the Authority under the 2005 Swap will be pledged to the payment of the 2005 Series A Bonds and the 2005 Series B Bonds. The payment obligations of the Authority under the 2005 Swap that constitute Termination Payments constitute Subordinate Obligations under the Indenture.

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

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

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

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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**A. Adelanto Public Utility Authority Refunding Revenue Bonds, 2005 Series A  
(Continued)**

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, 2012, the total balance in the Rate Stabilization Fund was \$2,100,000 and is included in restricted cash and investments.

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

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

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

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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

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

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

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

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

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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**B. 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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 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, 2012.

As of June 30, 2012, 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)

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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.

**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
2013	\$ 5,966,606
2014	5,964,106
2015	5,964,706
2016	5,966,562
2017	5,964,243
2018-2022	29,833,554
2023-2027	29,827,681
2028-2032	29,829,786
2033-2037	29,827,602
2038-2040	17,895,033
	167,039,879
Less amount representing interest	90,214,879
Balance outstanding	\$ 76,825,000

**F. Defeasance of Debt**

At June 30, 2012, 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, 2012, the total accrued employee leave benefits were \$188,229 for governmental activities and \$94,470 for business-type activities.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 former Redevelopment Agency issued approximately \$40 million in refunding bonds. The proceeds were used to refund the former Redevelopment Agency's 1993 Series C Bonds, the capital appreciation bonds of the former 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 former 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 former 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 former Redevelopment Agency's long-term liquidity concerns. Management's projections, based in part on current year's operating results, indicate that estimated future Successor Agency resources will be sufficient to pay maturing long-term obligations as they become due. See Note 15 for more information regarding the Redevelopment Agency and Successor 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 Successor Agency, as

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 Successor Agency is also a plaintiff in certain matters involving property in dispute. The City's management does not believe that the costs of such litigation will have 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 former 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 former 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 former 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 former 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 former 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 Successor Agency, whenever incurred. Based on the assessment appeal granted to the IPA for 1993, the liability that the former Redevelopment Agency has incurred under this agreement is \$1,989,390. Since the former Redevelopment Agency was a principal beneficiary of such property taxes, the full amount of such payments has been established as a long-term liability of the Successor Agency in the accompanying financial statements as of June 30, 2012.

At June 30, 2012, no amounts have been paid by the Successor 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 Successor Agency's management is cooperating with the San Bernardino County Tax Assessor on this matter. The Successor 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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**c. Intermountain Power Agency Settlement Agreement (Continued)**

The assessed value of the IPA parcels represents a significant portion of the total assessed value of property in the former Redevelopment Agency's project area. The resulting decrease in incremental property tax revenues from these parcel reassessments could adversely impact the Successor 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. See Note 15 for additional details.

**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 CDCR 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 CDCR 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 CDCR 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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 former 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 former 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 former 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 former Redevelopment Agency and San Bernardino County amended the pass-through agreement for incremental property taxes in the Project Area. Under the revised agreement, the former 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 former Redevelopment Agency's existing long-term debt. The County will loan to the former 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 former 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, 2012 the balance outstanding was \$22,275,843.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 was 6.89%. 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, 2012, 2011, 2010 were \$528,728, \$408,349, and \$397,499, respectively, and equal 100% of the required contributions for each fiscal year.

**Note 15**    **Successor Agency**

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the "successor agency" to hold the assets units they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 12-001.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 15**    **Successor Agency (Continued)**

Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss(gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary (gain)/loss reported in governmental fund – (decrease)/increase to net assets of the Successor Agency Trust Funds	\$12,625,665
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Funds	(473,869)
Deferred charges reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	1,206,783
Deferred loss on refunding reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	852,393
Loans receivable reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	1,015,170
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Funds	<u>(68,510,344)</u>
Net decrease to net assets of the Successor Agency Trust Funds as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$(53,284,202)</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 15**    **Successor Agency (Continued)**

A. Long-term debt of the Successor Agency as of June 30, 2012, consisted of the following:

	Balance July 1, 2011	Transfer from RDA	Additions	Repayments	Balance June 30, 2012	Due within one year
Adelanto Improvement Project, Tax Allocation Bonds, Issue 1993B	\$ -	\$ 10,205,000	\$ -	\$ -	\$ 10,205,000	\$ 600,000
Adelanto Public Financing Authority, Local Agency Taxable Subordinated Revenue Bonds 1995 Series A		2,590,000			2,590,000	15,000
Adelanto Public Financing Authority, Local Agency Second Subordinated Revenue Bonds 1995 Series B		14,275,000			14,275,000	345,000
Adelanto Public Financing Authority, Local Agency Third Subordinated Revenue Bonds 1995 Series C		13,895,111			13,895,111	320,433
Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds		3,280,000			3,280,000	60,000
Total bonded indebtedness		44,245,111			44,245,111	1,340,433
Intermountain Power Agency Settlement Agreement		1,989,390			1,989,390	
San Bernardino County Tax Increment Loans		22,275,843			22,275,843	
Total other long-term liabilities		24,265,233			24,265,233	
Total long-term liabilities	\$ -	\$ 68,510,344	\$ -	\$ -	\$ 68,510,344	\$ 1,340,433

A description of individual long-term obligations outstanding at June 30, 2012 is as follows:

**A. 1995 Bonds**

In January, 1996, the former 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 former Redevelopment Plan of \$41,165.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 15**    **Successor Agency (Continued)**

**A.**    **1995 Bonds (Continued)**

The 1995 Series A, B, and C bonds are collateralized by loans between the former 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 former 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 former Redevelopment Agency Loan No. 1, which, in turn, is payable solely from tax increment revenues from the former 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, 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, 2012. 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, 2012 was \$2,590,000.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 15**    **Successor Agency (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 former Redevelopment Agency Loan No. 2, which is payable solely from tax increment revenues from the former Redevelopment Agency's 95-1 Merged Redevelopment Project Area. The serial bonds bear interest at rates from 5.05% to 6.30% which is payable beginning September 1, 1996, and semiannually thereafter on March 1 and September 1, and mature in installments of \$160,000 to \$310,000 between 1998 and 2010. The term bonds bear interest at 6.30% which is payable beginning September 1, 1996, and semiannually thereafter on March 1 and September 1, and mature September 1, 2028. The term bonds are subject to mandatory redemption beginning in 2011. The bonds maturing on or after September 1, 2006 are subject to optional redemption on any interest payment date on or after September 1, 2005, as a whole or in part by lot, at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon, plus a premium (expressed as a percentage of the principal amount of the bonds to be redeemed), as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 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, 2012, was \$14,275,000.

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 former Redevelopment Agency Loan No. 3, which, in turn, are payable solely from tax increment revenues from the former 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 former Redevelopment Agency Loan No. 3. These scheduled payments are in varying amounts beginning September 1, 1996 and on each interest payment date thereafter.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 15**    **Successor Agency (Continued)**

**A.**    **1995 Bonds (Continued)**

1995 Series C Bonds (Continued)

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 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, 2012, the Agency recognized accretion of \$1,044,138 and made payments to the Water Authority of \$1,070,867. The balance outstanding on the 1995 Series C Bonds, at June 30, 2012, was \$13,895,111.

**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 former 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:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2005 and thereafter	100%

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 15**    **Successor Agency (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, 2012 was \$10,205,000.

**C. 2007 Tax Allocation Bonds**

On December 4, 2007, the former 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, 2012, was \$3,280,000.

**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, 2012:

Fiscal Year Ended June 30,	1993 Series B Tax Allocation Bonds		
	Principal	Interest	Total
2013	\$ 600,000	\$ 544,776	\$ 1,144,776
2014	635,000	510,813	1,145,813
2015	670,000	474,925	1,144,925
2016	705,000	437,113	1,142,113
2017	745,000	397,238	1,142,238
2018-2022	4,590,000	1,290,029	5,880,029
2023-2024	2,260,000	125,950	2,385,950
	<u>\$ 10,205,000</u>	<u>\$ 3,780,844</u>	<u>\$ 13,985,844</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 15**    **Successor Agency (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, 2012 (Continued):

Fiscal Year Ended June 30,	1995 Series A Revenue Bonds		
	Principal	Interest	Total
2013	\$ 15,000	\$ 185,940	\$ 200,940
2014	15,000	184,860	199,860
2015	15,000	183,780	198,780
2016	20,000	182,520	202,520
2017	20,000	181,080	201,080
2018-2022	45,000	888,660	933,660
2023-2026	2,460,000	534,600	2,994,600
	<u>\$ 2,590,000</u>	<u>\$ 2,341,440</u>	<u>\$ 4,931,440</u>

Fiscal Year Ended June 30,	1995 Series B Revenue Bonds		
	Principal	Interest	Total
2013	\$ 345,000	\$ 888,458	\$ 1,233,458
2014	375,000	865,778	1,240,778
2015	400,000	841,366	1,241,366
2016	425,000	815,378	1,240,378
2017	450,000	787,815	1,237,815
2018-2022	2,585,000	3,473,981	6,058,981
2023-2027	4,920,000	2,485,038	7,405,038
2028-2029	4,775,000	305,393	5,080,393
	<u>\$ 14,275,000</u>	<u>\$ 10,463,207</u>	<u>\$ 24,738,207</u>

Fiscal Year Ended June 30,	1995 Series C Revenue Bonds		
	Principal	Interest	Total
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	287,892	958,036	1,245,928
2017	278,401	1,018,464	1,296,865
2018-2022	1,331,897	6,433,197	7,765,094
2023-2027	1,116,316	8,246,956	9,363,272
2028-2029	9,952,299	2,799,234	12,751,533
	<u>\$ 13,895,111</u>	<u>\$ 21,995,097</u>	<u>\$ 35,890,208</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 15**    **Successor Agency (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, 2012 (Continued):

Fiscal Year Ended June 30,	2007 Tax Allocation Bonds		
	Principal	Interest	Total
2013	\$ 60,000	\$ 186,801	\$ 246,801
2014	65,000	184,096	249,096
2015	65,000	181,203	246,203
2016	70,000	178,095	248,095
2017	75,000	174,650	249,650
2018-2022	425,000	812,325	1,237,325
2023-2027	555,000	676,100	1,231,100
2028-2032	740,000	483,600	1,223,600
2033-2037	990,000	225,900	1,215,900
2038	235,000	7,050	242,050
	<u>\$ 3,280,000</u>	<u>\$ 3,109,820</u>	<u>\$ 6,389,820</u>

Fiscal Year Ended June 30,	Total		
	Principal	Interest	Total
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	1,507,892	2,571,142	4,079,034
2017	1,568,401	2,559,247	4,127,648
2018-2022	8,976,897	12,898,192	21,875,089
2023-2027	11,311,316	12,068,644	23,379,960
2028-2032	15,467,299	3,588,227	19,055,526
2033-2037	990,000	225,900	1,215,900
2038	235,000	7,050	242,050
	<u>\$ 44,245,111</u>	<u>\$ 41,690,408</u>	<u>\$ 85,935,519</u>

**E. Intermountain Power Agency Settlement Agreement**

The former 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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 15**    **Successor Agency (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, 2012.

**F. San Bernardino County Tax Increment Loans**

During fiscal year 1996, the former Redevelopment Agency and San Bernardino County amended the pass-through agreement for incremental property taxes in the Project Area. Under the revised agreement, the Agency is required to relinquish approximately 33% of incremental property taxes to the County, of which approximately one-half (16.26%) would be subordinate to the Agency's existing long-term debt. The County will loan to the Agency, at the rate of 7% per annum, the amount of the deferred incremental property taxes needed to meet debt service requirements on the refunding bonds plus amounts needed, up to \$100,000 annually, to administer the Agency's long-term debt. Any such loans are subordinate to 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, 2012 was \$22,275,843.

**G. Defeasance of Debt**

In prior years, the former 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, 2012, the following bond issue outstanding is considered defeased:

1986 Tax Allocation Bonds	\$ 1,550,000
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**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 16**      **Settlement Payable**

**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 June 27, 2014, 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 Adjustment**

Prior period adjustment of (\$288,564) was made to governmental activities on the governmental-wide statements due to an overstatement of capital assets for the former Redevelopment Agency 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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 4,510,942	\$ 4,510,942	\$ 4,501,100	\$ (9,842)
Licenses and permits	335,700	335,700	352,974	17,274
Fines, forfeitures, and penalties	244,500	244,500	211,338	(33,162)
Investment earnings	965,826	965,826	1,026,891	61,065
Intergovernmental revenue	406,600	406,600	182,767	(223,833)
Charges for current services	210,900	210,900	843,195	632,295
Other revenues	156,000	156,000	138,517	(17,483)
Total revenues	6,830,468	6,830,468	7,256,782	426,314
<b>EXPENDITURES</b>				
Current:				
General government:				
City council	98,938	98,938	103,790	(4,852)
City manager	375,875	375,875	408,622	(32,747)
City clerk	241,782	241,782	233,950	7,832
Finance	535,722	535,722	543,032	(7,310)
City attorney	400,000	400,000	327,371	72,629
Human resource/IT	686,746	686,746	674,249	12,497
Non-departmental	1,051,456	1,051,456	1,039,244	12,212
Total general government	3,390,519	3,390,519	3,330,258	60,261
Public safety:				
Police	4,673,162	4,673,162	4,634,269	38,893
Fire	3,083,403	3,183,403	3,175,498	7,905
Code enforcement	427,559	477,559	495,305	(17,746)
Animal control	225,096	245,096	253,432	(8,336)
Total public safety	8,409,220	8,579,220	8,558,504	20,716
Public works:				
Street maintenance	949,237	964,237	958,116	6,121
Facilities	229,808	269,808	261,345	8,463
Engineering and other	268,418	308,418	288,263	20,155
Building and safety	194,100	244,100	259,861	(15,761)
Vehicle maintenance	170,442	170,442	176,335	(5,893)
Total public works	1,812,005	1,957,005	1,943,920	13,085
Community development	479,987	479,987	842,278	(362,291)
Total community development	479,987	479,987	842,278	(362,291)

(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, 2012**  
**(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Parks and recreation:				
Senior Center	\$ 20,500	\$ 20,500	\$ 15,883	\$ 4,617
Community Center	29,000	29,000	22,046	6,954
Parks and grounds	230,636	230,636	291,637	(61,001)
Total parks and recreation	280,136	280,136	329,566	(49,430)
Total expenditures	14,371,867	14,686,867	15,004,526	(317,659)
Excess of revenues over (under) expenditures	(7,541,399)	(7,856,399)	(7,747,744)	108,655
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,522,174	2,522,174	2,780,174	258,000
Total other financing sources (uses)	2,522,174	2,522,174	2,780,174	258,000
Net Change in Fund Balance	(5,019,225)	(5,334,225)	(4,967,570)	366,655
Fund balance - July 1, 2011	24,363,861	24,363,861	24,363,861	
Fund balance - June 30, 2012	<u>\$ 19,344,636</u>	<u>\$ 19,029,636</u>	<u>\$ 19,396,291</u>	<u>\$ 366,655</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**SANITATION SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for current services	\$ 50,000	\$ 50,000	\$ 80,093	\$ 30,093
Total revenues	50,000	50,000	80,093	30,093
Net Change in Fund Balance	50,000	50,000	80,093	30,093
Fund balance (deficit) - July 1, 2011	(215,610)	(215,610)	(215,610)	
Fund balance (deficit) - June 30, 2012	<u>\$ (165,610)</u>	<u>\$ (165,610)</u>	<u>\$ (135,517)</u>	<u>\$ 30,093</u>

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**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,500,000	\$ 6,500,000	\$ 3,235,838	\$ (3,264,162)
Investment earnings	100,000	100,000	88,546	(11,454)
Total revenues	<u>6,600,000</u>	<u>6,600,000</u>	<u>3,324,384</u>	<u>(3,275,616)</u>
<b>EXPENDITURES</b>				
Pass-through payments	1,500,000	1,500,000	131,060	1,368,940
Debt service:				
Principal retirement	3,600,000	3,600,000	1,985,867	1,614,133
Interest and other charges			2,717,828	(2,717,828)
Total expenditures	<u>5,100,000</u>	<u>5,100,000</u>	<u>4,834,755</u>	<u>265,245</u>
Excess of revenues over (under) expenditures	<u>1,500,000</u>	<u>1,500,000</u>	<u>(1,510,371)</u>	<u>(3,010,371)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from loans and capital accretions			1,044,138	1,044,138
Transfer out	(100,000)	(100,000)	(462,035)	(362,035)
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>582,103</u>	<u>682,103</u>
Net Change in Fund Balance Prior to Extraordinary Item	1,400,000	1,400,000	(928,268)	(2,328,268)
<b>EXTRAORDINARY ITEM</b>				
Gain (Loss) on transfer of assets and liabilities to RDA successor trust fund			(9,075,972)	(9,075,972)
Net Change in Fund Balance	1,400,000	1,400,000	(10,004,240)	(11,404,240)
Fund balance - July 1, 2011	<u>10,004,240</u>	<u>10,004,240</u>	<u>10,004,240</u>	
Fund balance - June 30, 2012	<u>\$ 11,404,240</u>	<u>\$ 11,404,240</u>	<u>\$ -</u>	<u>\$ (11,404,240)</u>

**CITY OF ADELANTO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012**

	Special Revenue Funds					Adelanto Portion of VVEDA Low/Moderate Income Housing Special Revenue Fund
	Gas Tax Street	Measure "I"	Community Development Block Grant	Special Park	Community Facilities District	
<b>ASSETS</b>						
Cash and investments	\$ 1,398,088	\$ 3,851,662	\$ -	\$ 1,182,426	\$ 290,123	\$ 931,855
Accounts receivable - net	165,869		32,315			
Due from other funds						99,018
<b>Total assets</b>	<b>\$ 1,563,957</b>	<b>\$ 3,851,662</b>	<b>\$ 32,315</b>	<b>\$ 1,182,426</b>	<b>\$ 290,123</b>	<b>\$ 1,030,873</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 77	\$ 6,748
Accrued expenditures						
Deposits payable					64,332	
Due to other funds	115,054		46,992			90,639
Deferred revenue		250,000				
<b>Total Liabilities</b>	<b>115,054</b>	<b>250,000</b>	<b>46,992</b>		<b>64,409</b>	<b>97,387</b>
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
Streets and roads	1,448,903	3,601,662				
Public safety						
Community development					225,714	933,486
Parks and recreation				1,182,426		
Public works						
Unassigned			(14,677)			
<b>Total fund balances &lt;deficits&gt;</b>	<b>1,448,903</b>	<b>3,601,662</b>	<b>(14,677)</b>	<b>1,182,426</b>	<b>225,714</b>	<b>933,486</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,563,957</b>	<b>\$ 3,851,662</b>	<b>\$ 32,315</b>	<b>\$ 1,182,426</b>	<b>\$ 290,123</b>	<b>\$ 1,030,873</b>

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
\$ 1,928,478	\$ 113,339	\$ - 1,190 44,565	\$ 64,926	\$ 66,356 137,512	\$ 26,593 689	\$ 536,000 4,398	\$ 3,172,333
<u>\$ 1,928,478</u>	<u>\$ 113,339</u>	<u>\$ 45,755</u>	<u>\$ 64,926</u>	<u>\$ 203,868</u>	<u>\$ 27,282</u>	<u>\$ 540,398</u>	<u>\$ 3,172,333</u>
\$ -	\$ -	\$ 8,927 9,037 2,095 2,781,490	\$ -	\$ -	\$ -	\$ -	\$ -
				137,512			
		2,801,549		137,512			
1,928,478	113,339		64,926	66,356	27,282	540,398	3,172,333
		(2,755,794)					
<u>1,928,478</u>	<u>113,339</u>	<u>(2,755,794)</u>	<u>64,926</u>	<u>66,356</u>	<u>27,282</u>	<u>540,398</u>	<u>3,172,333</u>
<u>\$ 1,928,478</u>	<u>\$ 113,339</u>	<u>\$ 45,755</u>	<u>\$ 64,926</u>	<u>\$ 203,868</u>	<u>\$ 27,282</u>	<u>\$ 540,398</u>	<u>\$ 3,172,333</u>

(Continued)

CITY OF ADELANTO  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2012  
 (Continued)

	Special Revenue Funds					Adelanto Portion of VVEDA Redevelopment Agency Special Revenue Fund
	Asset Forfeiture Education	Public Safety	FEMA/ OES	California AB Distributions	LLMD Annexation	
<b>ASSETS</b>						
Cash and investments	\$ 32,353	\$ 25,997	\$ 129,310	\$ 134,872	\$ 141,460	\$ 435,606
Accounts receivable - net			143,447		2,141	98,365
Due from other funds						406
<b>Total assets</b>	<b>\$ 32,353</b>	<b>\$ 25,997</b>	<b>\$ 272,757</b>	<b>\$ 134,872</b>	<b>\$ 143,601</b>	<b>\$ 534,377</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ 6,858	\$ -	\$ -	\$ 35,429
Accrued expenditures						
Deposits payable						
Due to other funds						21,088
Deferred revenue						
<b>Total Liabilities</b>			<b>6,858</b>			<b>56,517</b>
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
Streets and roads						
Public safety	32,353	25,997	265,899			
Community development					143,601	477,860
Parks and recreation						
Public works				134,872		
Unassigned						
<b>Total fund balances &lt;deficits&gt;</b>	<b>32,353</b>	<b>25,997</b>	<b>265,899</b>	<b>134,872</b>	<b>143,601</b>	<b>477,860</b>
<b>Total liabilities and fund balances</b>	<b>\$ 32,353</b>	<b>\$ 25,997</b>	<b>\$ 272,757</b>	<b>\$ 134,872</b>	<b>\$ 143,601</b>	<b>\$ 534,377</b>

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	\$ -	\$ 112,904	\$ 1,301	\$ -	\$ -	\$ -	\$ 14,659,933
	6,995						585,926
							150,984
<u>\$ 83,951</u>	<u>\$ 6,995</u>	<u>\$ 112,904</u>	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,396,843</u>
\$ -	\$ -	\$ -	\$ 150	\$ -	\$ -	\$ -	\$ 58,189
	8,106						9,037
							66,427
							3,063,369
							387,512
	<u>8,106</u>		<u>150</u>				<u>3,584,534</u>
83,951			1,151				7,130,501
							502,514
							2,348,341
		112,904					1,182,426
	(1,111)						3,420,109
							(2,771,582)
<u>83,951</u>	<u>(1,111)</u>	<u>112,904</u>	<u>1,151</u>				<u>11,812,309</u>
<u>\$ 83,951</u>	<u>\$ 6,995</u>	<u>\$ 112,904</u>	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,396,843</u>

**CITY OF ADELANTO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Special Revenue Funds					Adelanto Portion of VVEDA Low/Moderate Income Housing Special Revenue Fund
	Gas Tax Street	Measure "I"	Community Development Block Grant	Special Park	Community Facilities District	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 110,521	\$ 37,973
Licenses and permits						
Fines, forfeitures, and penalties						
Investment earnings		1,533				1,714
Charges for current services						
Intergovernmental revenue	887,542		178,561			
Other revenues						
<b>Total revenues</b>	<u>887,542</u>	<u>1,533</u>	<u>178,561</u>		<u>110,521</u>	<u>39,687</u>
<b>EXPENDITURES</b>						
Current:						
Public safety						
Public works		3,605				
Community development			19,998		6,994	3,610
Parks and grounds				13,622		
Capital outlay		227,063		180,000		
Debt service:						
Principal retirement						
Interest and other charges						
<b>Total expenditures</b>		<u>230,668</u>	<u>19,998</u>	<u>193,622</u>	<u>6,994</u>	<u>3,610</u>
Excess of revenues over (under) expenditures	<u>887,542</u>	<u>(229,135)</u>	<u>158,563</u>	<u>(193,622)</u>	<u>103,527</u>	<u>36,077</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers out	(726,000)		(120,000)		(11,000)	
<b>Total other financing sources (uses)</b>	<u>(726,000)</u>		<u>(120,000)</u>		<u>(11,000)</u>	
Net Change in Fund Balances Before Extraordinary Item	161,542	(229,135)	38,563	(193,622)	92,527	36,077
<b>EXTRAORDINARY ITEM</b>						
Gain (Loss) on transfer of assets and liabilities to RDA Successor trust fund						
<b>Net Change in Fund Balances</b>	161,542	(229,135)	38,563	(193,622)	92,527	36,077
Fund balances (deficits) - July 1, 2011	1,287,361	3,830,797	(53,240)	1,376,048	133,187	897,409
<b>Fund balances (deficits) - June 30, 2012</b>	<u>\$ 1,448,903</u>	<u>\$ 3,601,662</u>	<u>\$ (14,677)</u>	<u>\$ 1,182,426</u>	<u>\$ 225,714</u>	<u>\$ 933,486</u>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,318	\$ -
872,967			35,545		94	1,048	613,568
	47,122	109,050	662		10,062		47
					24,655		
872,967	47,122	109,050	36,207		34,811	45,366	613,615
8,971							
		271,653			30,926		
8,971		271,653			30,926		
863,996	47,122	(162,603)	36,207		3,885	45,366	613,615
			(30,000)	(225,000)			
			(30,000)	(225,000)			
863,996	47,122	(162,603)	6,207	(225,000)	3,885	45,366	613,615
863,996	47,122	(162,603)	6,207	(225,000)	3,885	45,366	613,615
1,064,482	66,217	(2,593,191)	58,719	291,356	23,397	495,032	2,558,718
\$ 1,928,478	\$ 113,339	\$ (2,755,794)	\$ 64,926	\$ 66,356	\$ 27,282	\$ 540,398	\$ 3,172,333

(Continued)

**CITY OF ADELANTO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

	Special Revenue Funds					Adelanto Portion of VVEDA Redevelopment Agency Special Revenue Fund
	Asset Forfeiture Education	Public Safety	FEMA/ OES	California AB Distributions	LLMD Annexation	
<b>REVENUES</b>						
Taxes	\$ -	\$ 107,563	\$ -	\$ -	\$ 142,069	\$ 56,782
Licenses and permits						
Fines, forfeitures, and penalties						857
Investment earnings						
Charges for current services						
Intergovernmental revenue			226,114	10,843		
Other revenues					235,887	
<b>Total revenues</b>		<u>107,563</u>	<u>226,114</u>	<u>10,843</u>	<u>377,956</u>	<u>57,639</u>
<b>EXPENDITURES</b>						
Current:						
Public safety	284		77,820			
Public works				4,800		
Community development					231,566	30,000
Parks and grounds						
Capital outlay						
Debt service:						
Principal retirement						
Interest and other charges						
<b>Total expenditures</b>	<u>284</u>		<u>77,820</u>	<u>4,800</u>	<u>231,566</u>	<u>30,000</u>
Excess of revenues over (under) expenditures	<u>(284)</u>	<u>107,563</u>	<u>148,294</u>	<u>6,043</u>	<u>146,390</u>	<u>27,639</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers out		(75,000)			(80,000)	
<b>Total other financing sources (uses)</b>		<u>(75,000)</u>			<u>(80,000)</u>	
Net Change in Fund Balances Before Extraordinary Item	(284)	32,563	148,294	6,043	66,390	27,639
<b>EXTRAORDINARY ITEM</b>						
Gain (Loss) on transfer of assets and liabilities to RDA Successor trust fund						
<b>Net Change in Fund Balances</b>	(284)	32,563	148,294	6,043	66,390	27,639
Fund balances (deficits) - July 1, 2011	32,637	(6,566)	117,605	128,829	77,211	450,221
<b>Fund balances (deficits) - June 30, 2012</b>	<u>\$ 32,353</u>	<u>\$ 25,997</u>	<u>\$ 265,899</u>	<u>\$ 134,872</u>	<u>\$ 143,601</u>	<u>\$ 477,860</u>

Special Revenue Funds				Capital Projects Funds		Debt Service Fund	
Proposition 1B	Transit	COPS Grant	CLEEP	Redevelopment Agency	Redevelopment Agency Project Area 3	Redevelopment Agency Project Area 3 Debt Service	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,274	\$ -	\$ 676,500
							613,568
	111			2,900	3,265	177	908,512
		100,067					12,408
	1,460			473,340	12,686		166,234
	1,571	100,067		476,240	193,225	177	1,403,127
							748,028
			900				79,004
	3,225			38,580	221,155		17,376
						60,000	586,054
						186,869	285,275
							407,063
							60,000
							186,869
	3,225		900	38,580	221,155	246,869	1,621,641
	(1,654)	100,067	(900)	437,660	(27,930)	(246,692)	2,906,736
				462,035			462,035
		(100,000)					(1,367,000)
		(100,000)		462,035			(904,965)
	(1,654)	67	(900)	899,695	(27,930)	(246,692)	2,001,771
				(134,196)	(3,769,980)	354,483	(3,549,693)
	(1,654)	67	(900)	765,499	(3,797,910)	107,791	(1,547,922)
83,951	543	112,837	2,051	(765,499)	3,797,910	(107,791)	13,360,231
\$ 83,951	\$ (1,111)	\$ 112,904	\$ 1,151	\$ -	\$ -	\$ -	\$ 11,812,309

**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, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 5,000	\$ -	\$ (5,000)
Intergovernmental revenue	467,000	887,542	420,542
Total revenues	<u>472,000</u>	<u>887,542</u>	<u>415,542</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(460,000)</u>	<u>(726,000)</u>	<u>(266,000)</u>
Total other financing sources (uses)	<u>(460,000)</u>	<u>(726,000)</u>	<u>(266,000)</u>
Net Change in Fund Balance	12,000	161,542	149,542
Fund balance - July 1, 2011	<u>1,287,361</u>	<u>1,287,361</u>	
Fund balance - June 30, 2012	<u>\$ 1,299,361</u>	<u>\$ 1,448,903</u>	<u>\$ 149,542</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**MEASURE "I" SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 17,300	\$ 1,533	\$ (15,767)
Total revenues	<u>17,300</u>	<u>1,533</u>	<u>(15,767)</u>
<b>EXPENDITURES</b>			
Current:			
Public works	200,000	3,605	196,395
Capital outlay	<u>3,604,515</u>	<u>227,063</u>	<u>3,377,452</u>
Total expenditures	<u>3,804,515</u>	<u>230,668</u>	<u>3,573,847</u>
Excess of revenues over (under) expenditures	<u>(3,787,215)</u>	<u>(229,135)</u>	<u>3,558,080</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(40,000)</u>		<u>40,000</u>
Total other financing sources (uses)	<u>(40,000)</u>		<u>40,000</u>
Net Change in Fund Balance	(3,827,215)	(229,135)	3,598,080
Fund balance - July 1, 2011	<u>3,830,797</u>	<u>3,830,797</u>	
Fund balance - June 30, 2012	<u>\$ 3,582</u>	<u>\$ 3,601,662</u>	<u>\$ 3,598,080</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenue	\$ 238,751	\$ 178,561	\$ (60,190)
Total revenues	<u>238,751</u>	<u>178,561</u>	<u>(60,190)</u>
<b>EXPENDITURES</b>			
Current:			
Community development		19,998	(19,998)
Capital outlay	118,751		118,751
Total expenditures	<u>118,751</u>	<u>19,998</u>	<u>98,753</u>
Excess of revenues over (under) expenditures	<u>120,000</u>	<u>158,563</u>	<u>38,563</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	
Total other financing sources (uses)	<u>(120,000)</u>	<u>(120,000)</u>	
Net Change in Fund Balance		38,563	38,563
Fund balance (deficit) - July 1, 2011	<u>(53,240)</u>	<u>(53,240)</u>	
Fund balance (deficit) - June 30, 2012	<u>\$ (53,240)</u>	<u>\$ (14,677)</u>	<u>\$ 38,563</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**SPECIAL PARK SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Licenses and permits	\$ 57,800	\$ -	\$ (57,800)
Total revenues	<u>57,800</u>	<u></u>	<u>(57,800)</u>
<b>EXPENDITURES</b>			
Current:			
Parks and grounds	35,000	13,622	21,378
Capital outlay	<u>600,000</u>	<u>180,000</u>	<u>420,000</u>
Total expenditures	<u>635,000</u>	<u>193,622</u>	<u>441,378</u>
Excess of revenues over (under) expenditures	<u>(577,200)</u>	<u>(193,622)</u>	<u>383,578</u>
Net Change in Fund Balance	(577,200)	(193,622)	383,578
Fund balance - July 1, 2011	<u>1,376,048</u>	<u>1,376,048</u>	<u></u>
Fund balance - June 30, 2012	<u>\$ 798,848</u>	<u>\$ 1,182,426</u>	<u>\$ 383,578</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**MAVERICK STADIUM SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Charges for current services	\$ 124,000	\$ 109,050	\$ (14,950)
Total revenues	<u>124,000</u>	<u>109,050</u>	<u>(14,950)</u>
<b>EXPENDITURES</b>			
Current:			
Parks and grounds	<u>244,738</u>	<u>271,653</u>	<u>(26,915)</u>
Total expenditures	<u>244,738</u>	<u>271,653</u>	<u>(26,915)</u>
Net Change in Fund Balance	(120,738)	(162,603)	(41,865)
Fund balance (deficit) - July 1, 2011	<u>(2,593,191)</u>	<u>(2,593,191)</u>	<u></u>
Fund balance (deficit) - June 30, 2012	<u><u>\$ (2,713,929)</u></u>	<u><u>\$ (2,755,794)</u></u>	<u><u>\$ (41,865)</u></u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**TRAFFIC OFFENDER SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Fines, forfeitures, and penalties	\$ 30,000	\$ 35,545	\$ 5,545
Investment earnings	500	662	162
Total revenues	<u>30,500</u>	<u>36,207</u>	<u>5,707</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	
Net Change in Fund Balance	500	6,207	5,707
Fund balance - July 1, 2011	<u>58,719</u>	<u>58,719</u>	
Fund balance - June 30, 2012	<u>\$ 59,219</u>	<u>\$ 64,926</u>	<u>\$ 5,707</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**TDA ARTICLE 8 SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenue	\$ 200,000	\$ -	\$ (200,000)
Total revenues	<u>200,000</u>	<u>                    </u>	<u>(200,000)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(225,000)</u>	<u>(225,000)</u>	<u>                    </u>
Total other financing sources (uses)	<u>(225,000)</u>	<u>(225,000)</u>	<u>                    </u>
Net Change in Fund Balance	(25,000)	(225,000)	(200,000)
Fund balance - July 1, 2011	<u>291,356</u>	<u>291,356</u>	<u>                    </u>
Fund balance - June 30, 2012	<u><u>\$ 266,356</u></u>	<u><u>\$ 66,356</u></u>	<u><u>\$ (200,000)</u></u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY PROJECT AREA 3 HOUSING SET A-SIDE SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 80,000	\$ 44,318	\$ (35,682)
Investment earnings		1,048	1,048
Total revenues	<u>80,000</u>	<u>45,366</u>	<u>(34,634)</u>
<b>EXPENDITURES</b>			
Current:			
Community development	<u>500</u>		<u>500</u>
Total expenditures	<u>500</u>		<u>500</u>
Net Change in Fund Balance	79,500	45,366	(34,134)
Fund balance - July 1, 2011	<u>495,032</u>	<u>495,032</u>	
Fund balance - June 30, 2012	<u>\$ 574,532</u>	<u>\$ 540,398</u>	<u>\$ (34,134)</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DRAINAGE IMPACT SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Licenses and permits	\$ 62,640	\$ 613,568	\$ 550,928
Investment earnings		47	47
Total revenues	<u>62,640</u>	<u>613,615</u>	<u>550,975</u>
<b>EXPENDITURES</b>			
Current:			
Public works	<u>25,000</u>		<u>25,000</u>
Total expenditures	<u>25,000</u>		<u>25,000</u>
Net Change in Fund Balance	37,640	613,615	575,975
Fund balance - July 1, 2011	<u>2,558,718</u>	<u>2,558,718</u>	
Fund balance - June 30, 2012	<u>\$ 2,596,358</u>	<u>\$ 3,172,333</u>	<u>\$ 575,975</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**ASSET FORFEITURE EDUCATION SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>			
Current:			
Public safety	\$ 10,000	\$ 284	\$ 9,716
Total expenditures	10,000	284	9,716
Net Change in Fund Balance	(10,000)	(284)	9,716
Fund balance - July 1, 2011	32,637	32,637	
Fund balance - June 30, 2012	\$ 22,637	\$ 32,353	\$ 9,716

**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, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 100,000	\$ 107,563	\$ 7,563
Total revenues	<u>100,000</u>	<u>107,563</u>	<u>7,563</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	
Total other financing sources (uses)	<u>(75,000)</u>	<u>(75,000)</u>	
Net Change in Fund Balance	25,000	32,563	7,563
Fund balance (deficit) - July 1, 2011	<u>(6,566)</u>	<u>(6,566)</u>	
Fund balance (deficit) - June 30, 2012	<u>\$ 18,434</u>	<u>\$ 25,997</u>	<u>\$ 7,563</u>

**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, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenue	\$ 18,000	\$ 10,843	\$ (7,157)
Total revenues	<u>18,000</u>	<u>10,843</u>	<u>(7,157)</u>
<b>EXPENDITURES</b>			
Current:			
Public works	<u>6,000</u>	<u>4,800</u>	<u>1,200</u>
Total expenditures	<u>6,000</u>	<u>4,800</u>	<u>1,200</u>
Net Change in Fund Balance	12,000	6,043	(5,957)
Fund balance - July 1, 2011	<u>128,829</u>	<u>128,829</u>	
Fund balance - June 30, 2012	<u>\$ 140,829</u>	<u>\$ 134,872</u>	<u>\$ (5,957)</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**TRANSIT SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ -	\$ 111	\$ 111
Other revenues		1,460	1,460
Total revenues		1,571	1,571
<b>EXPENDITURES</b>			
Current:			
Public works	27,271	3,225	24,046
Total expenditures	27,271	3,225	24,046
Excess of revenues over (under) expenditures	(27,271)	(1,654)	25,617
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	40,000		(40,000)
Total other financing sources (uses)	40,000		(40,000)
Net Change in Fund Balance	12,729	(1,654)	(14,383)
Fund balance (deficit) - July 1, 2011	543	543	
Fund balance (deficit) - June 30, 2012	<u>\$ 13,272</u>	<u>\$ (1,111)</u>	<u>\$ (14,383)</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**COPS GRANT SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenue	\$ 100,000	\$ 100,067	\$ 67
Total revenues	<u>100,000</u>	<u>100,067</u>	<u>67</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	
Net Change in Fund Balance		67	67
Fund balance - July 1, 2011	<u>112,837</u>	<u>112,837</u>	
Fund balance - June 30, 2012	<u>\$ 112,837</u>	<u>\$ 112,904</u>	<u>\$ 67</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 200	\$ 2,900	\$ 2,700
Other revenues	50,000	473,340	423,340
Total revenues	50,200	476,240	426,040
<b>EXPENDITURES</b>			
Current:			
Community development	165,000	38,580	126,420
Total expenditures	165,000	38,580	126,420
Excess of revenues over (under) expenditures	(114,800)	437,660	552,460
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	100,000	462,035	362,035
Total other financing sources (uses)	100,000	462,035	362,035
Net Change in Fund Balance Prior to Extraordinary Item	(14,800)	899,695	914,495
<b>EXTRAORDINARY ITEM</b>			
Gain (Loss) on transfer of assets and liabilities to RDA successor trust fund		(134,196)	(134,196)
Net Change in Fund Balance	(14,800)	765,499	780,299
Fund balance (deficit) - July 1, 2011	(765,499)	(765,499)	
Fund balance (deficit) - June 30, 2012	\$ (780,299)	\$ -	\$ 780,299

**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, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ 177,274	\$ 177,274
Investment earnings		3,265	3,265
Other revenues		12,686	12,686
Total revenues		193,225	193,225
<b>EXPENDITURES</b>			
Current:			
Community development	5,000	221,155	(216,155)
Total expenditures		221,155	(216,155)
Net Change in Fund Balance Prior to Extraordinary Item	(5,000)	(27,930)	(22,930)
<b>EXTRAORDINARY ITEM</b>			
Gain (Loss) on transfer of assets and liabilities to RDA successor trust fund		(3,769,980)	(3,769,980)
Net Change in Fund Balance	(5,000)	(3,797,910)	(3,792,910)
Fund balance - July 1, 2011	3,797,910	3,797,910	
Fund balance - June 30, 2012	\$ 3,792,910	\$ -	\$ (3,792,910)

**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, 2012**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 500,000	\$ -	\$ (500,000)
Investment earnings	2,000	177	(1,823)
Total revenues	<u>502,000</u>	<u>177</u>	<u>(501,823)</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal retirement		60,000	(60,000)
Interest and other charges	250,000	186,869	63,131
Pass-through payments	100,000		100,000
Total expenditures	<u>350,000</u>	<u>246,869</u>	<u>103,131</u>
Net Change in Fund Balance			
Prior to Extraordinary Item	152,000	(246,692)	(398,692)
<b>EXTRAORDINARY ITEM</b>			
Gain (Loss) on transfer of assets and liabilities to RDA successor trust fund		354,483	354,483
Net Change in Fund Balance	152,000	107,791	(44,209)
Fund balance (deficit) - July 1, 2011	<u>(107,791)</u>	<u>(107,791)</u>	
Fund balance - June 30, 2012	<u>\$ 44,209</u>	<u>\$ -</u>	<u>\$ (44,209)</u>