



# City of Adelanto

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August 5, 2009

Local Agency Formation Commission  
C/O Kathleen Rollings-McDonald  
215 North "D" Street, Suite 204  
San Bernardino, CA 92415-0450

*RE: Draft LAFCO Staff Report for LAFCO 3080 – Municipal Service Review and Sphere of Influence Update for the City of Adelanto*

Ms. Rollings-McDonald,

As a follow up to the meeting held on July 22<sup>nd</sup> at our office and your e-mail dated 08/05/2009 I have prepared the following corrections and/or responses to various items included in the draft report entitled "*Municipal Service Review and Sphere of Influence Update for the City of Adelanto*:"

(1) In response to the status of delinquent audited financial reports for the City of Adelanto I have met with the City's auditors Moss, Levy and Hartzheim and am prepared to share the anticipated completion/status report for the delinquent financial reports:

- Fiscal Year 2005/2006 – Is in draft form will be available by end of August 09.
- Fiscal Year 2006/2007 – Due to be in draft form and available for City Staff review by end of August 09. Final publication due by end of September 09.
- Fiscal Year 2007/2008 – Due to begin Field Work in Mid September and be available for City Staff review by end of October 09.
- Fiscal Year 2008/2009 – Will commence during the month of October 09.

As the City's new Interim Finance Director as of July 1, 2009, I have an operational goal to have all Financial Audit reports completed and disseminated as of December 31<sup>st</sup> of each Fiscal Year (within 6 months after the close of the Fiscal Year.)

(2) The proposed Water and Sewer Standby Charge Increase as described in the April 22, 2009 staff report has been cancelled per Staff and Council recommendation. Please remove from the report.

(3) The Water and Sewer Rate Increase will occur on August 12, 2009.

(4) Assessment District 1A

- The Assessment District 1A original 1990 bond issue was refinanced with the 1994 Series A and B City of Adelanto Limited Obligation Improvement Refunding Bonds. In 2006, the Local Agency Revenue Refunding Bonds, Series 2006 (Series 2006 Bonds) refunded both the 1994 Series A and Series B.
- The debt service schedule for the 2006 Series Bonds is as follows:

Period Ending	Principal	Coupon	Interest	Debt Service	Remaining Principal
09/15/2007	\$720,000.00	3.650%	\$228,734.00	\$948,734.00	\$6,810,000
09/15/2008	665,000.00	3.750%	285,630.00	950,630.00	6,145,000
09/15/2009	690,000.00	3.900%	260,692.50	950,692.50	5,455,000
09/15/2010	715,000.00	4.050%	233,782.50	948,781.50	4,740,000
09/15/2011	745,000.00	4.050%	204,825.00	949,825.00	3,995,000
09/15/2012	770,000.00	4.200%	174,652.50	944,652.50	3,225,000
09/15/2013	800,000.00	4.300%	142,312.50	942,312.50	2,425,000
09/15/2014	830,000.00	4.450%	107,912.50	937,912.50	1,595,000
09/15/2015	1,595,000.00	4.450%	70,977.50	1,665,977.50	0
	\$7,530,000.00		\$1,709,519.00	\$9,239,519.00	

Note: Neither the 1994 or the 2006 refinancing extended the maturation term beyond the original 1990 Bond Term of 2015.

- The following table shows the revenue collected/levied in assessments vs. the debt service paid and projected through the 2010 levy.

Fiscal Year	Assessment Levy Collected/Levied*	Debt Service	Surplus Retained for Delinquencies/Administration Costs
09/15/2007	995,124.00	948,734.00	46,390
09/15/2008	1,133,621.51	950,630.00	182,991.51
09/15/2009 <sup>(1)</sup>	1,082,971.28	950,692.50	132,279.28
09/15/2010 <sup>(1)*</sup>	1,039,399.80	948,781.50	90,618.30

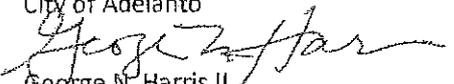
(1) Unaudited

- The payment of debt service is done through a wire transfer from the City of Adelanto to the Trustee, Union Bank of California at the time payment to bondholders is due.

Please contact me if you have any further questions at (760) 246-2300 x3036 or via email at [gharris@ci.adelanto.ca.us](mailto:gharris@ci.adelanto.ca.us).

Sincerely,

City of Adelanto

  
George N. Harris II

Interim Finance Director

**City of Adelanto  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2005**

**RECEIVED**  
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**LAFCO**  
San Bernardino County

CITY OF ADELANTO, CALIFORNIA  
ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2005

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FINANCIAL

SECTION



# MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS:**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California (City) as of and for the fiscal year ended June 30, 2005, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements of the governmental activities do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City of Adelanto as of June 30, 2005, and the respective changes in financial position for the fiscal year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California, as of June 30, 2005, and the respective changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 12, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The respective budgetary comparison for the General Fund, the Sanitation Special Revenue Fund, and the Redevelopment Agency Debt Service Fund, combining nonmajor fund financial statements, and nonmajor funds budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The respective budgetary comparison for the General Fund, the Sanitation Special Revenue Fund, and the Redevelopment Agency Debt Service Fund, combining nonmajor fund financial statements, and nonmajor funds budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Moss, Levy & Hartzheim*  
Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
February 12, 2008

**CITY OF ADELANTO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 5,511,456	\$ 15,883,866	\$ 21,395,322
Cash and investments with fiscal agents	6,140,893	4,713,696	10,854,589
Receivables:			
Accounts receivable - net	1,009,393	2,206,571	3,215,964
Notes/Contracts	993,467		993,467
Interest	6,693	33,743	40,436
Internal balances	(2,839,724)	2,839,724	
Inventory		60,252	60,252
Investment in Adelanto Public Financing Authority bonds		18,305,068	18,305,068
Land held for resale	1,901,942		1,901,942
Deferred charges - net of accumulated amortization	1,403,028	7,017,466	8,420,494
Deferred losses on refunding	1,213,473		1,213,473
Capital assets not being depreciated	8,700	4,619,967	4,628,667
Capital assets - net of accumulated depreciation	337,272	26,632,464	26,969,736
<b>Total assets</b>	<b>15,686,593</b>	<b>82,312,817</b>	<b>97,999,410</b>
<b>LIABILITIES</b>			
Accounts payable	493,516	238,344	731,860
Interest payable	641,692	159,779	801,471
Accrued expenses	145,449	58,994	204,443
Deposits payable	406,305	489,315	895,620
Due to fiduciary funds	1,513,792		1,513,792
Noncurrent liabilities:			
Due within one year	1,033,168	1,000,000	2,033,168
Due in more than one year	60,764,099	48,930,685	109,694,784
<b>Total liabilities</b>	<b>64,998,021</b>	<b>50,877,117</b>	<b>115,875,138</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		(6,776,407)	(6,776,407)
Restricted for:			
Construction	278,286		278,286
Debt service	5,012,709	2,501,881	7,514,590
Streets, highways, bikeways, public transit, and other related purposes	4,591,507		4,591,507
Housing	17,593		17,593
Sanitation		2,052,036	2,052,036
Park	401,330		401,330
Public safety	381,186		381,186
Unrestricted	(59,994,039)	33,658,190	(26,335,849)
<b>Total net assets</b>	<b>\$ (49,311,428)</b>	<b>\$ 31,435,700</b>	<b>\$ (17,875,728)</b>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Primary Government:</b>				
General government	\$ 1,766,761	\$ 1,078,284	\$ -	\$ -
Public safety	5,295,565	349,633	204,120	
Public works	4,522,962	4,255,839	1,441,709	
Community development	663,186	71,191	352,908	
Parks and recreation	279,838	322,876	1,826	
Pass through payments	123,226			
Interest on long-term debt	4,664,866			
<b>Total Governmental Activities</b>	<u>17,316,404</u>	<u>6,077,823</u>	<u>2,000,563</u>	
<b>Business-type Activities:</b>				
Transit	282,934	227,638		
Correctional facility	6,194,681	7,370,034		
Public utility authority	4,371,876	14,327,010		
<b>Total Business-type Activities</b>	<u>10,849,491</u>	<u>21,924,682</u>		
<b>Total Primary Government</b>	<u>\$ 28,165,895</u>	<u>\$ 28,002,505</u>	<u>\$ 2,000,563</u>	<u>\$ -</u>

**General Revenues:**

- Taxes:
  - Sales taxes
  - Property taxes
  - Franchise taxes
  - Transient occupancy taxes
  - Business license taxes
- Motor vehicle in lieu
- Earnings on investments
- Miscellaneous
- Transfers

Total general revenues and transfers

Change in net assets

Net assets - July 1, 2004

Net assets - June 30, 2005

See Notes to the Basic Financial Statements

Net (Expenses) Revenues  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (688,477)	\$ -	\$ (688,477)
(4,741,812)		(4,741,812)
1,174,586		1,174,586
(239,087)		(239,087)
44,864		44,864
(123,226)		(123,226)
<u>(4,664,866)</u>		<u>(4,664,866)</u>
<u>(9,238,018)</u>		<u>(9,238,018)</u>
	(55,296)	(55,296)
	1,175,353	1,175,353
	<u>9,955,134</u>	<u>9,955,134</u>
	11,075,191	11,075,191
<u>(9,238,018)</u>	<u>11,075,191</u>	<u>1,837,173</u>
1,019,137		1,019,137
5,277,022		5,277,022
199,934		199,934
31,895		31,895
55,177		55,177
470,872		470,872
198,760	290,397	489,157
106,636		106,636
<u>1,890,729</u>	<u>(1,890,729)</u>	
<u>9,250,162</u>	<u>(1,600,332)</u>	<u>7,649,830</u>
12,144	9,474,859	9,487,003
<u>(49,323,572)</u>	<u>21,960,841</u>	<u>(27,362,731)</u>
<u>\$ (49,311,428)</u>	<u>\$ 31,435,700</u>	<u>\$ (17,875,728)</u>

**CITY OF ADELANTO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005**

	<u>General Fund</u>	<u>Sanitation Fund</u>	<u>Redevelopment Agency Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 153,212	\$ -	\$ 4,608,244	\$ 4,761,456
Cash and investments with fiscal agents			6,140,893		6,140,893
Accounts receivable - net	565,171	184,729	51,505	207,988	1,009,393
Due from other funds	1,955,718			1,805,748	3,761,466
Interest receivable	935			5,758	6,693
Notes/Contracts receivable				993,467	993,467
Advances to other funds	2,124,243				2,124,243
Land held for resale				1,901,942	1,901,942
<b>Total assets</b>	<u>\$ 4,646,067</u>	<u>\$ 337,941</u>	<u>\$ 6,192,398</u>	<u>\$ 9,523,147</u>	<u>\$ 20,699,553</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 153,222	\$ 291,054	\$ -	\$ 49,240	\$ 493,516
Accrued expenditures	143,902	566		981	145,449
Due to other funds	5,088,036		537,997	2,488,949	8,114,982
Deposits	329,165	76,290		850	406,305
Deferred revenue	77,103			1,108,521	1,185,624
Advances from other funds				2,124,243	2,124,243
<b>Total liabilities</b>	<u>5,791,428</u>	<u>367,910</u>	<u>537,997</u>	<u>5,772,784</u>	<u>12,470,119</u>
<b>Fund balances</b>					
<b>Reserved:</b>					
Debt service			5,654,401	70,157	5,724,558
Land held for resale				1,901,942	1,901,942
Advances to redevelopment agency	2,124,243				2,124,243
<b>Unpreserved:</b>					
Designated - special revenue funds				5,339,376	5,339,376
Undesignated - general fund	(3,269,604)				(3,269,604)
Undesignated - capital projects funds				(3,561,112)	(3,561,112)
Undesignated - special revenue funds		(29,969)			(29,969)
<b>Total fund balances</b>	<u>(1,145,361)</u>	<u>(29,969)</u>	<u>5,654,401</u>	<u>3,750,363</u>	<u>8,229,434</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,646,067</u>	<u>\$ 337,941</u>	<u>\$ 6,192,398</u>	<u>\$ 9,523,147</u>	<u>\$ 20,699,553</u>

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, 2005**

Fund balances of governmental funds	\$	8,229,434
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.		345,972
Certain accounts receivable, intergovernmental receivables, and notes receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.		1,185,624
Long-term debt and compensated absences have not been included in the governmental funds:		
Tax allocation bonds		(50,765,069)
Intermountain Power Agency settlement		(1,989,390)
San Bernardino County tax increment loans		(8,945,746)
Compensated absences		(97,062)
Deferred charges, net of accumulated amortization for debt issuance costs and discounts on long-term debt have not been reported in the governmental funds.		1,403,028
Deferred losses on refunding, net of accumulated amortization for long-term debt issuance have not been reported in the governmental funds.		1,213,473
Accrued interest payable due on long-term debt has not been reported in the governmental funds.		(641,692)
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.		<u>750,000</u>
Net assets of governmental activities	\$	<u>(49,311,428)</u>

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, 2005**

	General Fund	Sanitation Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 2,762,558	\$ -	\$ 3,689,409	\$ 187,147	\$ 6,639,114
Licenses and permits	1,100,527			217,390	1,317,917
Fines, forfeitures, and penalties	91,212			29,143	120,355
Investment earnings		442	186,721	157,279	344,442
Charges for current services	1,536,538	1,818,525		164,394	3,519,457
Intergovernmental revenue	1,537,143			1,821,106	3,358,249
Other revenues	66,867				66,867
<b>Total revenues</b>	<b>7,094,845</b>	<b>1,818,967</b>	<b>3,876,130</b>	<b>2,576,459</b>	<b>15,366,401</b>
<b>EXPENDITURES</b>					
Current:					
General government	1,493,555			267,873	1,761,428
Public safety	5,262,127			30,457	5,292,584
Public works	1,458,201	1,840,592		489,573	3,788,366
Community development	578,519			77,034	655,553
Parks and recreation	93,256			184,784	278,040
Pass-through payments			123,226		123,226
Capital outlay	188,037	155		526,475	714,667
Debt service:					
Principal retirement			1,457,604		1,457,604
Interest and other charges			1,999,882		1,999,882
<b>Total expenditures</b>	<b>9,073,695</b>	<b>1,840,747</b>	<b>3,580,712</b>	<b>1,576,196</b>	<b>16,071,350</b>
Excess of revenues over (under) expenditures	(1,978,850)	(21,780)	295,418	1,000,263	(704,949)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sales of property	21,059				21,059
Transfers in	2,667,049			108,580	2,775,629
Transfers out	(836,851)		(100,000)	(698,049)	(1,634,900)
<b>Total other financing sources (uses)</b>	<b>1,851,257</b>		<b>(100,000)</b>	<b>(589,469)</b>	<b>1,161,788</b>
Net change in fund balances	(127,593)	(21,780)	195,418	410,794	456,839
Fund balances - July 1, 2004	(1,017,768)	(8,189)	5,458,983	3,339,569	7,772,595
Fund balances - June 30, 2005	\$ (1,145,361)	\$ (29,969)	\$ 5,654,401	\$ 3,750,363	\$ 8,229,434

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, 2005**

Net change in fund balances - total governmental funds	\$	456,839
Amounts reported for governmental activities in the statement of activities differ because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.		(9,568)
Certain taxes and fees in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		77,103
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.		(26,744)
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 an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets.		(1,208,695)
Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized on the statement of net assets. This is the net change in debt issuance costs in the current period which represents its annual amortization.		(129,876)
Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period.		131,191
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.		(28,106)
The internal service fund is used by management to charge the costs of insurance to individual funds. The net revenues (expenses) of the internal service fund is reported with governmental activities.		<u>750,000</u>
Change in net assets of governmental activities	\$	<u>12,144</u>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2005**

	<u>Transit</u>	<u>Correctional Facility</u>	<u>Public Utility Authority</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash investments	\$ -	\$ 3,079,785	\$ 12,804,081	\$ 15,883,866	\$ 750,000
Restricted cash and investments with fiscal agents		940,101	3,773,595	4,713,696	
Accounts receivable, net		722,983	1,483,588	2,206,571	
Interest receivable			33,743	33,743	
Inventory			60,252	60,252	
Due from other funds		106,069	3,621,792	3,727,861	
<b>Total Current Assets</b>		<b>4,848,938</b>	<b>21,777,051</b>	<b>\$ 26,625,989</b>	<b>\$ 750,000</b>
<b>Noncurrent Assets:</b>					
Deferred issuance costs		198,849	6,818,617	7,017,466	
Investment in Adelanto Public Financing Authority Bonds			18,305,068	18,305,068	
<b>Capital assets:</b>					
Land		104,660	4,279,895	4,384,555	
Depreciable buildings and improvements, net		6,606,612	19,854,292	26,460,904	
Depreciable equipment, net		48,593	122,967	171,560	
Construction in progress			235,412	235,412	
<b>Total Noncurrent Assets</b>		<b>6,958,714</b>	<b>49,616,251</b>	<b>56,574,965</b>	
<b>Total Assets</b>		<b>11,807,652</b>	<b>71,393,302</b>	<b>83,200,954</b>	<b>750,000</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable		18,945	219,399	238,344	
Accrued liabilities		42,602	16,392	58,994	
Accrued interest payable		63,660	96,119	159,779	
Deposits payable			489,315	489,315	
Due to other funds		888,137		888,137	
Current portion of long-term obligations		1,000,000		1,000,000	
<b>Total Current Liabilities</b>		<b>2,013,344</b>	<b>821,225</b>	<b>2,834,569</b>	
<b>Noncurrent Liabilities:</b>					
<b>Noncurrent portion of long-term obligations:</b>					
Compensated absences		109,969	60,716	170,685	
Bonds payable		4,435,000	44,325,000	48,760,000	
<b>Total Noncurrent Liabilities</b>		<b>4,544,969</b>	<b>44,385,716</b>	<b>48,930,685</b>	
<b>Total Liabilities</b>		<b>6,558,313</b>	<b>45,206,941</b>	<b>51,765,254</b>	
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt		2,463,815	(9,240,222)	(6,776,407)	
Restricted for debt service		876,441	1,625,440	2,501,881	
Restricted for projects			2,052,036	2,052,036	
Unrestricted		1,909,083	31,749,107	33,658,190	750,000
<b>Total Net Assets</b>	<b>\$ -</b>	<b>\$ 5,249,339</b>	<b>\$ 26,186,361</b>	<b>\$ 31,435,700</b>	<b>\$ 750,000</b>

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, 2005**

	Transit	Correctional Facility	Public Utility Authority	Total	Governmental Activities Internal Service Fund
<b>Operating Revenues:</b>					
Sales and service charges	\$ 172,336	\$ 5,858,406	\$ 13,005,391	\$ 19,036,133	\$ -
Rents	4,432	1,294,632		1,299,064	
Other	50,870	216,996	1,321,619	1,589,485	
<b>Total Operating Revenues</b>	<b>227,638</b>	<b>7,370,034</b>	<b>14,327,010</b>	<b>21,924,682</b>	
<b>Operating Expenses:</b>					
Salaries and benefits	143,549	3,464,981	589,601	4,198,131	
Contractual services		117,164	560,256	677,420	
Utilities		408,707	811,433	1,220,140	
Maintenance and supplies	139,385	938,258	45,773	1,123,416	
Sewer operations			73,450	73,450	
Water operations			350,411	350,411	
Allocated overhead		747,074		747,074	
Depreciation		191,149	487,602	678,751	
<b>Total Operating Expenses</b>	<b>282,934</b>	<b>5,867,333</b>	<b>2,918,526</b>	<b>9,068,793</b>	
<b>Operating Income (Loss)</b>	<b>(55,296)</b>	<b>1,502,701</b>	<b>11,408,484</b>	<b>12,855,889</b>	
<b>Nonoperating Revenues (Expenses):</b>					
Interest revenue		56,919	233,478	290,397	
Interest expense and fiscal charges		(285,484)	(1,160,278)	(1,445,762)	
Amortization expense		(41,864)	(293,072)	(334,936)	
<b>Total Nonoperating Revenues (Expenses)</b>		<b>(270,429)</b>	<b>(1,219,872)</b>	<b>(1,490,301)</b>	
<b>Income (Loss) Before Transfers</b>	<b>(55,296)</b>	<b>1,232,272</b>	<b>10,188,612</b>	<b>11,365,588</b>	
<b>Transfers In</b>	<b>109,271</b>			<b>109,271</b>	<b>750,000</b>
<b>Transfers out</b>			<b>(2,000,000)</b>	<b>(2,000,000)</b>	
<b>Net Transfers</b>	<b>109,271</b>		<b>(2,000,000)</b>	<b>(1,890,729)</b>	<b>750,000</b>
<b>Changes in Net Assets</b>	<b>53,975</b>	<b>1,232,272</b>	<b>8,188,612</b>	<b>9,474,859</b>	<b>750,000</b>
<b>Net Assets</b>					
Beginning of fiscal year, July 1, 2004	(53,975)	4,017,067	17,997,749	21,960,841	
End of fiscal year, June 30, 2005	<u>\$ -</u>	<u>\$ 5,249,339</u>	<u>\$ 26,186,361</u>	<u>\$ 31,435,700</u>	<u>\$ 750,000</u>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2005**

	Transit	Correctional Facility	Public Utility Authority	Total	Governmental Activities Internal Service Fund
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 342,923	\$ 7,934,787	\$ 15,166,312	\$ 23,444,022	\$ -
Cash paid to suppliers for goods and services	(179,358)	(2,478,556)	(2,807,639)	(5,465,553)	
Cash paid to employees for services	(160,464)	(3,567,333)	(598,727)	(4,326,524)	
Net Cash Provided by (Used by) Operating Activities	3,101	1,888,898	11,759,946	13,651,945	
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Cash transfers from/(to) other funds	109,271		(2,000,000)	(1,890,729)	750,000
Due from other funds		1,765,925	(2,567,769)	(801,844)	
Due to other funds	(112,372)	31,507		(80,865)	
Net Cash Provided (Used) by Non-Capital Financing Activities	(3,101)	1,797,432	(4,567,769)	(2,773,438)	750,000
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Purchases of capital assets		(28,727)	(1,651,507)	(1,680,234)	
Principal paid on capital debt		(1,000,000)		(1,000,000)	
Interest paid on capital debt		(295,484)	(1,104,241)	(1,399,725)	
Net Cash Provided (Used) by Capital and Related Financing Activities		(1,324,211)	(2,755,748)	(4,079,959)	
<b>Cash Flows from Investing Activities:</b>					
Interest received		56,919	209,705	266,624	
Investment in Adelanto Public Financing Authority Bonds			(450,990)	(450,990)	
Net Cash Provided (Used) by investing Activities		56,919	(241,285)	(184,366)	
Net Increase (Decrease) in Cash and Cash Equivalents		2,419,038	4,195,144	6,614,182	750,000
Cash and Cash Equivalents at Beginning of Fiscal Year		1,600,848	12,382,532	13,983,380	
Cash and Cash Equivalents at End of Fiscal Year	\$ -	\$ 4,019,886	\$ 16,577,676	\$ 20,597,562	\$ 750,000
<b>Reconciliation to Statement of Net Assets:</b>					
Cash and investments	\$ -	\$ 3,079,785	\$ 12,804,081	\$ 15,883,866	\$ 750,000
Restricted cash and investments with fiscal agents		940,101	3,773,595	4,713,696	
Cash and Cash Equivalents	\$ -	\$ 4,019,886	\$ 16,577,676	\$ 20,597,562	\$ 750,000

(Continued)

See Notes to the Basic Financial Statements

**CITY OF ADELANTO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2005**  
(Continued)

	Transit	Correctional Facility	Public Utility Authority	Total	Governmental Activities Internal Service Fund
<b>Reconciliation of Operating Income (loss) to net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ (55,296)	\$ 1,502,701	\$ 11,408,484	\$ 12,855,889	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation		191,149	487,602	678,751	
(Increase) decrease in accounts receivable	115,285	476,355	678,603	1,270,243	
(Increase) decrease in prepaid items		88,398		88,398	
Increase (decrease) in accounts payable	(26,215)	(116,230)	(953,152)	(1,095,597)	
Increase (decrease) in accrued liabilities	(13,758)	(151,123)	(13,164)	(178,045)	
Increase (decrease) in compensated absences	(16,915)	(102,352)	(9,126)	(128,393)	
Increase (decrease) in deposits payable			160,699	160,699	
<b>Total Adjustments</b>	<b>58,397</b>	<b>386,197</b>	<b>351,462</b>	<b>796,056</b>	<b>-</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 3,101</b>	<b>\$ 1,888,898</b>	<b>\$ 11,759,946</b>	<b>\$ 13,651,945</b>	<b>\$ -</b>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2005**

	<u>Private Purpose Trust</u>	<u>Pension Trust</u>	<u>Agency</u>	
	<u>Luetke Foundation</u>	<u>Inmate Welfare Benefit</u>	<u>Assessment District 1A</u>	<u>Inmate Trust</u>
<b>ASSETS</b>				
Cash and investments	\$ 23,700	\$ 321,555	\$ 1,788,725	\$ 59,488
Restricted cash and investments with fiscal agents			1,261,789	
Accounts receivable		55,627		
Due from other funds		2,735,074		
Inventories		17,033		
<b>Total assets</b>	<u>\$ 23,700</u>	<u>\$ 3,129,289</u>	<u>\$ 3,050,514</u>	<u>\$ 59,488</u>
<b>LIABILITIES</b>				
Accounts payable	5,492	122,746	7,125	48,936
Accrued liabilities		77,100		
Due to other funds	10,565	1,111,606	88,559	10,552
Due to bondholders			2,954,830	
<b>Total liabilities</b>	<u>16,057</u>	<u>1,311,452</u>	<u>3,050,514</u>	<u>59,488</u>
<b>NET ASSETS</b>				
Unrestricted	7,643	1,817,837		
<b>Total net assets</b>	<u>\$ 7,643</u>	<u>\$ 1,817,837</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements

**CITY OF ADELANTO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Private-Purpose Trust	Pension Trust
	Luetke Foundation	Inmate Welfare Benefit
<b>Additions</b>		
Inmate phone increment charges	\$ -	\$ 465,147
Other		20,960
Total additions		486,107
<b>Deletions</b>		
General government		418,076
Total deletions		418,076
Change in net assets		68,031
Net assets - July 1, 2004	7,643	1,749,806
Net assets - June 30, 2005	\$ 7,643	\$ 1,817,837

See Notes to the Basic Financial Statements

**Notes to Basic Financial Statements**

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 1**      **Summary of Significant Accounting Policies**

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

**a. Description of the Reporting Entity**

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

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

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

The Adelanto Public Financing Authority was established pursuant to a Joint Powers Agreement dated September 12, 1989, by and between the City of Adelanto and the Adelanto Redevelopment Agency in accordance with the provisions of the laws of the State of California. The Authority was created for the purpose of providing financing for public capital improvements for the City and the Agency through the acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of local obligations. The Authority has the power to issue bonds to pay the cost of any public capital improvements.

The Adelanto Public Utility Authority was formed by action of the City Council on October 22, 1996. The Utility Authority was formed for the purpose of purchasing and operating the City's wastewater operations. In conjunction with that purchase, the Utility Authority issued bonds to finance the down payment to the City and the construction of a wastewater treatment plant. The Utility Authority also issued a note payable to the City to finance the purchase of the existing wastewater assets.

During February, 2000, the Adelanto Public Utility Authority entered into a purchase agreement with the Adelanto Water Authority to purchase the Adelanto Water Authority's water system. The purchase price consisted of amounts sufficient to refund all of the outstanding prior water bonds and assumption of the Adelanto Water Authority's obligations under the original agreement dated January 9, 1996, under which the Water Authority was formed by the City of Adelanto.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**a. Description of the Reporting Entity (Continued)**

to be financially accountable if an organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

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

The Adelanto Redevelopment Agency and the Adelanto Public Utility Authority issue separate component unit statements. Upon their completion, 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**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**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 wastewater system within the City's boundaries.

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

The City reports the following major proprietary funds:

The Transit Enterprise Fund – This fund accounts for the receipt and expenditure of Prop A and C funds for transit and transit related costs and improvement projects.

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 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.

The 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, 2005**

**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 Fund and of the Internal Service Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund 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 purpose 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, 2005**

**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.

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

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

Authorized investments include:

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

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

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

**Property Taxes**

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

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

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

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

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

**Property Taxes (Continued)**

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

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

**Inventories**

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

**Land held for resale or exchange**

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

**Restricted Assets**

Certain proceeds of the City's long-term debt, as well as certain resources set aside for their 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, 2005**

**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 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, 2005.

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 Redevelopment Agency. Due to the lack of records, no opinion has been given on the capital assets, accumulated depreciation, or depreciation expense related to governmental activities in the government-wide statements.

**Claims and Judgments**

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned, but unused vacation benefits, which will be paid to employees upon separation from City service. Governmental fund types recognize the cost of vacation benefits when payments are made to employees. Since these unused vacation benefits will not be liquidated with available financial resources, a long-term liability for accrued vacation benefits is recorded. Proprietary fund types accrue vacation benefits in the period they are earned.

**Long-Term Obligations**

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

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

**Long-Term Obligations (Continued)**

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

**Net Assets and Fund Equity**

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

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

**e.      Estimates**

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

**f.      Reconciliation of Government-wide and Fund Financial Statements**

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

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

Land	\$ 8,700
Depreciable buildings and improvements, net	337,272
	<u>\$ 345,972</u>

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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

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

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

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

Deferred issuance costs, net of amortization of \$687,812	\$ 1,403,028
Deferred losses on refunding, net of amortization of \$571,710	1,213,473
	<u>\$ 2,616,501</u>

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

County debt	\$ 8,945,746
Tax allocation refunding bonds	11,315,000
Revenue bonds	39,450,069
Settlement agreement payable	1,989,390
Compensated absences	97,062
	<u>\$ 61,797,267</u>

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

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

Current fiscal year depreciation	\$ (9,568)
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Another element of that reconciliation states that “The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets”. The details of this adjustment are as follow:

Debt issued or incurred	
Issuance of loans relating to County debt	\$ 1,357,705
Appreciation/Accretion of revenue bonds	1,308,594
	<u>\$ 2,666,299</u>
Debt principal repayment:	
Revenue bonds	\$ 1,457,604
	<u>\$ 1,457,604</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**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 Council may amend the budget by motion during each fiscal year. 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.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at fiscal year end are reported as reservations of fund balance and do not constitute expenditures or liabilities, because the commitments will be honored during the subsequent fiscal year.

**Fund Deficits**

The following funds contained a deficit fund balance as of June 30, 2005:

**Major Funds**

General	\$ (1,145,361)
Sanitation Special Revenue	(29,969)

**Nonmajor Funds**

Special Revenue Fund:	
Maverick Stadium	(1,864,580)
Capital Projects Fund:	
Redevelopment Agency Projects Area 3	(125,116)

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**Fund Deficits (Continued)**

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

The City has a deficit in net assets of \$49,311,428 at June 30, 2005. The City projects that future resources will be sufficient to pay long-term obligations as they become due.

**Excess of Expenditures over Appropriations**

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

<u>Fund</u>	<u>Final Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
<b><u>MAJOR FUNDS</u></b>			
General Fund:	\$ 8,680,877	\$9,073,695	\$392,818
Sanitation Special Revenue Fund:	1,547,000	1,840,747	293,747
<b><u>NONMAJOR GOVERNMENTAL FUNDS:</u></b>			
Asset Forfeiture State Special Revenue Fund:		10,311	10,311

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 21,395,322
Restricted cash and investments with fiscal agents	10,854,589
Fiduciary funds:	
Cash and investments	2,193,468
Restricted cash and investments with fiscal agents	<u>1,261,789</u>
Total cash and investments	<u>\$ 35,705,168</u>

Cash and investments as of June 30, 2005 consist of the following:

Deposits with financial institutions	17,761,808
Investments	<u>17,943,360</u>
Total cash and investments	<u>\$ 35,705,168</u>

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

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 3 CASH AND INVESTMENTS (Continued)**

**B. Investments Authorized by Debt Agreements**

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

<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. Maturity depends on the cash needs of the City.

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

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool	\$ 5,826,983	\$ 5,826,983	\$ -	\$ -	\$ -
Held by Bond Trustees:					
Money Market Funds	7,752,960	7,752,960			
Investment Agreements	4,363,417	740,000		918,500	2,704,917
	<u>\$ 17,943,360</u>	<u>\$ 14,319,943</u>	<u>\$ -</u>	<u>\$ 918,500</u>	<u>\$ 2,704,917</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 3 CASH AND INVESTMENTS (Continued)**

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

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

**E. Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 5,826,983	N/A	\$ -	\$ -	\$ -	\$ -	\$ 5,826,983
Held by bond trustee:							
Money Market Funds	7,752,960	N/A		4,056,984			3,695,976
Investment Agreements	4,363,417	N/A		740,000	3,623,417		
<b>Total</b>	<b>\$ 17,943,360</b>		<b>\$ -</b>	<b>\$ 4,796,984</b>	<b>\$ 3,623,417</b>	<b>\$ -</b>	<b>\$ 9,522,959</b>

**F. Concentration of Credit Risk**

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

Issuer	Investment Type	Reported Amount
CDC Funding Corporation	Investment Agreements	\$ 1,918,500
Transamerica Life Insurance Company	Investment Agreements	1,704,917

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:

\$1,918,500 of cash and investments (including amounts held by bond trustees) reported in the Public Utility Authority (a major proprietary fund of the City) are held in the form of nonnegotiable investment contracts issued by CDC Funding Corporation. These mature on April 1, 2010 for the amount of \$918,500 and on November 1, 2034 for the amount of \$1,000,000.

\$1,704,917 of cash and investments (including amounts held by bond trustees) reported in the Redevelopment Agency Debt Service Fund (a major fund of the City) are held in the form of nonnegotiable investment contracts issued by Transamerica Life Insurance Company. These mature on August 31, 2028.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 3 CASH AND INVESTMENTS (Continued)**

**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 Agency'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 Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2005, \$17,044,071 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

As of June 30, 2005, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the Agency to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Money market funds	\$ 7,752,960
Investment Agreements	4,363,417

**Note 4 Notes Receivable**

Notes receivable aggregating \$35,724,582 from the sale of the Water and Wastewater System at fair value are discussed as follows:

- The \$29,293,413 note receivable, excluding accrued interest, from the Public Utility Authority is for the purchase of the City's water operations. The purchase of the City's water operations and related note was originally established by the Adelanto Water Authority, which was acquired by the Public Utility Authority. Payment of not less than \$500,000 annually (plus available surplus water revenues) is required under the terms of this note. The Authority is a component unit of the City and therefore, the note has been eliminated for reporting purposes.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 4**     **Notes Receivable (Continued)**

The original purchase note accrued interest at 7.5% on the outstanding balance. Because the purchase note payable to the City is subordinate to the Public Utility Authority Bonds, interest on the note would be substantially in excess of the minimum annual payment. Management does not anticipate that any payment in excess of the minimum annual payments due on the note will 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.

- 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. Management does not anticipate that any payment in excess of the annual payments due on the note will 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%. The Authority is a component unit of the City and therefore, the Note has been eliminated for reporting purposes.

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

At June 30, 2005, \$993,467 of various long-term notes receivable were outstanding. The notes were created from the sale of parcels in the Industrial Park No. 2 and Industrial Park No. 3. Such notes bear no stated interest rate and are due at the end of five years. Due to the nature of the notes receivable, the Agency has offset the receivable with a corresponding deferred revenue amount. Revenues are recognized when payments are received.

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

The following is a list of accounts receivable at June 30, 2005:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities -			
Intergovernmental	\$ 824,665	\$ -	\$ 824,665
Accounts	234,548	(49,820)	184,728
	<u>\$ 1,059,213</u>	<u>\$ (49,820)</u>	<u>\$ 1,009,393</u>
Business Type Activities -			
Accounts	\$ 2,294,967	\$ (88,396)	\$ 2,206,571

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 6**    **Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2005.

**a. Transfers**

Fund	Transfers-in	Transfers-out
<b>Major Funds:</b>		
General	\$ 2,667,049	\$ 836,851
Redevelopment Agency Debt Service		100,000
<b>Nonmajor Governmental Funds:</b>		
Gas Tax		360,000
Measure "I"		46,000
Community Development Block Grant		720
Traffic Offender		30,000
Public Safety		99,397
Local Law Enforcement Block Grant	8,580	44,932
Asset Forfeiture State		17,000
COPS Grant		100,000
Redevelopment Agency Capital Projects	100,000	
<b>Major Enterprise Funds:</b>		
Transit	109,271	
Public Utility Authority		2,000,000
<b>Internal Service Fund</b>		
Equipment Replacement	750,000	
Totals	\$ 3,634,900	\$ 3,634,900

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.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**b. Due To/ From Other Funds**

Fund	Receivable	Payable
<b>Major Funds:</b>		
General	\$ 1,955,718	\$ 5,088,036
Redevelopment Agency Debt Service		537,997
<b>Nonmajor Funds:</b>		
Measure "I"	1,242,635	
Maverick Stadium		1,896,309
Public Safety		8,799
Redevelopment Agency Capital Projects	563,113	558,725
Redevelopment Agency Projects Area 3 Capital Projects		25,116
<b>Major Enterprise Funds:</b>		
Correctional Facility	106,069	888,137
Public Utility Authority	3,621,792	
<b>Fiduciary Funds:</b>		
Luetke Foundation		10,565
Inmate Welfare Benefit	2,735,074	1,111,606
Assessment District 1 A		88,559
Inmate Trust		10,552
	<u>\$ 10,224,401</u>	<u>\$ 10,224,401</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, 2005, the funds below have made/received advances that were not expected to be repaid within one year.

Fund	Receivable	Payable
<b>Major Fund:</b>		
General	\$ 2,124,243	\$ -
<b>Nonmajor Fund:</b>		
Redevelopment Agency Project Area 3 Capital Projects		200,000
Redevelopment Agency Capital Projects		1,924,243
	<u>\$ 2,124,243</u>	<u>\$ 2,124,243</u>

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 7 Capital Assets**

**a. Governmental Activities (Redevelopment Agency Only)**

Capital asset governmental activity for the fiscal year ended June 30, 2005 was as follows:

	Balance at July 1, 2004	Additions	Deletions	Balance at June 30, 2005
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 8,700	\$ -	\$ -	\$ 8,700
Total	<u>8,700</u>			<u>8,700</u>
<b>Capital Assets, being depreciated:</b>				
Buildings	458,400			458,400
Structures and Improvements	20,000			20,000
Total	<u>478,400</u>			<u>478,400</u>
Less accumulated depreciation for:				
Buildings	(126,060)	(9,168)		(135,228)
Structures and Improvements	(5,500)	(400)		(5,900)
Total	<u>(131,560)</u>	<u>(9,568)</u>		<u>(141,128)</u>
Capital Assets being depreciated, net	<u>346,840</u>	<u>(9,568)</u>		<u>337,272</u>
<b>Capital Assets, net</b>	<u>\$ 355,540</u>	<u>\$ (9,568)</u>	<u>\$ -</u>	<u>\$ 345,972</u>

Depreciation is charged to administration expense in the Statement of Activities.

**b. Business-type activities**

Capital asset business-type activity for the fiscal year ended June 30, 2005 was as follows:

	Balance at July 1, 2004	Additions	Deletions	Balance at June 30, 2005
<b>Transit Fund</b>				
Capital Assets, being depreciated:				
Machinery and equipment	\$ 270,941	\$ -	\$ -	\$ 270,941
Less - Accumulated depreciation	(270,941)			(270,941)
Total Capital Assets, being depreciated				
Total Transit Capital Assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Correctional Facility Fund</b>				
Capital Assets, not being depreciated:				
Land	\$ 104,660	\$ -	\$ -	\$ 104,660
Capital Assets, being depreciated:				
Fields and grounds	9,224,912			9,224,912
Machinery and equipment	963,103	28,727		991,830
Less - Accumulated depreciation	(3,370,388)	(191,149)		(3,561,537)
Total Capital Assets, being depreciated	<u>6,817,627</u>	<u>(162,422)</u>		<u>6,655,205</u>
Total Correctional Facility Capital Assets, net	<u>\$6,922,287</u>	<u>\$ (162,422)</u>	<u>\$ -</u>	<u>\$ 6,759,865</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 7**    **Capital Assets (Continued)**

**b. Business-type activities (Continued)**

Capital asset business-type activity for the fiscal year ended June 30, 2005 was as follows: (Continued)

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Utility Authority Activity</b>				
Capital Assets, not being depreciated:				
Land	\$ 185,123	\$ 177,917	\$ -	\$ 363,040
Construction in progress	185,865	49,547		235,412
Total Utility Authority Capital Assets, not being depreciated	<u>370,988</u>	<u>227,464</u>		<u>598,452</u>
Capital Assets, being depreciated:				
Fields and grounds	6,856,157	229,976		7,086,133
Machinery and equipment	265,288	4,015		269,303
Pipelines	3,618,320			3,618,320
Less - Accumulated depreciation	(1,606,078)	(238,519)		(1,844,597)
Total Utility Authority Capital Assets, being depreciated	<u>9,133,687</u>	<u>(4,528)</u>		<u>9,129,159</u>
Total Utility Authority Capital Assets, net	<u>\$ 9,504,675</u>	<u>\$ 222,936</u>	<u>\$ -</u>	<u>\$ 9,727,611</u>
<b>Water Activity</b>				
Capital Assets, not being depreciated:				
Land	\$ 792,056	\$ -	\$ -	\$ 792,056
Water rights	3,124,799			3,124,799
Construction in progress	2,860,093	1,006,129	(3,866,222)	
Total Capital Assets, not being depreciated	<u>6,776,948</u>	<u>1,006,129</u>	<u>(3,866,222)</u>	<u>3,916,855</u>
Capital Assets, being depreciated:				
Wells and pump stations	707,356	3,866,222		4,573,578
Reservoirs	387,863			387,863
Machinery and equipment	7,793	8,981		16,774
Pipelines	8,760,599	174,942		8,935,541
Vehicles	138,656			138,656
Less - Accumulated Depreciation	(2,955,229)	(249,083)		(3,204,312)
Total Capital Assets, being depreciated	<u>7,047,038</u>	<u>3,801,062</u>		<u>10,848,100</u>
Total Water Capital Assets, net	<u>\$ 13,823,986</u>	<u>\$ 4,807,191</u>	<u>\$ (3,866,222)</u>	<u>\$ 14,764,955</u>
<b>Total Enterprise Funds</b>				
Capital assets, not being depreciated:				
Land	\$ 1,081,839	\$ 177,917	\$ -	\$ 1,259,756
Water rights	3,124,799			3,124,799
Construction in progress	3,045,958	1,055,676	(3,866,222)	235,412
Total Capital Assets, not being depreciated	<u>7,252,596</u>	<u>1,233,593</u>	<u>(3,866,222)</u>	<u>4,619,967</u>
Capital Assets, being depreciated:				
Fields and grounds	16,081,069	229,976		16,311,045
Wells and pump stations	707,356	3,866,222		4,573,578
Reservoirs	387,863			387,863
Machinery and equipment	1,507,125	41,723		1,548,848
Pipelines	12,378,919	174,942		12,553,861
Vehicles	138,656			138,656
Less - Accumulated depreciation	(8,202,636)	(678,751)		(8,881,387)
Total Capital Assets, being depreciated	<u>22,998,352</u>	<u>3,634,112</u>		<u>26,632,464</u>
Total Capital Assets, net	<u>\$ 30,250,948</u>	<u>\$ 4,867,705</u>	<u>\$ (3,866,222)</u>	<u>\$ 31,252,431</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

a. The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2005:

	Balance July 1, 2004	Additions/ Accretions	Repayments	Balance June 30, 2005	Due within one year
Adelanto Improvement Project, Tax Allocation Bonds, Issue 1993B	\$ 11,315,000	\$ -	\$ -	\$ 11,315,000	\$ -
Adelanto Public Financing Authority, Local Agency Taxable Subordinated Revenue Bonds 1995 Series A	5,290,000		380,000	4,910,000	400,000
Adelanto Public Financing Authority, Local Agency Second Subordinated Revenue Bonds 1995 Series B	16,455,000		220,000	16,235,000	235,000
Adelanto Public Financing Authority, Local Agency Third Subordinated Revenue Bonds 1995 Series C	13,533,827	985,904	786,712	13,733,019	398,168
Adelanto Public Financing Authority, Local Agency Fourth Subordinated Revenue Bonds 1995 Series D	4,320,252	322,690	70,892	4,572,050	
Total indebtedness	<u>50,914,079</u>	<u>1,308,594</u>	<u>1,457,604</u>	<u>50,765,069</u>	<u>1,033,168</u>
Compensated Absences	68,956	28,106		97,062	
Intermountain Power Agency Settlement Agreement	1,989,390			1,989,390	
San Bernardino County Tax Increment Loans	7,588,041	1,357,705		8,945,746	
Total other long-term obligations	<u>9,646,387</u>	<u>1,385,811</u>		<u>11,032,198</u>	
Total long-term obligations	<u>\$ 60,560,466</u>	<u>\$ 2,694,405</u>	<u>\$ 1,457,604</u>	<u>\$ 61,797,267</u>	<u>\$ 1,033,168</u>

A description of individual long-term obligations outstanding at June 30, 2005 is as follows:

**A.      1995 Bonds**

In January, 1996, the Redevelopment Agency, through the Adelanto Public Financing Authority, issued \$7,400,000 of Adelanto Public Financing Authority Local Agency Taxable Subordinated Revenue Bonds 1995 Series A (the 1995 Series A Bonds); \$17,560,000 Adelanto Public Financing Authority Local Agency Second Subordinated Revenue Bonds 1995 Series B (the 1995 Series B Bonds); \$11,786,856 Adelanto Public Financing Authority Local Agency Third Subordinated Revenue Bonds 1995 Series C (the 1995 Series C Bonds); and \$3,619,668 Adelanto Public Financing Authority Local Agency Fourth Subordinated Revenue Bonds 1995 Series D (the 1995 Series D Bonds). Net proceeds of \$38,714,310 (after original issued discount of \$234,494, 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) and the 1993 Series C Term Bonds maturing in 2029 (\$21,510,000) and \$10,060,000 of outstanding 1993 Series C Serial Bonds maturing after December 1, 1996, as well as to pay the County of San Bernardino settlement agreement (\$4,439,871, net) and other costs of implementing the Redevelopment Plan of \$41,165.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**A.      1995 Bonds (Continued)**

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

**1995 Series A Bonds**

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

<b>Redemption dates</b>	<b>Redemption price</b>
September 1, 2005 and March 1, 2006	102%
September 1, 2006 and March 1, 2007	101%
September 1, 2007 and thereafter	100%

A reserve fund is required to be maintained in an amount equal to the reserve requirement of \$740,000. The initial deposit in the 1995 Series A Reserve Account from the proceeds of the 1995 Series A Bonds is \$740,000 and is equal to the reserve fund at June 30, 2005. Such amount has been included in restricted cash and investments with fiscal agents in the accompanying component unit financial statements.

The outstanding balance on the 1995 Series A Bonds at June 30, 2005 was \$4,910,000.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**A.      1995 Bonds (Continued)**

1995 Series B Bonds

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

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

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

The outstanding balance on the 1995 Series B Bonds at June 30, 2005 was \$16,235,000.

1995 Series C Bonds

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**A.      1995 Bonds (Continued)**

**1995 Series C Bonds (Continued)**

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

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

The 1995 Series C Bonds carry no reserve fund requirement.

During the fiscal year ended June 30, 2005, the Redevelopment Agency recognized accretion of \$985,904 and made payments to the Water Authority of \$786,712. The balance outstanding on the 1995 Series C Bonds at June 30, 2005 was \$13,733,019.

**1995 Series D Bonds**

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

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

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**A.      1995 Bonds (Continued)**

1995 Series D Bonds

The 1995 Series D Bonds carry no reserve fund requirement.

During the fiscal year ended June 30, 2005, the Redevelopment Agency recognized accretion of \$322,690 on the 1995 Series D Bonds and made payments to the Water Authority of \$70,892. The balance outstanding on the 1995 Series D Bonds at June 30, 2005 was \$4,572,050.

**B.      1993 Bonds**

1993 Series B Bonds

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

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**B.     1993 Bonds (Continued)**

1993 Series B 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, 2005 was \$11,315,000.

**C.     Debt Service Requirements**

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

Fiscal Year ending June 30,	1993 Series B Tax Allocation Bonds		Total
	Principal	Interest	
2006	\$ -	\$ 622,325	\$ 622,325
2007		622,325	622,325
2008		622,325	622,325
2009		622,325	622,325
2010		622,325	622,325
2011-2015	3,015,000	2,714,938	5,729,938
2016-2020	4,005,000	1,762,338	5,767,338
2021-2024	4,295,000	487,988	4,782,988
	<u>\$ 11,315,000</u>	<u>\$ 8,076,889</u>	<u>\$ 19,391,889</u>

Fiscal Year ending June 30,	1995 Series A Revenue Bonds		Total
	Principal	Interest	
2006	\$ 400,000	\$ 326,645	\$ 726,645
2007	430,000	299,770	729,770
2008	455,000	270,894	725,894
2009	485,000	239,866	724,866
2010	520,000	206,190	726,190
2011-2015	75,000	929,700	1,004,700
2016-2020	85,000	898,020	983,020
2021-2025	1,185,000	842,940	2,027,940
2026	1,275,000	45,900	1,320,900
	<u>\$ 4,910,000</u>	<u>\$ 4,059,925</u>	<u>\$ 8,969,925</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**C. Debt Service Requirements (Continued)**

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

Fiscal Year Ending June 30,	1995 Series B Reserve Bonds		Total
	Principal	Interest	
2006	\$ 235,000	\$ 1,012,654	\$ 1,247,654
2007	245,000	998,491	1,243,491
2008	265,000	983,253	1,248,253
2009	280,000	966,693	1,246,693
2010	295,000	1,015,981	1,310,981
2011-2015	1,760,000	5,068,800	6,828,800
2016-2020	2,360,000	4,326,120	6,686,120
2021-2025	3,075,000	3,365,820	6,440,820
2026-2029	7,720,000	1,299,600	9,019,600
	<u>\$ 16,235,000</u>	<u>\$ 19,037,412</u>	<u>\$ 35,272,412</u>

Fiscal Year Ending June 30,	1995 Series C Revenue Bonds		Total
	Principal	Interest	
2006	\$ 398,168	\$ 427,072	\$ 825,240
2007	386,418	475,649	862,067
2008	375,118	525,698	900,816
2009	364,272	577,300	941,572
2010	353,877	630,756	984,633
2011-2015	1,603,519	3,962,195	5,565,714
2016-2020	1,380,707	5,569,931	6,950,638
2021-2025	1,215,746	7,585,775	8,801,521
2026-2029	7,655,194	6,300,181	13,955,375
	<u>\$ 13,733,019</u>	<u>\$ 26,054,557</u>	<u>\$ 39,787,576</u>

Fiscal Year Ending June 30,	1995 Series D Revenue Bonds		Total
	Principal	Interest	
2006	\$ -	\$ -	\$ -
2007			
2008			
2009			
2010			
2011-2015	212,868	598,773	811,641
2016-2020	871,812	3,627,998	4,499,810
2021-2025	1,386,131	8,798,760	10,184,891
2026-2029	2,101,239	10,288,130	12,389,369
	<u>\$ 4,572,050</u>	<u>\$ 23,313,661</u>	<u>\$ 27,885,711</u>

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**C. Debt Service Requirements (Continued)**

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

Fiscal Year Ending June 30,	Total		Total
	Principal	Interest	
2006	\$ 1,033,168	\$ 2,388,696	\$ 3,421,864
2007	1,061,418	2,396,235	3,457,653
2008	1,095,118	2,402,170	3,497,288
2009	1,129,272	2,406,184	3,535,456
2010	1,168,877	2,475,252	3,644,129
2011-2015	6,666,387	13,274,406	19,940,793
2016-2020	8,702,519	16,184,407	24,886,926
2021-2025	11,156,877	21,081,283	32,238,160
2026-2029	18,751,433	17,933,811	36,685,244
	<u>\$ 50,765,069</u>	<u>\$ 80,542,444</u>	<u>\$ 131,307,513</u>

**D. Intermountain Power Agency Settlement Agreement**

The Agency entered into an agreement with the Intermountain Power Agency (IPA) in April, 1993 regarding reimbursement of certain incremental property taxes generated by parcels owned by the IPA within the Agency project areas for 1992 and prior years. The IPA had filed appeals relating to the assessed value of these parcels for 1989 through 1992. As a condition of the agreement with the Agency, the IPA agreed to withdraw such appeals. The IPA filed an appeal for the 1993 assessed value, which was granted in September 1997. The IPA also filed appeals for fiscal years 1995 and 1996.

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, 2005.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

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

During fiscal year 1996, the 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, 2005 was \$8,945,746.

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

The following is a schedule of changes in long-term debt of the City for the fiscal year ended June 30, 2005:

	Balance July 1, 2004	Additions/ accretions	Reductions	Balance June 30, 2005	Due within one year
Adelanto Public Utility Authority Revenue Bonds, 2000 Series A	\$ 9,385,000	\$ -	\$ -	\$ 9,385,000	\$ -
Adelanto Public Utility Authority Revenue Bonds, 2000 Series B	21,285,000			21,285,000	
Adelanto Public Utility Authority Revenue Bonds 2000 Series C	13,655,000			13,655,000	
Adelanto Correctional Facility Lease Revenue Refunding Bonds - 2001	6,435,000		(1,000,000)	5,435,000	1,000,000
Compensated absences	299,078		(128,393)	170,685	
Total long-term debt	<u>\$ 51,059,078</u>	<u>\$ -</u>	<u>\$ (1,128,393)</u>	<u>\$ 49,930,685</u>	<u>\$ 1,000,000</u>

A description of individual long-term obligations outstanding at June 30, 2005 is as follows:

• **Adelanto Public Utility Authority Revenue Bonds, 2000 Series A**

In February, 2000, the Adelanto Public Utility Authority issued \$9,385,000 of Revenue Bonds with a initial interest rate of 4.45% to advance refund \$9,255,000 of outstanding Revenue Bonds (Wastewater System Project), 1996 Series A (1996 Series A Revenue Bonds) bearing interest at rates ranging from 6.00% to 6.55%. The interest rate on the 2000 Series A bonds was .95% at June 30, 2005. Interest on the 2000 Series A Revenue Bonds is payable initially on May 1, 2000, and semiannually thereafter on November 1 and May 1 of each year until November 1, 2001. After November 1, 2001, interest due on the 2000 Series A Revenue Bonds is payable December 1, 2001 and the first business day of each month thereafter, so long as the Bonds bear interest at a variable interest rate, and, after conversion to a fixed rate, at a fixed interest rate in accordance with the Indenture. The Bonds are also subject to mandatory sinking fund redemption commencing November 1, 2005, at a redemption price equal to the principal amount plus accrued interest.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

A description of individual long-term obligations outstanding at June 30, 2005 is as follows:  
(Continued)

• **Adelanto Public Utility Authority Revenue Bonds, 2000 Series A (Continued)**

The net proceeds of approximately \$8.5 million (after payment of a \$187,700 underwriter's discount, \$436,288 in issuance costs, and \$207,000 to a rate stabilization fund) plus an additional \$1.2 million of 1996 Series A 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 1996 Series A Revenue Bonds. As a result, the 1996 Series A Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the accompanying financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$1 million.

During the variable rate period and on 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 an amount of \$100,000 or any integral multiple of \$5,000) at a redemption price equal to the principal amount with accrued interest to the date fixed for redemption, without premium.

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:

<u>Prepayment dates</u>	<u>Redemption price</u>
Ninth anniversary of the fixed rate conversion date to the day before the tenth anniversary date of the fixed rate conversion date	102%
Tenth anniversary of the fixed rate conversion date to the day before the eleventh anniversary date of the fixed rate conversion date	101%
Eleventh anniversary of the fixed rate conversion date and thereafter	100%

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

A description of individual long-term obligations outstanding at June 30, 2005 is as follows:  
(Continued)

• **Adelanto Public Utility Authority Revenue Bonds, 2000 Series A (Continued)**

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 2000 Bonds Series A, B, and C is \$1,000,000, of which \$207,000 was deposited for the 2000 Series A Bonds. As of June 30, 2005, the total balance in the Rate Stabilization Fund was \$1,000,000 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 2000 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 facilities furnished by the wastewater system during each fiscal year which are sufficient to yield net wastewater revenues at least equal to 115% of the total 2000 Series A Bonds debt service coming due and payable in such fiscal year.

The outstanding balance on the 2000 Series A Revenue Bonds at June 30, 2005 was \$9,385,000.

• **Adelanto Public Utility Authority Revenue Bonds, 2000 Series B**

In February, 2000, the Adelanto Public Utility Authority issued \$21,285,000 of Revenue Bonds (2000 Series B Revenue Bonds), approximately \$17 million of which, along with proceeds from the 2000 Series C Taxable Revenue Bonds, was used to advance refund \$23,330,000 of outstanding Revenue Bonds (Water System Acquisition Project), 1995 Series A (1995 Series A Revenue Bonds) bearing interest at 7.5%. The proceeds were also used to advance refund the outstanding \$3,410,000 Adelanto Water Authority Parity Revenue Bonds, 1998 Series A (1998 Series A Parity Revenue Bonds) bearing interest at 7.5%. The interest rate on the 2000 Series B bonds was .95% at June 30, 2005. Interest on the 2000 Series B Revenue Bonds is payable initially on April 1, 2000, and the first business day of each month thereafter, so long as the Bonds bear interest at a variable interest rate, and, after conversion to a fixed rate, at a fixed interest rate in accordance with the Indenture. The Bonds are also subject to mandatory sinking fund redemption commencing November 1, 2005, at a redemption price equal to the principal amount plus accrued interest.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

A description of individual long-term obligations outstanding at June 30, 2005 is as follows:  
(Continued)

• **Adelanto Public Utility Authority Revenue Bonds, 2000 Series B (Continued)**

The issuance resulted in net proceeds of approximately \$19.4 million (after payment of a \$425,700 underwriter's discount, \$983,221 in issuance costs, and \$460,000 to a rate stabilization fund). Of the \$19.4 million in net proceeds and an additional \$2.7 million in funds from prior bond reserve funds, \$17 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, along with the securities purchased from the 2000 Series C Bonds, to pay principal and interest on the 1995 Series A Revenue Bonds and on the 1998 Series A Parity Revenue Bonds through and including September 1, 2008 and to pay the redemption price on the remaining 1995 Series A Revenue Bonds and 1998 Series A Parity Revenue Bonds on September 1, 2008. As a result, the 1995 Series A Revenue Bonds and the 1998 Series A Parity Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the accompanying financial statements.

The remaining amount of \$5.1 million was used to fund a Water Project Fund for approximately \$3.6 million and a Wastewater Project Fund for \$1.5 million. The Water Project Fund includes a \$2.8 million amount to pay the cost of construction of a 4.0 million gallon water tank and a \$750,000 reserve for litigation costs. The Wastewater Project Fund will be used to pay for construction of various sewer and facility upgrades.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$2.7 million. The Public Utility Authority completed the advance refunding in part to refund the 1995 Series A Revenue Bonds and obtain additional funds to finance the Water and Wastewater Funds.

During the variable rate period and on 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 an amount of \$100,000 or any integral multiple of \$5,000) at a redemption price equal to the principal amount with accrued interest to the date fixed for redemption, without premium.

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:

<u>Prepayment dates</u>	<u>Redemption price</u>
Ninth anniversary of the fixed rate conversion date to the day before the tenth anniversary date of the fixed rate conversion date	102%
Tenth anniversary of the fixed rate conversion date to the day before the eleventh anniversary date of the fixed rate conversion date	101%
Eleventh anniversary of the fixed rate conversion date and thereafter	100%

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

A description of individual long-term obligations outstanding at June 30, 2005 is as follows:  
(Continued)

•    **Adelanto Public Utility Authority Revenue Bonds, 2000 Series B (Continued)**

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 2000 Bonds Series A, B, and C is \$1,000,000, of which \$460,000 was originally deposited for the 2000 Series B Bonds.

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 2000 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 facilities furnished by the wastewater system during each fiscal year that are sufficient to yield net wastewater revenues at least equal to 115% of the total 2000 Series B Bonds debt service coming due and payable in such fiscal year.

The outstanding balance on the 2000 Series B Revenue Bonds at June 30, 2005 was \$21,285,000.

•    **Adelanto Public Utility Authority Variable Rate Taxable Revenue Bonds, 2000 Series C**

In February, 2000, the Adelanto Public Utility Authority issued \$13,655,000 of Revenue Bonds (2000 Series C Revenue Bonds), which in addition to prior bond reserve funds of approximately \$1.7 million, was used to advance refund a portion of the \$23,330,000 of outstanding Revenue Bonds (Water System Acquisition Project), 1995 Series A (1995 Series A Revenue Bonds) bearing interest at 7.5%. The interest rate on the 2000 Series C bonds was 1.15% at June 30, 2005. Interest on the 2000 Series C Revenue Bonds is payable initially on April 1, 2000, and the first business day of each month thereafter, so long as the Bonds bear interest at a variable interest rate, and, after conversion to a fixed rate, at a fixed interest rate in accordance with the Indenture. The Bonds are also subject to mandatory sinking fund redemption commencing November 1, 2006, at a redemption price equal to the principal amount plus accrued interest.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

A description of individual long-term obligations outstanding at June 30, 2005 is as follows:  
(Continued)

- **Adelanto Public Utility Authority Variable Rate Taxable Revenue Bonds, 2000 Series C (Continued)**

The issuance resulted in net proceeds of approximately \$12.5 million (after payment of a \$273,100 underwriter's discount, \$588,462 in issuance costs, and \$333,000 to a rate stabilization fund). The aggregate of \$12.5 million in net proceeds and an additional \$1.7 million in funds from prior bond reserve funds, was used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to be used, along with the securities purchased from the 2000 Series B Bonds, to pay principal and interest on the 1995 Series A Revenue Bonds through and including September 1, 2008 and to pay the redemption price on the remaining 1995 Series A Revenue Bonds on September 1, 2008. As a result, the 1995 Series A Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the accompanying financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$2.2 million.

During the variable rate period and on 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 an amount of \$100,000 or any integral multiple of \$5,000) at a redemption price equal to the principal amount with accrued interest to the date fixed for redemption, without premium.

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:

<u>Prepayment dates</u>	<u>Redemption price</u>
Ninth anniversary of the fixed rate conversion date to the day before the tenth anniversary date of the fixed rate conversion date	102%
Tenth anniversary of the fixed rate conversion date to the day before the eleventh anniversary date of the fixed rate conversion date	101%
Eleventh anniversary of the fixed rate conversion date and thereafter	100%

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 2000 Bonds Series A, B, and C is \$1,000,000, of which \$333,000 was originally deposited for the 2000 Series C Bonds.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

A description of individual long-term obligations outstanding at June 30, 2005 is as follows:  
(Continued)

•    **Adelanto Public Utility Authority Variable Rate Taxable Revenue Bonds, 2000 Series C (Continued)**

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 2000 Series C 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 facilities furnished by the wastewater system during each fiscal year which are sufficient to yield net wastewater revenues at least equal to 115% of the total 2000 Series C Bonds debt service coming due and payable in such fiscal year.

The outstanding balance on the 2000 Series C Revenue Bonds at June 30, 2005 was \$13,655,000.

•    **Adelanto Correctional Facility 2001 A Lease Revenue Refunding Bonds**

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

A description of individual long-term obligations outstanding at June 30, 2005 is as follows:  
(Continued)

• **Adelanto Correctional Facility 2001 A Lease Revenue Refunding Bonds (Continued)**

Corrections (the “State” or the “Department”) as described herein. Payments due under the State Contract are payable only from current funds which are budgeted and appropriated annually or otherwise legally available for such purpose.

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

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

The outstanding principal balance of the bonds at June 30, 2005 is \$5,435,000.

• **Debt Service Requirements**

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

Fiscal year	2001A ACF Lease Revenue Refunding	2000 Public Utility Bonds Series A	2000 Public Utility Bonds Series B	2000 Public Utility Bonds Series C	Total
2006	\$ 1,254,638	\$ 250,868	\$ 681,841	\$ 170,688	\$ 2,358,035
2007	1,254,638	254,246	691,974	349,563	2,550,421
2008	1,253,238	262,546	696,979	362,219	2,574,982
2009	1,251,800	265,769	706,855	369,719	2,594,143
2010	1,252,475	273,915	716,576	382,063	2,625,029
2011-2015		1,468,571	3,723,289	2,069,656	7,261,516
2016-2020		1,662,929	3,962,889	2,424,659	8,050,477
2021-2025		1,907,482	4,264,955	2,906,721	9,079,158
2026-2030		2,208,779	4,595,990	3,540,003	10,344,772
2031-2035		2,587,208	4,972,438	4,399,375	11,959,021
	6,266,789	11,142,313	25,013,786	16,974,666	59,397,554
Less amount representing interest	831,789	1,757,313	3,728,786	3,319,666	9,637,554
Balance outstanding	\$ 5,435,000	\$ 9,385,000	\$ 21,285,000	\$ 13,655,000	\$ 49,760,000

• **Defeasance of Debt**

At June 30, 2005, the principal amount of defeased debt still outstanding was as follows:

1995	Series A Revenue Bonds	\$ 23,330,000
1998	Series A Revenue Bonds	3,250,000
	Total	\$ 26,580,000

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**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 24 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 \$10,000,000 (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. In addition, the City participates in the all-risk property protection program. There have been no significant changes in insurance coverage from the prior year.

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

The following is a summary of the PERMA's financial information from its audited financial statements for the fiscal year ended June 30, 2005:

Total Assets	\$ 16,235,474
Total Liabilities	9,337,697
Fund Equity	<u>\$ 6,897,777</u>
Operating revenues	\$ 5,507,913
Operating expenses	(3,905,387)
Other items	224,779
Net income (Loss)	<u>\$ 1,827,305</u>

**Note 11**      **Commitments and Contingencies**

**a.      Financial Stability**

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

**b.    General Litigation**

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

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

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's belief that any required reimbursements will not be material.

**c.    Intermountain Power Agency Settlement Agreement**

The Redevelopment Agency entered into an agreement with the Intermountain Power Agency (IPA) in April 1993, regarding reimbursement of certain incremental property taxes generated by parcels owned by the IPA within the Redevelopment Agency project areas for 1992 and prior years. The IPA had filed appeals relating to the assessed value of these parcels for years 1989 through 1992. As a condition of the agreement with the Redevelopment Agency, the IPA agreed to withdraw such appeals. The IPA also filed appeals for property tax years 1993, 1995, and 1996.

The agreement states that if the IPA seeks a reassessment of the assessed value of the parcels (i.e., the 1993 appeal) and is successful in any future claim resulting in a reduction in property taxes assessed by the County or other taxing entity, the Redevelopment Agency agrees to reimburse the IPA for those amounts (to a maximum of \$2,200,000) that the IPA calculates that it would have lost in refunds as a result of dismissing the appeals for 1992 and prior. The reimbursement is to be paid by the Redevelopment Agency each year, beginning 90 days from a final decision by the County resulting in a reduced tax assessment, in an annual amount equal to \$78,751 multiplied by a "Fractional Amount", as defined in the agreement. The term "Fractional Amount" has been determined to mean the amount of the actual reduction in the tax assessment as determined by the County divided by an amount equal to the reduction in such tax assessment sought by the IPA.

Amounts due under the agreement are payable annually beginning 90 days after the final decision and continuing on or before September 30 of each year until the obligation (\$2,200,000 multiplied by the "Fractional Amount") is paid in full. Amounts due to the IPA under this agreement are subordinate to all tax allocation bonds of the Redevelopment Agency, whenever incurred. Based on the assessment appeal granted to the IPA for 1993, the liability that the Redevelopment Agency has incurred under this agreement is \$1,989,390. Since the Redevelopment Agency was a principal beneficiary of such property taxes, the full amount of such payments has been established as a long-term liability in the accompanying financial statements as of June 30, 2005.

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

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

At June 30, 2005, no amounts have been paid by the Redevelopment Agency under this agreement.

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

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

**c.    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 2005. Such deferral aggregated \$7,796,844. 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, obligation is not likely to be funded in the foreseeable future.

**Note 12**      **Pass-Through Agreements**

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

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

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

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 12**      **Pass-Through Agreements (Continued)**

During fiscal 1996, the Redevelopment Agency and San Bernardino County amended the pass-through agreement for incremental property taxes in the Project Area. Under the revised agreement, the Redevelopment Agency is required to relinquish approximately 33% of incremental property taxes to the County, of which approximately half (16.26%) would be subordinate to the Redevelopment Agency's existing long-term debt. The County will loan to the Redevelopment Agency, at the rate of 7% per annum, the amount of the deferred incremental property taxes needed to meet debt service requirements on the refunding bonds discussed below, plus amounts needed, up to \$100,000 annually, to administer the Redevelopment Agency's long-term debt. Any such loans are subordinate to Series A, B, and C of the Adelanto Public Financing Authority refunding bonds but senior to the Series D Bonds.

**Note 13**      **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, 2005 was 7.72%.

**Annual Pension Cost**

For the fiscal year ended June 30, 2005, the City's annual pension cost (employer contribution) of \$303,806 for employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 7.75% long term investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary from 3.25% to 14.45%, depending on age, service, and type of employment, (c) long term inflation of 3.00%, which is a component of both the long term rate of return and the salary scale, (d) overall payroll growth of 3.25%, which consists of inflation and worker productivity, and (e) individual salary growth that varies by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and current service unfunded liability into a single initial unfunded liability.

**THREE-YEAR TREND INFORMATION**

<u>Fiscal Year</u>	<u>Annual Pension Cost (employer contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$ 138,203	100%	\$ -
6/30/2004	302,113	100%	-
6/30/2005	303,806	100%	-

**CITY OF ADELANTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**Note 13**     **Defined Benefit Pension Plan (Continued)**

**Annual Pension Cost (Continued)**

REQUIRED SUPPLEMENTARY INFORMATION						
Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* As a % of Payroll
6/30/2003	\$ 208,937	\$ 268,138	\$ (59,201)	128.3%	\$ 4,213,048	-1.4%
6/30/2004	791,237	905,131	(113,894)	114.4%	3,899,096	-2.9%
6/30/2005	1,259,395	1,514,045	(254,650)	120.2%	3,935,315	-6.5%

\*UAAL refers to unfunded actuarial accrued liability.

**Note 14**     **Fund Balance Reservations/Designations**

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

**Reserves:**

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

**Designations:**

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

**Note 15**     **Subsequent Events**

In September 2005, the Financing Authority issued Variable Rate Refunding Revenue Bonds, 2005 Series A in the amount of \$55,615,000. The 2005 Series A Bonds are being issued on a parity with the Authority's Taxable Variable Rate Refunding Revenue Bonds, 2005 Series B in order to provide a portion of the moneys to refinance all of the authority's outstanding Variable Rate Revenue Bonds, 2000 Series A and 2000 Series B, to provide funds to finance certain improvements to the Wastewater Enterprise and the Water Enterprise, to fund a debt service reserve account and to pay the expenses of the Authority in connection with the delivery of the 2005 Series A Bonds.

In September 2005, the Financing Authority issued Taxable Variable Rate Refunding Revenue Bonds, 2005 Series B in the amount of \$15,020,000. The 2005 Series B Bonds are being issued to provide a portion of the moneys to refinance the Authority's Variable Rate Taxable Revenue Bonds, 2000 Series C Bonds currently outstanding, to fund a debt service reserve account and to pay certain costs in connection with the issuance of the 2005 Series B Bonds.

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 1,408,000	\$ 1,408,000	\$ 2,762,558	\$ 1,354,558
Licenses and permits	1,511,850	1,511,850	1,100,527	(411,323)
Fines, forfeitures, and penalties	79,500	79,500	91,212	11,712
Intergovernmental revenue	2,550,269	2,550,269	1,537,143	(1,013,126)
Charges for current services	256,500	256,500	1,536,538	1,280,038
Other revenues	12,600	12,600	66,867	54,267
<b>Total revenues</b>	<b>5,818,719</b>	<b>5,818,719</b>	<b>7,094,845</b>	<b>1,276,126</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
City council	52,440	52,440	52,080	360
City manager	171,675	171,675	108,799	62,876
City clerk	98,053	98,053	88,883	9,170
Finance	198,197	198,197	195,922	2,275
City attorney	220,000	220,000	387,289	(167,289)
Non-departmental	764,773	764,773	660,582	104,191
<b>Total general government</b>	<b>1,505,138</b>	<b>1,505,138</b>	<b>1,493,555</b>	<b>11,583</b>
Public safety:				
Police	3,360,000	3,360,000	3,215,372	144,628
Fire	1,605,000	1,605,000	1,767,202	(162,202)
Code enforcement	216,289	216,289	169,218	47,071
Animal control	125,042	125,042	110,335	14,707
<b>Total public safety</b>	<b>5,306,331</b>	<b>5,306,331</b>	<b>5,262,127</b>	<b>44,204</b>
Public works:				
Street maintenance	480,001	480,001	433,519	46,482
Engineering and other	378,655	378,655	529,662	(151,007)
Building and safety	435,939	435,939	421,263	14,676
Vehicle maintenance	68,076	68,076	73,757	(5,681)
<b>Total public works</b>	<b>1,362,671</b>	<b>1,362,671</b>	<b>1,458,201</b>	<b>(95,530)</b>
Community development	205,958	205,958	578,519	(372,561)
<b>Total community development</b>	<b>205,958</b>	<b>205,958</b>	<b>578,519</b>	<b>(372,561)</b>

Continued

See Notes to the Basic Financial Statements

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2005**  
**(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation				
Senior Center	\$ 16,500	\$ 16,500	\$ 14,576	\$ 1,924
Community Center	9,750	9,750	15,645	(5,895)
Parks and grounds	59,529	59,529	63,035	(3,506)
	<u>85,779</u>	<u>85,779</u>	<u>93,256</u>	<u>(7,477)</u>
Total parks and recreation				
Capital outlay	215,000	215,000	188,037	26,963
	<u>8,680,877</u>	<u>8,680,877</u>	<u>9,073,695</u>	<u>(392,818)</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>(2,862,158)</u>	<u>(2,862,158)</u>	<u>(1,978,850)</u>	<u>883,308</u>
<b>OTHER FINANCING SOURCES</b>				
<b>(USES)</b>				
Sales of property			21,059	21,059
Transfers in	3,143,000	3,143,000	2,667,049	(475,951)
Transfers out			(836,851)	(836,851)
	<u>3,143,000</u>	<u>3,143,000</u>	<u>1,851,257</u>	<u>(1,291,743)</u>
Total other financing sources (uses)				
Net Change in Fund Balance	280,842	280,842	(127,593)	(408,435)
Fund balance - July 1, 2004	<u>(1,017,768)</u>	<u>(1,017,768)</u>	<u>(1,017,768)</u>	
Fund balance - June 30, 2005	<u>\$ (736,926)</u>	<u>\$ (736,926)</u>	<u>\$ (1,145,361)</u>	<u>\$ (408,435)</u>

See Notes to the Basic Financial Statements

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 442	\$ 442
Charges for current services	1,710,000	1,710,000	1,818,525	108,525
<b>Total revenues</b>	<b>1,710,000</b>	<b>1,710,000</b>	<b>1,818,967</b>	<b>108,967</b>
<b>EXPENDITURES</b>				
Current:				
Public works	1,547,000	1,547,000	1,840,592	(293,592)
Capital outlay			155	(155)
<b>Total expenditures</b>	<b>1,547,000</b>	<b>1,547,000</b>	<b>1,840,747</b>	<b>(293,747)</b>
Excess of revenues over (under) expenditures	163,000	163,000	(21,780)	(184,780)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(165,000)	(165,000)		165,000
<b>Total other financing sources (uses)</b>	<b>(165,000)</b>	<b>(165,000)</b>		<b>165,000</b>
<b>Net Change in Fund Balance</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(21,780)</b>	<b>(19,780)</b>
Fund balance - July 1, 2004	(8,189)	(8,189)	(8,189)	
<b>Fund balance - June 30, 2005</b>	<b>\$ (10,189)</b>	<b>\$ (10,189)</b>	<b>\$ (29,969)</b>	<b>\$ (19,780)</b>

See Notes to the Basic Financial Statements

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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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,500,000	\$ 3,500,000	\$ 3,689,409	\$ 189,409
Investment earnings	200,000	200,000	186,721	(13,279)
Total revenues	<u>3,700,000</u>	<u>3,700,000</u>	<u>3,876,130</u>	<u>176,130</u>
<b>EXPENDITURES</b>				
Current:				
Pass-through payments	1,000,000	1,000,000	123,226	876,774
Debt service:				
Principal retirement	3,025,000	3,025,000	1,457,604	1,567,396
Interest and other charges			1,999,882	(1,999,882)
Total expenditures	<u>4,025,000</u>	<u>4,025,000</u>	<u>3,580,712</u>	<u>444,288</u>
Excess of revenues over (under) expenditures	<u>(325,000)</u>	<u>(325,000)</u>	<u>295,418</u>	<u>620,418</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Net Change in Fund Balance	(425,000)	(425,000)	195,418	620,418
Fund balance - July 1, 2004	<u>5,458,983</u>	<u>5,458,983</u>	<u>5,458,983</u>	
Fund balance - June 30, 2005	<u>\$ 5,033,983</u>	<u>\$ 5,033,983</u>	<u>\$ 5,654,401</u>	<u>\$ 620,418</u>

**CITY OF ADELANTO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2005**

	Special Revenue Funds			
	Gas Tax Street	Measure "I"	Community Development Block Grant	Special Park
<b>ASSETS</b>				
Cash and investments	\$ 380,583	\$ 2,493,591	\$ -	\$ 401,330
Accounts receivable - net	42,384	109,966		
Interest receivable		5,758		
Due from other funds		1,242,635		
Notes receivable				
Land held for resale				
<b>Total assets</b>	<b>\$ 422,967</b>	<b>\$ 3,851,950</b>	<b>\$ -</b>	<b>\$ 401,330</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 16,769	\$ -	\$ -
Accrued expenditures				
Deposit payable				
Due to other funds				
Deferred revenue	115,054			
Advances payable				
<b>Total Liabilities</b>	<b>115,054</b>	<b>16,769</b>		
<b>Fund Balances:</b>				
<b>Reserved:</b>				
Land held for resale				
Debt service				
<b>Unreserved:</b>				
Designated for special revenue purposes	307,913	3,835,181		401,330
Undesignated				
<b>Total fund balances</b>	<b>307,913</b>	<b>3,835,181</b>		<b>401,330</b>
<b>Total liabilities and fund balances</b>	<b>\$ 422,967</b>	<b>\$ 3,851,950</b>	<b>\$ -</b>	<b>\$ 401,330</b>

Special Revenue Funds

Maverick Stadium	Traffic Offender	TDA Article 8	Asset Forfeiture State	Redevelopment Agency Project Area 3 Housing Set-Aside	Drainage Impact
\$ - 36,600	\$ 15,021	\$ 396,173	\$ 123,334	\$ 17,593	\$ 64,247
<u>\$ 36,600</u>	<u>\$ 15,021</u>	<u>\$ 396,173</u>	<u>\$ 123,334</u>	<u>\$ 17,593</u>	<u>\$ 64,247</u>
\$ 3,890 981 1,896,309	\$ -	\$ -	\$ -	\$ -	\$ -
<u>1,901,180</u>					
(1,864,580)	15,021	396,173	123,334	17,593	64,247
<u>(1,864,580)</u>	<u>15,021</u>	<u>396,173</u>	<u>123,334</u>	<u>17,593</u>	<u>64,247</u>
<u>\$ 36,600</u>	<u>\$ 15,021</u>	<u>\$ 396,173</u>	<u>\$ 123,334</u>	<u>\$ 17,593</u>	<u>\$ 64,247</u>

Continued

**CITY OF ADELANTO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2005  
(Continued)**

	Special Revenue Funds			
	Asset Forfeiture Education	Public Safety	Local Law Enforcement Block Grant	California AB Distributions
<b>ASSETS</b>				
Cash and investments	\$ 51,359	\$ -	\$ -	\$ 44,422
Accounts receivable - net		8,799		7,818
Interest receivable				
Due from other funds				
Notes receivable				
Land held for resale				
<b>Total assets</b>	<b>\$ 51,359</b>	<b>\$ 8,799</b>	<b>\$ -</b>	<b>\$ 52,240</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenditures				
Deposit payable				
Due to other funds		8,799		
Deferred revenue				
Advances payable				
<b>Total Liabilities</b>		<b>8,799</b>		
<b>Fund Balances:</b>				
<b>Reserved:</b>				
Land held for resale				
Debt service				
<b>Unreserved:</b>				
Designated for special revenue purposes	51,359			
Undesignated				52,240
<b>Total fund balances</b>	<b>51,359</b>			<b>52,240</b>
<b>Total liabilities and fund balances</b>	<b>\$ 51,359</b>	<b>\$ 8,799</b>	<b>\$ -</b>	<b>\$ 52,240</b>

Special Revenue Funds		Capital Projects Funds			Redevelopment Agency Project Area 3 Debt Service	Totals
COPS Grant	CLEBP	Redevelopment Agency	Redevelopment Agency Projects Area 3			
\$ 102,043	\$ 25,980	\$ 324,832	\$ 100,000	\$ 67,736 2,421	\$ 4,608,244 207,988 5,758 1,805,748 993,467 1,901,942	
<u>\$ 102,043</u>	<u>\$ 25,980</u>	<u>\$ 3,783,354</u>	<u>\$ 100,000</u>	<u>\$ 70,157</u>	<u>\$ 9,523,147</u>	
\$ -	\$ 798	\$ 27,783	\$ -	\$ -	\$ 49,240 981 850 2,488,949 1,108,521 2,124,243	
		850 558,725 993,467 1,924,243	25,116 200,000			
	798	3,505,068	225,116		5,772,784	
		1,901,942			1,901,942 70,157	
102,043	25,182	(1,623,656)	(125,116)		5,339,376 (3,561,112)	
102,043	25,182	278,286	(125,116)	70,157	3,750,363	
<u>\$ 102,043</u>	<u>\$ 25,980</u>	<u>\$ 3,783,354</u>	<u>\$ 100,000</u>	<u>\$ 70,157</u>	<u>\$ 9,523,147</u>	

**CITY OF ADELANTO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2005**

	Special Revenue Funds			
	Gas Tax Street	Measure "I"	Community Development Block Grant	Special Park
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits				217,390
Fines, forfeitures, and penalties				
Investment earnings	6,493	61,568		1,826
Charges for current services				
Intergovernmental revenue	<u>405,034</u>	<u>757,372</u>	<u>349,927</u>	
Total revenues	<u>411,527</u>	<u>818,940</u>	<u>349,927</u>	<u>219,216</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Public safety				
Public works		484,772		
Community development				
Parks and grounds				3,721
Capital outlay			<u>349,207</u>	<u>17,268</u>
Total expenditures		<u>484,772</u>	<u>349,207</u>	<u>20,989</u>
Excess of revenues over (under) expenditures	<u>411,527</u>	<u>334,168</u>	<u>720</u>	<u>198,227</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out	<u>(360,000)</u>	<u>(46,000)</u>	<u>(720)</u>	
Total other financing sources (uses)	<u>(360,000)</u>	<u>(46,000)</u>	<u>(720)</u>	
Net Change in Fund Balances	51,527	288,168		198,227
Fund balances - July 1, 2004	<u>256,386</u>	<u>3,547,013</u>		<u>203,103</u>
Fund balances - June 30, 2005	<u>\$ 307,913</u>	<u>\$ 3,835,181</u>	<u>\$ -</u>	<u>\$ 401,330</u>

Special Revenue Funds

Maverick Stadium	Traffic Offender	TDA Article 8	Asset Forfeiture State	Redevelopment Agency Project Area 3 Housing Set-Aside	Drainage Impact
\$ -	\$ -	\$ -	\$ -	\$ 17,593	\$ -
	29,143				
100,188	631	2,448	1,078		41
		193,227			64,206
<u>100,188</u>	<u>29,774</u>	<u>195,675</u>	<u>1,078</u>	<u>17,593</u>	<u>64,247</u>
			10,311		
181,063					
2,950		157,050			
<u>184,013</u>		<u>157,050</u>	<u>10,311</u>		
(83,825)	29,774	38,625	(9,233)	17,593	64,247
	(30,000)		(17,000)		
	(30,000)		(17,000)		
(83,825)	(226)	38,625	(26,233)	17,593	64,247
(1,780,755)	15,247	357,548	149,567		
<u>\$ (1,864,580)</u>	<u>\$ 15,021</u>	<u>\$ 396,173</u>	<u>\$ 123,334</u>	<u>\$ 17,593</u>	<u>\$ 64,247</u>

Continued

**CITY OF ADELANTO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2005**  
**(Continued)**

	Special Revenue Funds			
	Asset Forfeiture Education	Public Safety	Local Law Enforcement Block Grant	California AB Distributions
<b>REVENUES</b>				
Taxes	\$ -	\$ 99,397	\$ -	\$ -
Licenses and permits				
Fines, forfeitures, and penalties				
Investment earnings	346			279
Charges for current services				
Intergovernmental revenue			250	14,806
<b>Total revenues</b>	<u>346</u>	<u>99,397</u>	<u>250</u>	<u>15,085</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Public safety				
Public works				4,801
Community development				
Parks and grounds				
Capital outlay				
<b>Total expenditures</b>				<u>4,801</u>
Excess of revenues over (under) expenditures	<u>346</u>	<u>99,397</u>	<u>250</u>	<u>10,284</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			8,580	
Transfers out		(99,397)	(44,932)	
<b>Total other financing sources (uses)</b>		<u>(99,397)</u>	<u>(36,352)</u>	
<b>Net Change in Fund Balances</b>	346		(36,102)	10,284
<b>Fund balances - July 1, 2004</b>	<u>51,013</u>		<u>36,102</u>	<u>41,956</u>
<b>Fund balances - June 30, 2005</b>	<u>\$ 51,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,240</u>

Special Revenue Funds		Capital Projects Funds				
COPS Grant	CLEEP	Redevelopment Agency	Redevelopment Agency Projects Area 3	Redevelopment Agency Project Area 3 Debt Service	Totals	
\$ -	\$ -	\$ -	\$ -	\$ 70,157	\$ 187,147	
					217,390	
					29,143	
1,668	261	80,640			157,279	
					164,394	
100,490					1,821,106	
102,158	261	80,640		70,157	2,576,459	
		217,873	50,000		267,873	
	20,146				30,457	
		75,868	1,166		489,573	
					77,034	
					184,784	
					526,475	
	20,146	293,741	51,166		1,576,196	
102,158	(19,885)	(213,101)	(51,166)	70,157	1,000,263	
		100,000			108,580	
(100,000)					(698,049)	
(100,000)		100,000			(589,469)	
2,158	(19,885)	(113,101)	(51,166)	70,157	410,794	
99,885	45,067	391,387	(73,950)		3,339,569	
\$ 102,043	\$ 25,182	\$ 278,286	\$ (125,116)	\$ 70,157	\$ 3,750,363	

**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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 300	\$ 6,493	\$ 6,193
Intergovernmental revenue	364,000	405,034	41,034
Total revenues	<u>364,300</u>	<u>411,527</u>	<u>47,227</u>
Excess of revenues over (under) expenditures	<u>364,300</u>	<u>411,527</u>	<u>47,227</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(360,000)</u>	<u>(360,000)</u>	
Total other financing sources (uses)	<u>(360,000)</u>	<u>(360,000)</u>	
Net Change in Fund Balance	4,300	51,527	47,227
Fund balance - July 1, 2004	<u>256,386</u>	<u>256,386</u>	
Fund balance - June 30, 2005	<u>\$ 260,686</u>	<u>\$ 307,913</u>	<u>\$ 47,227</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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 56,000	\$ 61,568	\$ 5,568
Intergovernmental revenue	3,632,000	757,372	(2,874,628)
Total revenues	<u>3,688,000</u>	<u>818,940</u>	<u>(2,869,060)</u>
<b>EXPENDITURES</b>			
Current:			
Public works	90,000	484,772	(394,772)
Capital outlay	4,885,000		4,885,000
Total expenditures	<u>4,975,000</u>	<u>484,772</u>	<u>4,490,228</u>
Excess of revenues over (under) expenditures	<u>(1,287,000)</u>	<u>334,168</u>	<u>1,621,168</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	25,000		(25,000)
Transfers out	(34,600)	(46,000)	(11,400)
Total other financing sources (uses)	<u>(9,600)</u>	<u>(46,000)</u>	<u>(36,400)</u>
Net Change in Fund Balance	(1,296,600)	288,168	1,584,768
Fund balance - July 1, 2004	<u>3,547,013</u>	<u>3,547,013</u>	
Fund balance - June 30, 2005	<u>\$ 2,250,413</u>	<u>\$ 3,835,181</u>	<u>\$ 1,584,768</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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenue	\$ 506,805	\$ 349,927	\$ (156,878)
Total revenues	<u>506,805</u>	<u>349,927</u>	<u>(156,878)</u>
<b>EXPENDITURES</b>			
Capital outlay	483,805	349,207	134,598
Total expenditures	<u>483,805</u>	<u>349,207</u>	<u>134,598</u>
Excess of revenues over (under) expenditures	<u>23,000</u>	<u>720</u>	<u>(22,280)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(23,000)	(720)	22,280
Total other financing sources (uses)	<u>(23,000)</u>	<u>(720)</u>	<u>22,280</u>
Net Change in Fund Balance			
Fund balance - July 1, 2004			
Fund balance - June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Licenses and permits	\$ 60,000	\$ 217,390	\$ 157,390
Investment earnings	200	1,826	1,626
Intergovernmental revenue	411,502		(411,502)
<b>Total revenues</b>	<b>471,702</b>	<b>219,216</b>	<b>(252,486)</b>
<b>EXPENDITURES</b>			
Current:			
Parks and grounds		3,721	(3,721)
Capital outlay	476,502	17,268	459,234
<b>Total expenditures</b>	<b>476,502</b>	<b>20,989</b>	<b>455,513</b>
<b>Net Change in Fund Balance</b>	<b>(4,800)</b>	<b>198,227</b>	<b>203,027</b>
Fund balance - July 1, 2004	203,103	203,103	
<b>Fund balance - June 30, 2005</b>	<b>\$ 198,303</b>	<b>\$ 401,330</b>	<b>\$ 203,027</b>

**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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 71,765	\$ -	\$ (71,765)
Charges for current services	50,000	100,188	50,188
Total revenues	<u>121,765</u>	<u>100,188</u>	<u>(21,577)</u>
<b>EXPENDITURES</b>			
Current:			
Parks and grounds	177,352	181,063	(3,711)
Capital outlay	20,000	2,950	17,050
Total expenditures	<u>197,352</u>	<u>184,013</u>	<u>13,339</u>
Net Change in Fund Balance	(75,587)	(83,825)	(8,238)
Fund balance - July 1, 2004	<u>(1,780,755)</u>	<u>(1,780,755)</u>	
Fund balance - June 30, 2005	<u>\$ (1,856,342)</u>	<u>\$ (1,864,580)</u>	<u>\$ (8,238)</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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Fine, forfeitures, and penalties	\$ 30,000	\$ 29,143	\$ (857)
Investment earnings		631	631
Total revenues	<u>30,000</u>	<u>29,774</u>	<u>(226)</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		(226)	(226)
Fund balance - July 1, 2004	<u>15,247</u>	<u>15,247</u>	
Fund balance - June 30, 2005	<u>\$ 15,247</u>	<u>\$ 15,021</u>	<u>\$ (226)</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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 3,000	\$ 2,448	\$ (552)
Intergovernmental revenue	50,000	193,227	143,227
Total revenues	<u>53,000</u>	<u>195,675</u>	<u>142,675</u>
<b>EXPENDITURES</b>			
Capital outlay	160,000	157,050	2,950
Total expenditures	<u>160,000</u>	<u>157,050</u>	<u>2,950</u>
Excess of revenues over (under) expenditures	<u>(107,000)</u>	<u>38,625</u>	<u>145,625</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(96,000)</u>		<u>96,000</u>
Total other financing sources (uses)	<u>(96,000)</u>		<u>96,000</u>
Net Change in Fund Balance	(203,000)	38,625	241,625
Fund balance - July 1, 2004	<u>357,548</u>	<u>357,548</u>	
Fund balance - June 30, 2005	<u>\$ 154,548</u>	<u>\$ 396,173</u>	<u>\$ 241,625</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**ASSET FORFEITURE STATE SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 1,000	\$ 1,078	\$ 78
Total revenues	<u>1,000</u>	<u>1,078</u>	<u>78</u>
<b>EXPENDITURES</b>			
Current:			
Public safety		10,311	(10,311)
Total expenditures		<u>10,311</u>	<u>(10,311)</u>
Excess of revenues over (under) expenditures	<u>1,000</u>	<u>(9,233)</u>	<u>(10,233)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(17,000)</u>	<u>(17,000)</u>	
Total other financing sources (uses)	<u>(17,000)</u>	<u>(17,000)</u>	
Net Change in Fund Balance	(16,000)	(26,233)	(10,233)
Fund balance - July 1, 2004	<u>149,567</u>	<u>149,567</u>	
Fund balance - June 30, 2005	<u>\$ 133,567</u>	<u>\$ 123,334</u>	<u>\$ (10,233)</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY PROJECT AREA 3 HOUSING SET A-SIDE**  
**For the Fiscal Year Ended June 30, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ 17,593	\$ 17,593
Total revenues		17,593	17,593
Net Change in Fund Balance		17,593	17,593
Fund balance - July 1, 2004			
Fund balance - June 30, 2005	\$ -	\$ 17,593	\$ 17,593

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DRAINAGE IMPACT FUND**  
**For the Fiscal Year Ended June 30, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ -	\$ 41	\$ 41
Charges for current services		64,206	64,206
<b>Total revenues</b>		<b>64,247</b>	<b>64,247</b>
 Net Change in Fund Balance		 64,247	 64,247
Fund balance - July 1, 2004			
Fund balance - June 30, 2005	\$ -	\$ 64,247	\$ 64,247

**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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 500	\$ 346	\$ (154)
Total revenues	<u>500</u>	<u>346</u>	<u>(154)</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	<u>10,000</u>	<u></u>	<u>10,000</u>
Total expenditures	<u>10,000</u>	<u></u>	<u>10,000</u>
Net Change in Fund Balance	(9,500)	346	9,846
Fund balance - July 1, 2004	<u>51,013</u>	<u>51,013</u>	<u></u>
Fund balance - June 30, 2005	<u>\$ 41,513</u>	<u>\$ 51,359</u>	<u>\$ 9,846</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**PUBLIC SAFETY SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 80,000	\$ 99,397	\$ 19,397
Total revenues	<u>80,000</u>	<u>99,397</u>	<u>19,397</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(80,000)</u>	<u>(99,397)</u>	<u>(19,397)</u>
Total other financing sources (uses)	<u>(80,000)</u>	<u>(99,397)</u>	<u>(19,397)</u>
Net Change in Fund Balance			
Fund balance - July 1, 2004	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund balance - June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**LOCAL LAW ENFORCEMENT BLOCK GRANT SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental revenue	\$ 28,000	\$ 250	\$ (27,750)
Total revenues	<u>28,000</u>	<u>250</u>	<u>(27,750)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		8,580	8,580
Transfers out	(48,000)	(44,932)	3,068
Total other financing sources (uses)	<u>(48,000)</u>	<u>(36,352)</u>	<u>11,648</u>
Net Change in Fund Balance	(20,000)	(36,102)	(16,102)
Fund balance - July 1, 2004	<u>36,102</u>	<u>36,102</u>	
Fund balance - June 30, 2005	<u>\$ 16,102</u>	<u>\$ -</u>	<u>\$ (16,102)</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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 100	\$ 279	\$ 179
Intergovernmental revenue	12,000	14,806	2,806
Total revenues	<u>12,100</u>	<u>15,085</u>	<u>2,985</u>
<b>EXPENDITURES</b>			
Current:			
Public works	5,000	4,801	199
Total expenditures	<u>5,000</u>	<u>4,801</u>	<u>199</u>
Excess of revenues over (under) expenditures	<u>7,100</u>	<u>10,284</u>	<u>3,184</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(25,000)		25,000
Total other financing sources (uses)	<u>(25,000)</u>		<u>25,000</u>
Net Change in Fund Balance	(17,900)	10,284	28,184
Fund balance - July 1, 2004	41,956	41,956	
Fund balance - June 30, 2005	<u>\$ 24,056</u>	<u>\$ 52,240</u>	<u>\$ 28,184</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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ -	\$ 1,668	\$ 1,668
Intergovernmental revenue	100,000	100,490	490
Total revenues	<u>100,000</u>	<u>102,158</u>	<u>2,158</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		2,158	2,158
Fund balance - July 1, 2004	<u>99,885</u>	<u>99,885</u>	
Fund balance - June 30, 2005	<u>\$ 99,885</u>	<u>\$ 102,043</u>	<u>\$ 2,158</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CLEEP SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 200	\$ 261	\$ 61
Total revenues	<u>200</u>	<u>261</u>	<u>61</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	16,000	20,146	(4,146)
Capital outlay	<u>10,000</u>	<u>          </u>	<u>10,000</u>
Total expenditures	<u>26,000</u>	<u>20,146</u>	<u>5,854</u>
Net Change in Fund Balance	(25,800)	(19,885)	5,915
Fund balance - July 1, 2004	<u>45,067</u>	<u>45,067</u>	<u>          </u>
Fund balance - June 30, 2005	<u>\$ 19,267</u>	<u>\$ 25,182</u>	<u>\$ 5,915</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, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 145,200	\$ 80,640	\$ (64,560)
Total revenues	<u>145,200</u>	<u>80,640</u>	<u>(64,560)</u>
<b>EXPENDITURES</b>			
Current:			
General government	268,350	217,873	50,477
Community development	65,000	75,868	(10,868)
Capital outlay	75,000		75,000
Pass-through payments	370,000		370,000
Total expenditures	<u>778,350</u>	<u>293,741</u>	<u>484,609</u>
Excess of revenues over (under) expenditures	<u>(633,150)</u>	<u>(213,101)</u>	<u>420,049</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of sale of property	350,000		(350,000)
Transfers in	100,000	100,000	
Total other financing sources (uses)	<u>450,000</u>	<u>100,000</u>	<u>(350,000)</u>
Net Change in Fund Balance	(183,150)	(113,101)	70,049
Fund balance - July 1, 2004	<u>391,387</u>	<u>391,387</u>	
Fund balance - June 30, 2005	<u>\$ 208,237</u>	<u>\$ 278,286</u>	<u>\$ 70,049</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY PROJECT AREA 3 CAPITAL PROJECTS FUND**  
**For the Fiscal Year Ended June 30, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>			
Current:			
General government	\$ 50,000	\$ 50,000	\$ -
Community development	20,000	1,166	18,834
Total expenditures	<u>70,000</u>	<u>51,166</u>	<u>18,834</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	40,000		(40,000)
Total other financing sources (uses)	<u>40,000</u>		<u>(40,000)</u>
Net Change in Fund Balance	(30,000)	(51,166)	(21,166)
Fund balance - July 1, 2004	<u>(73,950)</u>	<u>(73,950)</u>	
Fund balance - June 30, 2005	<u>\$ (103,950)</u>	<u>\$ (125,116)</u>	<u>\$ (21,166)</u>

**CITY OF ADELANTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY PROJECT AREA 3 DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2005**

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 3,000	\$ 70,157	\$ 67,157
Total revenues	<u>3,000</u>	<u>70,157</u>	<u>67,157</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal retirement	<u>3,000</u>		<u>3,000</u>
Total expenditures	<u>3,000</u>		<u>3,000</u>
Net Change in Fund Balance		70,157	70,157
Fund balance - July 1, 2004			
Fund balance - June 30, 2005	<u>\$ -</u>	<u>\$ 70,157</u>	<u>\$ 70,157</u>



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**MOSS, LEVY & HARTZHEIM LLP**

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CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS:**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Adelanto, California, as of and for the fiscal year ended June 30, 2005 which collectively comprise the City of Adelanto's basic financial statements, and have issued our report thereon dated February 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Adelanto, California's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Adelanto, California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the City Council, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
February 12, 2008