

**City of Adelanto, California
Annual Financial Report
For the Fiscal Year Ended June 30, 2014**

CITY OF ADELANTO, CALIFORNIA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2014

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FINANCIAL
SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California (City) as of and for the fiscal year ended June 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the basic financial statements effective July 1, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," Statement No. 66, "*Technical Correction – 2012*," Statement No. 67, "*Financial Reporting for Pension Plans*," and Statement No. 70, "*Accounting and Financial Reporting for Non-exchange Financial Guarantees*." Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Sanitation Special Revenue Fund on pages 60 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adelanto's basic financial statements. The combining nonmajor fund financial statements, and nonmajor fund budgetary comparison schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining nonmajor fund financial statements, and nonmajor fund budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
May 13, 2016

CITY OF ADELANTO
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 30,192,431	\$ 6,066,107	\$ 36,258,538
Cash and investments with fiscal agents		12,252,470	12,252,470
Receivables:			
Accounts receivable - net	841,860	3,145,040	3,986,900
Notes/Contracts	24,106		24,106
Interest		2,408	2,408
Deposits	25,938		25,938
Internal balances	1,612,424	(1,612,424)	
CalPERS side fund	1,748,609		1,748,609
Advances to successor agency	2,524,243		2,524,243
Due from private purpose trust funds	450,342		450,342
Inventory		138,673	138,673
Investment in Adelanto Public Financing Authority bonds		13,905,492	13,905,492
Capital assets not being depreciated	20,370,352	4,033,099	24,403,451
Capital assets - net of accumulated depreciation	34,916,771	56,374,498	91,291,269
Total assets	92,707,076	94,305,363	187,012,439
DEFERRED OUTFLOW OF RESOURCES			
Deferred loss on bond refunding		6,504,927	6,504,927
Total deferred outflow of resources		6,504,927	6,504,927
LIABILITIES			
Accounts payable	8,479,906	809,127	9,289,033
Interest payable		2,364,953	2,364,953
Accrued expenses	204,637	2,301	206,938
Deposits payable	536,598	603,758	1,140,356
Noncurrent liabilities:			
Due within one year		1,221,673	1,221,673
Due in more than one year	233,536	80,038,219	80,271,755
Total liabilities	9,454,677	85,040,031	94,494,708
NET POSITION			
Net investment in capital assets	55,287,123	13,073,847	68,360,970
Restricted for:			
Streets and roads	9,663,652		9,663,652
Community development	922,906		922,906
Public works	3,820,296		3,820,296
Parks	1,158,387		1,158,387
Public safety	507,887		507,887
Unrestricted	11,892,148	2,696,412	14,588,560
Total net position	\$ 83,252,399	\$ 15,770,259	\$ 99,022,658

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 3,816,013	\$ 214,522	\$ 258,485	\$ -
Public safety	8,365,243	384,512	985,485	352,152
Public works	2,723,547	500,512	1,452,655	256,322
Community development	713,011	108,955	475,215	185,485
Parks and recreation	335,808	20,575	217,562	233,478
Total Governmental Activities	15,953,622	1,229,076	3,389,402	1,027,437
Business-type Activities:				
Public Utility Authority	13,833,379	15,545,646		
Total Business-type Activities	13,833,379	15,545,646		
Total Primary Government	\$ 29,787,001	\$ 16,774,722	\$ 3,389,402	\$ 1,027,437

General Revenues:

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

Total general revenues and transfers

Change in net position

Net position - July 1, 2013

Prior period adjustments

Net position - July 1, 2013, restated

Net position - June 30, 2014

See Notes to the Basic Financial Statements

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (3,343,006)	\$ -	\$ (3,343,006)
(6,643,094)		(6,643,094)
(514,058)		(514,058)
56,644		56,644
135,807		135,807
(10,307,707)		(10,307,707)
	1,712,267	1,712,267
	1,712,267	1,712,267
(10,307,707)	1,712,267	(8,595,440)
1,265,825		1,265,825
433,505		433,505
1,223,185		1,223,185
15,738		15,738
62,753		62,753
2,097,558		2,097,558
891,645	1,830,514	2,722,159
295,007		295,007
1,330,257	(1,330,257)	
7,615,473	500,257	8,115,730
(2,692,234)	2,212,524	(479,710)
85,854,604	24,003,385	109,857,989
90,029	(10,445,650)	(10,355,621)
85,944,633	13,557,735	99,502,368
\$ 83,252,399	\$ 15,770,259	\$ 99,022,658

**CITY OF ADELANTO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Sanitation Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 14,228,464	\$ -	\$ 15,963,967	\$ 30,192,431
Accounts receivable - net	641,604	136	200,120	841,860
Due from other funds	6,412,012		406	6,412,418
Due from private purpose trust funds	450,342			450,342
Notes/Contracts receivable	24,106			24,106
Deposits receivable	25,938			25,938
Advances to Successor Agency	2,524,243			2,524,243
Total assets	<u>\$ 24,306,709</u>	<u>\$ 136</u>	<u>\$ 16,164,493</u>	<u>\$ 40,471,338</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,476,649	\$ -	\$ 3,257	\$ 8,479,906
Accrued expenditures	204,637			204,637
Due to other funds	1,675,396	29,572	3,095,026	4,799,994
Deposits payable	447,203	25,063	64,332	536,598
Total liabilities	<u>10,803,885</u>	<u>54,635</u>	<u>3,162,615</u>	<u>14,021,135</u>
Fund balances				
Nonspendable	2,574,287			2,574,287
Restricted for:				
Streets and roads			9,663,652	9,663,652
Public safety			507,887	507,887
Community development			922,906	922,906
Parks and recreation			1,158,387	1,158,387
Public works			3,820,296	3,820,296
Unassigned	10,928,537	(54,499)	(3,071,250)	7,802,788
Total fund balances (deficit)	<u>13,502,824</u>	<u>(54,499)</u>	<u>13,001,878</u>	<u>26,450,203</u>
Total liabilities and fund balances	<u>\$ 24,306,709</u>	<u>\$ 136</u>	<u>\$ 16,164,493</u>	<u>\$ 40,471,338</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 POSITION
June 30, 2014**

Fund balances of governmental funds	\$ 26,450,203
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.	55,006,838
The CalPERS side fund is an asset that is not available to pay for current period expenditures and, therefore, not included as financial resources in governmental funds	1,748,609
Long-term debt and compensated absences have not been included in the governmental funds:	
Compensated absences	(233,536)
The internal service fund is used by management to charge the costs of equipment maintenance and repair to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net position.	<u>280,285</u>
Net position of governmental activities	<u><u>\$ 83,252,399</u></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, 2014

	General Fund	Sanitation Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes and assessments	\$ 5,035,811	\$ -	\$ 981,211	\$ 6,017,022
Licenses and permits	359,776		214,231	574,007
Fines, forfeitures, and penalties	127,003		320,971	447,974
Investment earnings	891,645		967	892,612
Charges for current services	1,095,582	81,630	183,136	1,360,348
Intergovernmental revenue	417,483		1,869,468	2,286,951
Other revenues	295,007		57,210	352,217
Total revenues	8,222,307	81,630	3,627,194	11,931,131
EXPENDITURES				
Current:				
General government	2,927,358			2,927,358
Public safety	7,403,638		53,874	7,457,512
Public works	1,701,530	538	36,030	1,738,098
Community development	585,711		127,300	713,011
Parks and recreation	253,339		82,469	335,808
Capital outlay			202,063	202,063
Total expenditures	12,871,576	538	501,736	13,373,850
Excess of revenues over (under) expenditures	(4,649,269)	81,092	3,125,458	(1,442,719)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,314,757		37,598	3,352,355
Transfers out			(2,022,098)	(2,022,098)
Total other financing sources (uses)	3,314,757		(1,984,500)	1,330,257
Net change in fund balances	(1,334,512)	81,092	1,140,958	(112,462)
Fund balances (deficit) - July 1, 2013	14,837,336	(135,591)	11,770,891	26,472,636
Prior period adjustments			90,029	90,029
Fund balances (deficit) - July 1, 2013, restated	14,837,336	(135,591)	11,860,920	26,562,665
Fund balances (deficit) - June 30, 2014	\$ 13,502,824	\$ (54,499)	\$ 13,001,878	\$ 26,450,203

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, 2014

Net change in fund balances - total governmental funds	\$ (112,462)
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Amounts reported for governmental activities in the statement of activities differ because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(2,476,799)
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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.	(22,892)
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The internal service fund is used by management to charge the costs of equipment repair and maintenance to individual funds. The net revenues (expenses) of the internal service fund is reported with governmental activities.	<div style="border-top: 1px solid black; display: inline-block;">(80,081)</div>
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Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ (2,692,234)</div>
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See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

		Enterprise Funds		Governmental Activities
	Correctional Facility	Public Utility Authority	Total	Internal Service Fund
ASSETS				
Current Assets:				
Cash and cash investments	\$ -	\$ 6,066,107	\$ 6,066,107	\$ -
Restricted cash and investments with fiscal agents		12,252,470	12,252,470	
Accounts receivable, net		3,145,040	3,145,040	
Interest receivable		2,408	2,408	
Prepaid items		138,673	138,673	
Total Current Assets		21,604,698	21,604,698	
Noncurrent Assets:				
Investment in Adelanto Public Financing Authority Bonds		13,905,492	13,905,492	
Capital assets:				
Land and water rights		4,033,099	4,033,099	
Depreciable assets, net		56,374,498	56,374,498	280,285
Total Noncurrent Assets		74,313,089	74,313,089	280,285
DEFERRED OUTFLOW OF RESOURCES				
Deferred loss on bond refunding		6,504,927	6,504,927	
Total Deferred Outflow of Resources		6,504,927	6,504,927	
Total Assets and Deferred Outflows		102,422,714	102,422,714	280,285
LIABILITIES				
Current Liabilities:				
Accounts payable		809,127	809,127	
Accrued liabilities		2,301	2,301	
Accrued interest payable		2,364,953	2,364,953	
Deposits payable		603,758	603,758	
Due to other funds		1,612,424	1,612,424	
Current portion of long-term obligations		1,221,673	1,221,673	
Total Current Liabilities		6,614,236	6,614,236	
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations:				
Compensated absences		7,721	7,721	
Settlement payable		7,760,459	7,760,459	
Bonds payable		72,270,039	72,270,039	
Total Noncurrent Liabilities		80,038,219	80,038,219	
Total Liabilities		86,652,455	86,652,455	
NET POSITION				
Net investment in capital assets		13,073,847	13,073,847	280,285
Unrestricted		2,696,412	2,696,412	
Total Net Position	\$ -	\$ 15,770,259	\$ 15,770,259	\$ 280,285

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Correctional Facility	Enterprise Funds Public Utility Authority	Total	Governmental Activities Internal Service Fund
Operating Revenues:				
Sales and service charges	\$ -	\$ 15,545,646	\$ 15,545,646	\$ -
Total Operating Revenues		15,545,646	15,545,646	
Operating Expenses:				
Salaries and benefits		769,933	769,933	
Contractual services		202,518	202,518	
Utilities		851,005	851,005	
Sewer operations		1,556,229	1,556,229	
Water operations		2,529,495	2,529,495	
Administration		524,843	524,843	
Depreciation		1,353,855	1,353,855	80,081
Total Operating Expenses		7,787,878	7,787,878	80,081
Operating Income (Loss)		7,757,768	7,757,768	(80,081)
Nonoperating Revenues (Expenses):				
Interest revenue		1,830,514	1,830,514	
Interest expense and fiscal charges		(5,653,380)	(5,653,380)	
Loss on sale of capital assets		(69,563)	(69,563)	
Amortization expense		(322,558)	(322,558)	
Total Nonoperating Revenues (Expenses)		(4,214,987)	(4,214,987)	
Income (Loss) Before Transfers		3,542,781	3,542,781	(80,081)
Transfers				
Transfers in		188,494	188,494	
Transfers out		(1,518,751)	(1,518,751)	
Changes in Net Position		2,212,524	2,024,030	(80,081)
Net Position				
Beginning of fiscal year, July 1, 2013	519,220	23,484,165	24,003,385	360,366
Prior period adjustments	(519,220)	(9,926,430)	(10,445,650)	
Beginning of fiscal year, July 1, 2013 as restated		13,557,735	13,557,735	360,366
End of fiscal year, June 30, 2014	\$ -	\$ 15,770,259	\$ 15,770,259	\$ 280,285

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Correctional Facility	Enterprise Funds Public Utility Authority	Total	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ -	\$ 15,696,599	\$ 15,696,599	\$ -
Cash paid to suppliers for goods and services		(6,089,975)	(6,089,975)	
Cash paid to employees for services		(912,039)	(912,039)	
Net Cash Provided (Used) by Operating Activities		8,694,585	8,694,585	
Cash Flows from Non-Capital Financing Activities:				
Cash transfers from/(to) other funds	(184,621)	(1,330,258)	(1,514,879)	
Due to other funds repayment		(2,729,681)	(2,729,681)	
Net Cash Provided (Used) by Non-Capital Financing Activities	(184,621)	(4,059,939)	(4,244,560)	
Cash Flows from Capital and Related Financing Activities:				
Proceeds from sale of capital assets		64,402	64,402	
Principal payments on long-term debt		(1,210,000)	(1,210,000)	
Interest paid on long term debt		(5,590,357)	(5,590,357)	
Net Cash Provided (Used) by Capital and Related Financing Activities		(6,735,955)	(6,735,955)	
Cash Flows from Investing Activities:				
Interest received		1,830,751	1,830,751	
Net Cash Provided by Investing Activities		1,830,751	1,830,751	
Net Increase (Decrease) in Cash and Cash Equivalents	(184,621)	(270,558)	(455,179)	
Cash and Cash Equivalents at Beginning of Fiscal Year	184,621	18,589,135	18,773,756	
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ -</u>	<u>\$ 18,318,577</u>	<u>\$ 18,318,577</u>	<u>\$ -</u>
Reconciliation to Statement of Net Position:				
Cash and investments	\$ -	\$ 6,066,107	\$ 6,066,107	\$ -
Restricted cash and investments with fiscal agents		12,252,470	12,252,470	
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 18,318,577</u>	<u>\$ 18,318,577</u>	<u>\$ -</u>

(Continued)

CITY OF ADELANTO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014
(Continued)

	Enterprise Funds			Governmental Activities
	Correctional Facility	Public Utility Authority	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ -	\$ 7,757,768	\$ 7,757,768	\$ (80,081)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation		1,353,855	1,353,855	80,081
(Increase) decrease in accounts receivable		34,255	34,255	
(Increase) decrease in inventory		48,946	48,946	
Decrease (increase) in prepaids		(138,673)	(138,673)	
Increase (decrease) in accounts payable		(336,158)	(336,158)	
Increase (decrease) in accrued liabilities		(42,191)	(42,191)	
Increase (decrease) in deposits payables		116,698	116,698	
Increase (decrease) in compensated absences		(99,915)	(99,915)	
Total Adjustments		936,817	936,817	80,081
Net Cash Provided (Used) by Operating Activities	\$ -	\$ 8,694,585	\$ 8,694,585	\$ -

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private Purpose Trust Funds		Pension Trust	Agency Fund
	Luetke Foundation	Successor Agency	Inmate Welfare Benefit	Assessment District 1A
ASSETS				
Cash and investments	\$ 33,347	\$ 3,307,922	\$ -	\$ 1,474,881
Restricted cash and investments with fiscal agents		7,880,339		1,692,568
Accounts receivable		116,546		
Notes receivable		1,015,170		
Capital assets not being depreciated		1,514,299		
Total assets	33,347	13,834,276		\$ 3,167,449
DEFERRED OUTFLOW OF RESOURCES				
Deferred loss on debt refunding		671,853		
Total deferred outflow of resources		671,853		
LIABILITIES				
Accounts payable		18,227		\$ -
Pass-through payable		1,031,398		
Due to City of Adelanto	10,566	439,776		
Due to bondholders				855,399
Interest payable		721,240		
Long-term debt		66,211,114		2,312,050
Advances from City of Adelanto		2,524,243		
Total liabilities	10,566	70,945,998		\$ 3,167,449
NET POSITION				
Unrestricted	22,781	(56,439,869)		
Total net position	\$ 22,781	\$ (56,439,869)	\$ -	

See Notes to the Basic Financial Statements

CITY OF ADELANTO
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014

	<u>Private Purpose Trust Funds</u>		<u>Pension Trust</u>
	<u>Luetke Foundation</u>	<u>Successor Agency</u>	<u>Inmate Welfare Benefit</u>
Additions			
Use of money and property	\$ 3,464	\$ 153,725	\$ 513
Intergovernmental		3,791,476	
Total additions	<u>3,464</u>	<u>3,945,201</u>	<u>513</u>
Deletions			
Administration	622	388,023	
Pass-through expense		2,594,055	
Interest expense		1,813,037	
Total deletions	<u>622</u>	<u>4,795,115</u>	
Change in net position	2,842	(849,914)	513
Net position - July 1, 2013	<u>19,939</u>	<u>(55,589,955)</u>	<u>(513)</u>
Net position - June 30, 2014	<u>\$ 22,781</u>	<u>\$ (56,439,869)</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements

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Notes to Basic Financial Statements

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 **Summary of Significant Accounting Policies**

The financial statements of the City of Adelanto (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The more significant of the government's accounting policies are described below.

a. Description of the Reporting Entity

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

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

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

The Adelanto Public Utility Authority was formed by action of the City Council on October 22, 1996. The Utility Authority was formed for the purpose of purchasing and operating the City's wastewater operations. In conjunction with that purchase, the Utility Authority issued bonds to finance the down payment to the City and the construction of a wastewater treatment plant. The Utility Authority also issued a note payable to the City to finance the purchase of the existing wastewater assets. During February of 2000, the Adelanto Public Utility Authority entered into a purchase agreement with the Adelanto Water Authority to purchase the Adelanto Water Authority's water system. The purchase price consisted of amounts sufficient to refund all of the outstanding prior water bonds and assumption of the Adelanto Water Authority's obligations under the original agreement dated January 9, 1996, under which the Water Authority was formed by the City of Adelanto.

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

a. Description of the Reporting Entity (Continued)

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

The Adelanto Public Utility Authority issues separate component unit statements. The financial statements of the component units can be obtained at City Hall.

b. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Therefore, they have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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

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

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

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

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

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

Cash and Cash Equivalents

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Cash and Investments

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

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

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

Authorized investments include:

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Receivables and Payables

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

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

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

Property Taxes

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

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

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

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Restricted Assets

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

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

Capital Assets

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects that are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2013.

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.

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 position. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense in the Statement of Activities.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

d. Assets, Liabilities, Net Position 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 an other financing source. Premiums received are reported as an other financing source, while discounts are reported as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Equity

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net position is reported in three categories: net investment in capital assets; restricted net position, and unrestricted net position. Net investment in capital assets groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category. Restricted net position represent net position 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 position is temporarily restricted (ultimately expendable assets). All other net position is considered unrestricted.

Fund Balance

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Fund Balance (Continued)

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

When an expense is incurred for purposes for which restricted, committed or assigned resources and unrestricted resources are available, the City's policy is to apply restricted, committed or assigned resources first.

CalPERS side fund

During the 2005-2006 fiscal year, the City was required to participate in the California Public Employees Retirement System (CalPERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and funded status of the City's plan, in addition to the existing unfunded liability. The superfunded miscellaneous plan had an asset of \$1,826,783 and the public safety plan had an outstanding liability of (\$78,174) at June 30, 2014.

e. Estimates

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

f. New Accounting Pronouncements

The City has implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended June 30, 2014:

Governmental Accounting Standards Board Statement No. 65

For the fiscal year June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did have an impact on the City's financial statements for the fiscal year ended June 30, 2014. Some items reported as assets and liabilities are now reported as deferred inflows or outflows of resources.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

f. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction – 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council. Hence, they are legally one year contracts with an option for renewal for another fiscal year.

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types.

Fund Deficits

The following funds contained a deficit fund balance as of June 30, 2014:

Major Fund

Sanitation	\$ 54,499
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Nonmajor Funds

Maverick Stadium	3,071,250
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Private Purpose Trust Fund

Successor Agency	56,439,869
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The above deficit fund balances/net position occurred due to the spending of funds prior to the receipt of revenues. The fund balances/net position will be restored in the future as revenues or tax appropriations are received.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

Deficit Net Position

The Successor Agency has a deficit net position of \$56,439,869 at June 30, 2014. The City projects that future tax appropriations will be sufficient to cover all future long term debt service payments, which makes up the majority of the Successor Agency's liabilities.

Excess of Expenditures over Appropriations

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

<u>Fund</u>	<u>Final Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Major Funds			
General Fund			
City council	\$ 99,593	\$ 102,128	\$ 2,535
City manager	418,952	421,048	2,096
Non-departmental	957,105	969,062	11,957
Public safety			
Police	4,615,572	4,657,009	41,437
Community development	563,278	585,711	22,433
Parks and recreation			
Parks and grounds	102,824	213,840	111,016
Nonmajor Funds			
Special Park	35,000	72,457	37,457

Note 3 **Cash and Investments**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 36,258,538
Restricted cash and investments with fiscal agents	12,252,470
Investment in Adelanto Public Financing Authority Bonds	13,905,492
Fiduciary funds:	
Cash and investments	4,816,150
Restricted cash and investments with fiscal agents	9,572,907
Total cash and investments	<u>\$ 76,805,557</u>

Cash and investments as of June 30, 2014 consist of the following:

Petty cash	\$ 3,850
Deposits with financial institutions	24,664,748
Investments	52,136,959
Total cash and investments	<u>\$ 76,805,557</u>

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$50 million
Local Agency Bonds	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	\$100,000
Certificates of Deposit	1 year	None	\$100,000
Bankers Acceptances	N/A	None	None
Commercial Paper	N/A	None	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Medium Term Corporate Notes	N/A	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Public Financing Authority Bonds	N/A	None	None

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

B. Investments Authorized by Debt Agreements

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

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

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 Cash and Investments (Continued)

C. Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool	\$ 4,366,085	\$ 4,366,085	\$ -	\$ -	\$ -
Mutual Funds	5,975,736	5,975,736			
Money Market Funds	6,144,145	6,144,145			
Held by Bond Trustees:					
Money Market Funds	17,465,407	17,465,407			
Investment Agreements	4,280,094				4,280,094
Bonds *	13,905,492	322,183	320,432	895,765	12,367,112
	<u>\$ 52,136,959</u>	<u>\$ 34,273,556</u>	<u>\$ 320,432</u>	<u>\$ 895,765</u>	<u>\$ 16,647,206</u>

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

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

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

E. Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 4,366,085	N/A	\$ -	\$ -	\$ -	\$ -	\$ 4,366,085
Mutual Funds	5,975,736	N/A					5,975,736
Money Market Funds	6,144,145	N/A		6,144,145			
Held by bond trustee:							
Money Market Funds	17,465,407	N/A		17,465,407			
Investment Agreements	4,280,094	N/A					4,280,094
Bonds	13,905,492	N/A					13,905,492
Total	<u>\$ 52,136,959</u>		<u>\$ -</u>	<u>\$ 23,609,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,527,407</u>

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

F. Concentration of Credit Risk

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

<u>Issuer</u>	<u>Type</u>	<u>Amount</u>
IXIS Investment Agreements	Investment Agreements	\$ 4,280,094
Adelanto Public Financing Authority Bonds	Bonds	13,905,492

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

The Adelanto Public Utility Authority holds investments in IXIS Investment Agreements equal to \$4,280,094. The agreements mature on September 30, 2015 and pay interest at 4.360%. The Adelanto Water Authority (Public Utility Authority) holds investments (including amounts held by bond trustees) in Public Financing Authority bonds in the amount of \$13,905,492. This investment is in the 1995 Series C Bonds.

Business type activities report the same two investments as above.

G. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2014, all of the City's deposits with financial institutions were either under federal depository insurance limits or are held in collateralized accounts. City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Money Market Funds	\$ 23,609,552
Mutual Funds	5,975,736
Investment Agreements	4,280,094

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 4 **Notes Receivable**

Notes receivable aggregating \$15,331,214 from the sale of the Water and Wastewater System at fair value are discussed as follows:

- The \$8,900,045 note receivable from the Public Utility Authority is for the purchase of the City's water operations. The purchase of the City's water operations and related note was originally established by the Adelanto Water Authority, which was acquired by the Public Utility Authority. Payment of not less than \$500,000 annually (plus available surplus water revenues) is required under the terms of this note. The Authority is a component unit of the City and therefore, the note has been eliminated for reporting purposes. The original purchase note accrued interest at 7.5% on the outstanding balance. Because the purchase note payable to the City is subordinate to the Public Utility Authority Bonds, interest on the note would be substantially in excess of the minimum annual payment. Prior to January 1998, management did not anticipate that any payment in excess of the minimum annual payments due on the note would be made prior to the final repayment of the 1995 Water Authority Bonds in 2028. Accordingly, in January 1998, the Governing Board of the Water Authority and the City Council agreed to amend the purchase note on a retroactive basis to eliminate the accrual of interest from July 1996, until such time as all outstanding Water Authority Bonds are repaid (presently scheduled for September 1, 2028). The unpaid balance of the note at that time will accrue interest at 7.5%. Interest accrued through June 30, 1996 amounting to \$1,219,659 was unaffected by the purchase note amendment. In a subsequent amendment dated September 2005, the purchase agreement was amended and the interest rate was changed to accrue on the unpaid balance at the rate of 5.0% per annum, from the date of delivery of the 2005 Bonds, to the date on which the full balance has been paid. Subsequent to the fiscal year ended June 30, 2009, an amendment dated November 2009 was issued that updates the terms of the agreement to reflect the issuance of the 2009 Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds and the issuance of the amendment dated November 2009 and replaces the 2009 Bond information in place of the 2005 Bond.
- A \$6,431,169 note receivable from the Public Utility Authority is for the purchase of the City's wastewater operations. Annual payment of amounts equal to surplus revenues, which are defined as gross wastewater revenues, plus amounts on deposit in the wastewater rate stabilization fund, less payment of operating and maintenance costs, and debt service requirements of the Public Utility Authority is required under the terms of this note. The original purchase note accrued interest at 7.5% on the outstanding balance. Because the purchase note payable to the City is subordinate to the Public Utility Authority Bonds, interest on the note would be substantially in excess of the annual payment. Prior to January 1998, management did not anticipate that any payment in excess of the annual payments due on the note would be made prior to the final repayment of the Public Utility Authority Bonds in 2026. Accordingly, in January 1998, the Governing Board of the Public Utility Authority and the City Council agreed to amend the purchase note on a retroactive basis to eliminate the accrual to interest from July 1996, until such time as all outstanding Public Utility Authority Bonds are repaid (presently scheduled for November 1, 2026). The unpaid balance of the note at that time will accrue interest at 7.5%. In September 2005, the interest rate was amended to accrue on the unpaid balance at the rate of 5.0% per annum, from the date of delivery of the 2005 Bonds, to the date on which the full balance has been paid. The Authority is a component unit of the City and therefore, the Note has been eliminated for reporting purposes. Subsequent to the fiscal year ended June 30, 2008, an amendment dated November 2009 was issued that updates the terms of the agreement to reflect the issuance of the 2009 Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds and the issuance of the amendment dated November 2009 and replaces the 2009 Bond information in place of the 2005 Bond. All principal payments on the notes are recorded as transfers from the Authority to the City.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 **Accounts Receivable**

The following is a list of accounts receivable, net of allowances at June 30, 2014:

	<u>Receivable</u>
Governmental Activities - Accounts	\$ 841,860
Business-type Activities - Accounts	<u>3,145,040</u>
Totals	<u>\$ 3,986,900</u>

Note 6 **Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2014.

a. Transfers

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
Major Governmental Funds:		
General	\$ 3,314,757	\$ -
Nonmajor Governmental Funds:		
Gas Tax		900,000
CDBG		120,000
Community Facilities District		65,000
VVEDA Low/Mod Housing	37,598	
Traffic Offender		24,500
TDA Article 8		225,000
Drainage Impact		300,000
LLMD Annexation		125,000
VVEDA RDA		37,598
Public Safety		125,000
COPS Grant		100,000
Major Enterprise Funds:		
Public Utility Authority		1,330,257
Totals	<u>\$ 3,352,355</u>	<u>\$ 3,352,355</u>

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

Transfers from the Public Utility Authority partially consisted of \$1,330,257 made during the fiscal year ended June 30, 2014 in accordance with the note payable agreement between the City and the Public Utility Authority for the purchase of the water and wastewater operations. Please see Note 4 for more details regarding the note. The remainder of transfers were made for the purposes noted in the preceding paragraph.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 6 **Interfund Activity (Continued)**

b. Due To/From Other Funds

Fund	Receivable	Payable
Major Governmental Funds:		
General	\$ 6,412,012	\$ 1,675,396
Sanitation		29,572
Nonmajor Governmental Funds:		
Maverick Stadium		3,082,317
VVEDA Redevelopment Agency Special Revenue	406	12,709
Major Enterprise Funds:		
Public Utility Authority		1,612,424
	<u>\$ 6,412,418</u>	<u>\$ 6,412,418</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, 2014, the funds below have made/received advances that were not expected to be repaid within one year.

Fund	Receivable	Payable
Major Fund:		
General	\$ 2,524,243	\$ -
Fiduciary Fund:		
RDA Successor Agency		2,524,243
	<u>\$ 2,524,243</u>	<u>\$ 2,524,243</u>

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

d. Due To/From Private Purpose Trust Fund

At June 30, 2014, the funds below have made/received short term loans that are expected to be repaid within one year.

Fund	Receivable	Payable
Major Fund:		
General	\$ 450,342	\$ -
Fiduciary Fund:		
Luetke Foundation		10,566
RDA Successor Agency		439,776
	<u>\$ 450,342</u>	<u>\$ 450,342</u>

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7 Capital Assets

a. Governmental Activities

Capital assets of governmental activities for the fiscal year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Deletions	Prior Period Adjustments	Balance at June 30, 2014
Governmental activities:					
Capital assets, not being depreciated:					
Land and rights of way	\$ 20,370,352	\$ -	\$ -	\$ -	\$ 20,370,352
Total capital assets, not being depreciated	20,370,352				20,370,352
Capital assets, being depreciated:					
Buildings	10,184,573				10,184,573
Improvements	2,460,728				2,460,728
Machinery and equipment	974,613			800,813	1,775,426
Rolling stock	1,982,504	220,006			2,202,510
Infrastructure	68,246,276				68,246,276
Total capital assets being depreciated	83,848,694	220,006		800,813	84,869,513
Less accumulated depreciation for:					
Buildings	(4,552,306)	(203,585)			(4,755,891)
Improvements	(2,047,106)	(45,295)			(2,092,401)
Machinery and equipment	(726,181)	(40,263)		(520,527)	(1,286,971)
Rolling stock	(1,512,979)	(344,058)			(1,857,037)
Infrastructure	(37,896,837)	(2,063,605)			(39,960,442)
Total accumulated depreciation	(46,735,409)	(2,696,806)		(520,527)	(49,952,742)
Total capital assets, being depreciated, net	37,113,285	(2,476,800)		280,286	34,916,771
Governmental activities capital assets, net	\$ 57,483,637	\$ (2,476,800)	\$ -	\$ 280,286	\$ 55,287,123

b. Business-type

Capital assets of business-type activities for the fiscal year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Deletions	Transfers	Prior Period Adjustment	Balance at June 30, 2014
Business-type activities:						
Capital assets, not being depreciated:						
Land	\$ 908,300	\$ -	\$ -	\$ -	\$ -	\$ 908,300
Water rights	3,124,799					3,124,799
Construction in progress	8,703,851				(8,703,851)	
Total capital assets, not being depreciated	12,736,950				(8,703,851)	4,033,099
Capital assets, being depreciated:						
Buildings	20,774,142					20,774,142
Machinery and equipment	36,996,480		(97,735)	(28,423,653)		8,475,092
Rolling stock	321,614		(187,315)			134,299
Infrastructure	18,046,681			28,423,653		46,470,334
Less - Accumulated depreciation	(18,276,600)	(1,353,855)	151,086			(19,479,369)
Total capital assets, being depreciated	57,862,317	(1,353,855)	(133,964)			56,374,498
Business-type activities capital assets, net	\$ 70,599,267	\$ (1,353,855)	\$ (133,964)	\$ -	\$ (8,703,851)	\$ 60,407,597

Depreciation expense for business-type activities has been included by function in the Statement of Activities and Revenues, Expenses, and Changes in Net Position as follows:

Wastewater Activities	\$ 674,653
Water Activities	679,202

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 8 Long-Term Liabilities – Governmental Funds

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Repayments	Balance June 30, 2014	Due within one year
Compensated Absences	\$ 210,644	\$ 147,382	\$ 124,490	\$ 233,536	\$ -
Total long-term liabilities	<u>\$ 210,644</u>	<u>\$ 147,382</u>	<u>\$ 124,490</u>	<u>\$ 233,536</u>	<u>\$ -</u>

Note 9 Long-Term Liabilities – Enterprise Funds

The following is a schedule of changes in long-term debt of the City's enterprise funds for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Principal payments	Balance June 30, 2014	Due within one year
Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A	\$ 75,660,000	\$ -	\$ (1,210,000)	\$ 74,450,000	\$ 1,260,000
Unamortized discount	(996,615)		38,327	(958,288)	(38,327)
Compensated Absences	107,636	1,263	(101,178)	7,721	
Settlement Payable	7,760,459			7,760,459	
Total long-term debt	<u>\$ 82,531,480</u>	<u>\$ 1,263</u>	<u>\$ (1,272,851)</u>	<u>\$ 81,259,892</u>	<u>\$ 1,221,673</u>

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

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

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

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

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

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

A. Adelanto Public Utility Authority Refunding Revenue Bonds, 2005 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 2005 Bonds Series A and B is \$700,000. As of June 30, 2014, the total balance in the Rate Stabilization Fund was \$2,100,000 and is included in restricted cash and investments.

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

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

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

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

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

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 9

Long-Term Liabilities – Enterprise Funds (Continued)

B. Adelanto Public Utility Authority Revenue Bonds, 2005 Series B (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 errors in the estimates, to yield gross wastewater revenues to pay the following amounts in the following order of priority:

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

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

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

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

On December 22, 2009, the Adelanto Public Utility Authority issued \$76,825,000 Fixed Rate Refunding Revenue Bonds to provide funds to i) refund the Authority's outstanding \$53,125,000 Variable Rate Refunding Revenue Bonds, 2005 Series A (Utility System Project) and its outstanding \$14,410,000 Taxable Variable Rate Refunding Bonds, 2005 Series B (Utility System Project), ii) finance certain capital improvements to the Authority's water treatment, production, storage and distribution system and its wastewater collection and treatment system and other related costs, iii) fund a debt service reserve fund for the 2009 Bonds, and iv) pay the costs of issuing the 2009 Bonds. The bonds are composed of serial and term bonds. The serial bonds have varies maturity dates with the last maturity date being July 1, 2026. The interest rates range from 4.00% to 6.25%. There are also two term bonds with one term bond in the amount of \$14,800,000 (maturity date of July 1, 2031 and an interest rate of 6.625%), and the second term bond in the amount of \$36,885,000 (maturity date of July 1, 2039 and an interest rate of 6.750%).

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

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

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

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

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

The Authority is obligated to maintain an amount in the debt service reserve account equal to the debt service reserve requirement which is equal to the least of (a) 10% of the initial offering price to the public of the Bonds, (b) the greatest amount of Bond Debt Service in any Bond Year during the period commencing with the Bond Year in which the determination is being made and terminating with the last Bond Year in which any Bond is due, or (c) 125% of the sum of the Bond Debt Service for all Bond Years during the period commencing with the Bond Year in which such calculation is made and terminating with the last Bond Year in which any Bond debt service is due, divided by the number of such Bond Years. The balance in the debt service reserve account as of June 30, 2014 is \$6,159,482.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

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

The Rate Stabilization Requirement is \$2,100,000 and is equal to the amount currently in the Rate Stabilization Account as of June 30, 2014.

As of June 30, 2014, the amount due on the Adelanto Public Utility Authority Fixed Rate Refunding Revenue Bonds 2009 Series A is \$74,450,000.

D. Adelanto Correctional Facility 2001 A Lease Revenue Refunding Bonds

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

E. Debt Service Requirements

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

Fiscal year	Fixed Rate Refunding Revenue Bonds	
	2009 Series A	
2015	\$	5,964,706
2016		5,966,563
2017		5,964,245
2018		5,963,745
2019		5,968,542
2020-2024		29,831,900
2025-2029		29,829,720
2030-2034		29,827,672
2035-2039		29,827,352
2040		5,964,738
		<hr/> 155,109,183
Less amount representing interest		<hr/> 80,659,183
Balance outstanding	\$	<hr/> <hr/> 74,450,000

F. Defeasance of Debt

At June 30, 2014, the 1995, 1998, 2000, and 2005 debt amounts have been paid in full. There are no outstanding debt balances related to these issues.

G. Compensated Absences

As of the fiscal year ended June 30, 2014, the total accrued employee leave benefits were \$233,536 for governmental activities and \$7,721 for business-type activities.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 10 **Insurance – Joint Powers**

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

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

Note 11 **Commitments and Contingencies**

a. Financial Stability

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

The effect of defeasance of the former Redevelopment Agency bonds, issuance of the note to the City, and subordination of the current amounts due the City to the outstanding bonds was for the former Redevelopment Agency to defer debt payments, reduce annual debt service requirements, and provide cash for certain immediate needs. Issuance of these bonds does not, however, eliminate the former Redevelopment Agency's long-term liquidity concerns. Management's projections, based in part on current year's operating results, indicate that estimated future Successor Agency resources will be sufficient to pay maturing long-term obligations as they become due. See Note 15 for more information regarding the Redevelopment Agency and Successor Agency.

b. General Litigation

In the normal course of operations, the City has been subjected to certain routine litigation matters. Except for the matter noted below, the City's litigation centers around contractor/developer and other operating matters related to its Successor Agency, as

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

b. General Litigation (Continued)

well as maintenance of the City's water rights. The City's management believes that actual damages sustained, if any, will not be material to the City's financial statements.

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

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

c. California Department of Corrections and Rehabilitation

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

d. Victorville Water District

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

e. Victor Valley Economic Development Authority

The City of Adelanto was initially part of the Victor Valley Economic Development Authority (VVEDA), but left the VVEDA for a period of time. Adelanto became a part of VVEDA again in 2000, and up until that point, the other members of VVEDA had been contributing to VVEDA financially to keep the agency afloat. The City now potentially owes back dues of approximately \$5 million.

Note 12 **Proposition 218**

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

Note 13 **Pass-Through Agreements**

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

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

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

During fiscal 1996, the former Redevelopment Agency and San Bernardino County amended the pass-through agreement for incremental property taxes in the Project Area. Under the revised agreement, the former Redevelopment Agency is required to relinquish approximately 33% of incremental property taxes to the County, of which approximately half (16.26%) would be subordinate to the former Redevelopment Agency's existing long-term debt. The County will loan to the former Redevelopment Agency, at the rate of 7% per annum, the amount of the deferred incremental property taxes needed to meet debt service requirements on the refunding bonds plus amounts needed, up to \$100,000 annually, to administer the former Redevelopment Agency's long-term debt. Any such loans are subordinate to Series A, B, and C of the Adelanto Public Financing Authority refunding bonds but senior to the Series D Bonds. As of June 30, 2014 the balance outstanding was \$22,275,843. This debt has been transferred to the Successor Agency as part of the dissolution of the Redevelopment Agency.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 14 **Defined Benefit Pension Plan**

Plan Description

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

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2014 was 6.89%. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by the State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

The City's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, 2012 were \$437,542, \$528,728, and \$408,349, respectively, and equal 100% of the required contributions for each fiscal year.

Note 15 **Successor Agency**

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

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

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

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15 **Successor Agency (Continued)**

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

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

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

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

Long-term debt of the Successor Agency as of June 30, 2014, consisted of the following:

	Balance July 1, 2013	Additions	Repayments	Balance June 30, 2014	Due within one year
Adelanto Improvement Project, Tax Allocation Bonds, Issue 1993B	\$ 9,605,000	\$ -	\$ 635,000	\$ 8,970,000	\$ 670,000
Adelanto Public Financing Authority, Local Agency Taxable Subordinated Revenue Bonds 1995 Series A	2,575,000		15,000	2,560,000	15,000
Adelanto Public Financing Authority, Local Agency Second Subordinated Revenue Bonds 1995 Series B	13,930,000		375,000	13,555,000	400,000
Adelanto Public Financing Authority, Local Agency Third Subordinated Revenue Bonds 1995 Series C	13,825,343	1,036,900	1,156,362	13,705,881	298,286
Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds	3,220,000		65,000	3,155,000	65,000
Total bonded indebtedness	43,155,343	1,036,900	2,246,362	41,945,881	1,448,286
Intermountain Power Agency Settlement Agreement	1,989,390			1,989,390	
San Bernardino County Tax Increment Loans	22,275,843			22,275,843	
Total other long-term liabilities	24,265,233			24,265,233	
Total long-term liabilities	\$ 67,420,576	\$ 1,036,900	\$ 2,246,362	\$ 66,211,114	\$ 1,448,286

A description of individual long-term obligations outstanding at June 30, 2014 is as follows:

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15 **Successor Agency (Continued)**

A. 1995 Bonds

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

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

1995 Series A Bonds

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15 **Successor Agency (Continued)**

A. 1995 Bonds (Continued)

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

A reserve fund is required to be maintained in an amount equal to the reserve requirement of \$740,000. The initial deposit in the 1995 Series A Reserve Account from the proceeds of the 1995 Series A Bonds was \$740,000 and was equal to the reserve fund at June 30, 2014. Such amount has been included in restricted cash and investments with fiscal agents in the accompanying basic financial statements.

The outstanding balance on the 1995 Series A Bonds at June 30, 2014 was \$2,560,000.

1995 Series B Bonds

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

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

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

The outstanding balance on the 1995 Series B Bonds, at June 30, 2014, was \$13,555,000.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15 **Successor Agency (Continued)**

1995 Series C Bonds

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

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

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

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

The 1995 Series C Bonds carry no reserve fund requirement.

During the fiscal year ended June 30, 2014, the Agency recognized accretion of \$1,036,900 and made payments to the Water Authority of \$1,156,362. The balance outstanding on the 1995 Series C Bonds, at June 30, 2014, was \$13,705,881.

B. 1993 Tax Allocation Bonds

1993 Series B Bonds

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

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

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15 **Successor Agency (Continued)**

B. 1993 Tax Allocation Bonds (Continued)

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

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

The outstanding balance on the 1993 Series B Bonds at June 30, 2014 was \$8,970,000.

C. 2007 Tax Allocation Bonds

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

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

The Agency utilized bond proceeds for a variety of redevelopment and economic development purposes.

The outstanding balance on the 2007 Tax Allocation Bonds, at June 30, 2014, was \$3,155,000.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15 **Successor Agency (Continued)**

D. Debt Service Requirements

The following schedules illustrate the debt service requirements to maturity for the long-term debt bonds outstanding as of June 30, 2014:

Fiscal Year Ended June 30,	1993 Series B Tax Allocation Bonds		
	Principal	Interest	Total
2015	\$ 670,000	\$ 474,925	\$ 1,144,925
2016	705,000	437,113	1,142,113
2017	745,000	397,238	1,142,238
2018	785,000	355,163	1,140,163
2019	830,000	310,751	1,140,751
2020-2024	5,235,000	750,065	5,985,065
	<u>\$ 8,970,000</u>	<u>\$ 2,725,255</u>	<u>\$ 11,695,255</u>

Fiscal Year Ended June 30,	1995 Series A Revenue Bonds		
	Principal	Interest	Total
2015	\$ 15,000	\$ 183,780	\$ 198,780
2016	20,000	182,520	202,520
2017	20,000	181,080	201,080
2018	25,000	179,460	204,460
2019	20,000	177,840	197,840
2020-2024		885,600	885,600
2025-2026	2,460,000	180,360	2,640,360
	<u>\$ 2,560,000</u>	<u>\$ 1,970,640</u>	<u>\$ 4,530,640</u>

Fiscal Year Ended June 30,	1995 Series B Revenue Bonds		
	Principal	Interest	Total
2015	\$ 400,000	\$ 841,366	\$ 1,241,366
2016	425,000	815,378	1,240,378
2017	450,000	787,815	1,237,815
2018	475,000	758,678	1,233,678
2019	510,000	727,651	1,237,651
2020-2024	2,850,000	3,131,733	5,981,733
2025-2029	8,445,000	1,646,350	10,091,350
	<u>\$ 13,555,000</u>	<u>\$ 8,708,971</u>	<u>\$ 22,263,971</u>

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15 **Successor Agency (Continued)**

D. Debt Service Requirements (Continued)

Fiscal Year Ended June 30,	1995 Series C Revenue Bonds		
	Principal	Interest	Total
2015	\$ 298,287	\$ 900,966	\$ 1,199,253
2016	287,892	958,036	1,245,928
2017	278,401	1,018,464	1,296,865
2018	267,554	1,074,021	1,341,575
2019	272,074	1,197,852	1,469,926
2020-2024	1,267,720	7,259,637	8,527,357
2025-2029	11,033,953	7,947,877	18,981,830
	<u>\$ 13,705,881</u>	<u>\$ 20,356,853</u>	<u>\$ 34,062,734</u>

Fiscal Year Ended June 30,	2007 Tax Allocation Bonds		
	Principal	Interest	Total
2015	\$ 65,000	\$ 181,203	\$ 246,203
2016	70,000	178,095	248,095
2017	75,000	174,650	249,650
2018	75,000	170,975	245,975
2019	80,000	167,060	247,060
2020-2024	475,000	764,290	1,239,290
2025-2029	620,000	606,000	1,226,000
2030-2034	830,000	389,400	1,219,400
2035-2038	865,000	107,250	972,250
	<u>\$ 3,155,000</u>	<u>\$ 2,738,923</u>	<u>\$ 5,893,923</u>

Fiscal Year Ended June 30,	Total		
	Principal	Interest	Total
2015	\$ 1,448,287	\$ 2,582,240	\$ 4,030,527
2016	1,507,892	2,571,142	4,079,034
2017	1,568,401	2,559,247	4,127,648
2018	1,627,554	2,538,297	4,165,851
2019	1,712,074	2,581,154	4,293,228
2020-2024	9,827,720	12,791,325	22,619,045
2025-2029	22,558,953	10,380,587	32,939,540
2030-2034	830,000	389,400	1,219,400
2035-2038	865,000	107,250	972,250
	<u>\$ 41,945,881</u>	<u>\$ 36,500,642</u>	<u>\$ 78,446,523</u>

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15 **Successor Agency (Continued)**

E. Intermountain Power Agency Settlement Agreement

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

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, 2014.

F. San Bernardino County Tax Increment Loans

During fiscal year 1996, the former Redevelopment Agency and San Bernardino County amended the pass-through agreement for incremental property taxes in the Project Area. Under the revised agreement, the Agency is required to relinquish approximately 33% of incremental property taxes to the County, of which approximately one-half (16.26%) would be subordinate to the Agency's existing long-term debt. The County will loan to the Agency, at the rate of 7% per annum, the amount of the deferred incremental property taxes needed to meet debt service requirements on the refunding bonds plus amounts needed, up to \$100,000 annually, to administer the Agency's long-term debt. Any such loans are subordinate to Series A, B, and C of the Adelanto Public Financing Authority refunding bonds, but senior to the Series D Bonds. The outstanding balance on the loans at June 30, 2014 was \$22,275,843.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15 **Successor Agency (Continued)**

G. Defeasance of Debt

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

At June 30, 2014, the following bond issue outstanding is considered defeased:

1986 Tax Allocation Bonds	\$ 1,550,000
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Note 16 **Settlement Payable**

Ambac Settlement

On June 1, 2009, Ambac Assurance Corporation filed a lawsuit against the Adelanto Public Utility Authority (Authority) in a federal district court in the Southern District of New York and is seeking \$4,524,000 in damages plus interest and fees, costs and other expenses incurred by Ambac relating to or resulting from the alleged breach of the Authority of the Swap Agreement. On or about September 2005, the Authority issued \$70,635,000 of variable rate refunding revenue bonds (2005 A and 2005 B-Utility System Project). In order to hedge the risk from the Bonds, the Authority also entered into an interest rate swap agreement with Piper Jaffray Financial Products Incorporated (Piper). Ambac issued a surety bond for the swap agreement. The surety bond stated that if the Authority did not make certain payments pursuant to the swap agreement, Ambac would make those payments. On November 5, 2008, Moody's Investors Service downgraded Ambac's credit rating. The swap agreement provided that it could be terminated early upon the occurrence of certain events and when such early termination occurs, Piper shall be paid a "termination payment" to compensate it for the termination. The downgrade of Ambac's credit rating eventually led Piper on June 1, 2009, to terminate the swap agreement and demanded \$4,524,000 from the Authority as a termination payment. Ambac, as surety per the surety bond, paid Piper the \$4,524,000 on June 3, 2009. Ambac in its lawsuit now seeks repayment of this amount from the Authority. The United States District Court, Southern District of New York has ruled against the Authority, awarding Ambac Assurance Corporation the \$4,524,000 termination payment plus \$3,236,459 in interest and fees. As of March 16, 2016, no payment schedule has been determined. An amount of \$7,760,459 has been accrued as a settlement payable due to the undeterminable amount of the interest and fees that will be due.

Note 17 **Prior Period Adjustment**

Prior period adjustment of (\$1,222,579) in the APUA was made due to the fact that cost of issuance is not considered to be a deferred outflow of resources in accordance with GASB No.65.

Prior period adjustment of (\$8,703,851) in the APUA was made due to a fixed asset appraisal performed in the prior fiscal year that had recognized items as assets prior to their completion while the work in progress was not adjusted.

CITY OF ADELANTO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 17 **Prior Period Adjustment (Continued)**

Prior period adjustments of \$95,086, (\$4,398), (\$659), and (\$519,220) were made in the CDBG, RDA Area 3 Housing, Transit and Correctional Facility funds respectively due to the closure of those funds in prior fiscal years and distribution of their assets and liabilities.

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Required Supplementary Information

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes and assessments	\$ 2,510,000	\$ 2,510,000	\$ 5,035,811	\$ 2,525,811
Licenses and permits	312,250	552,000	359,776	(192,224)
Fines, forfeitures, and penalties	149,000	104,925	127,003	22,078
Investment earnings	890,000	890,000	891,645	1,645
Intergovernmental revenue	2,921,000	3,135,089	417,483	(2,717,606)
Charges for current services	165,500	145,240	1,095,582	950,342
Other revenues	105,000	100,000.00	295,007	195,007
Total revenues	7,052,750	7,437,254	8,222,307	785,053
EXPENDITURES				
Current:				
General government:				
City council	98,343	99,593	102,128	(2,535)
City manager	417,654	418,952	421,048	(2,096)
City clerk	255,436	268,773	248,621	20,152
Finance	434,220	440,169	419,735	20,434
City attorney	320,000	320,000	246,560	73,440
Human resource/IT	553,263	555,942	520,204	35,738
Non-departmental	845,600	957,105	969,062	(11,957)
Total general government	2,924,516	3,060,534	2,927,358	133,176
Public safety:				
Police	4,585,572	4,615,572	4,657,009	(41,437)
Fire	2,432,260	2,432,260	2,195,046	237,214
Code enforcement	334,071	336,128	324,353	11,775
Animal control	247,604	251,352	227,230	24,122
Total public safety	7,599,507	7,635,312	7,403,638	231,674
Public works:				
Street maintenance	1,029,046	1,129,294	1,123,626	5,668
Facilities	69,496	134,443	127,175	7,268
Engineering and other	186,727	168,934	159,358	9,576
Building and safety	200,925	201,980	181,222	20,758
Vehicle maintenance	175,203	133,150	110,149	23,001
Total public works	1,661,397	1,767,801	1,701,530	66,271
Community development	433,781	563,278	585,711	(22,433)
Total community development	433,781	563,278	585,711	(22,433)

(Continued)

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2014
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
EXPENDITURES (Continued)				
Parks and recreation:				
Senior Center	\$ 30,500	\$ 30,500	\$ 20,130	\$ 10,370
Community Center	25,750	24,750	19,369	5,381
Parks and grounds	54,450	102,824	213,840	(111,016)
Total parks and recreation	110,700	158,074	253,339	(95,265)
Total expenditures	12,729,901	13,184,999	12,871,576	313,423
Excess of revenues over				
(under) expenditures	(5,677,151)	(5,747,745)	(4,649,269)	1,098,476
OTHER FINANCING SOURCES				
(USES)				
Transfers in	1,743,000	1,859,505	3,314,757	1,455,252
Total other financing				
sources (uses)	1,743,000	1,859,505	3,314,757	1,455,252
Net Change in Fund Balance	(3,934,151)	(3,888,240)	(1,334,512)	2,553,728
Fund balance - July 1, 2013	14,837,336	14,837,336	14,837,336	
Fund balance - June 30, 2014	\$ 10,903,185	\$ 10,949,096	\$ 13,502,824	\$ 2,553,728

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Charges for current services	\$ 1,900,000	\$ 1,900,000	\$ 81,630	\$ (1,818,370)
Total revenues	1,900,000	1,900,000	81,630	(1,818,370)
EXPENDITURES				
Current:				
Public works	1,900,000	1,900,000	538	1,899,462
Total expenditures	1,900,000	1,900,000	538	1,899,462
Net Change in Fund Balance			81,092	81,092
Fund balance (deficit) - July 1, 2013	(135,591)	(135,591)	(135,591)	
Fund balance (deficit) - June 30, 2014	\$ (135,591)	\$ (135,591)	\$ (54,499)	\$ 81,092

Supplemental Information

CITY OF ADELANTO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds					
	<u>Gas Tax Street</u>	<u>Measure "I"</u>	<u>Community Development Block Grant</u>	<u>Special Park</u>	<u>Community Facilities District</u>	<u>Adelanto Portion of VVEDA Low/Moderate Income Housing</u>
ASSETS						
Cash and investments	\$ 1,441,739	\$ 3,319,804	\$ -	\$ 1,158,387	\$ 349,179	\$ -
Accounts receivable - net	98,675					
Due from other funds						
Total assets	<u>\$ 1,540,414</u>	<u>\$ 3,319,804</u>	<u>\$ -</u>	<u>\$ 1,158,387</u>	<u>\$ 349,179</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits payable					64,332	
Due to other funds						
Total Liabilities					<u>64,332</u>	
Fund Balances:						
Restricted for:						
Streets and roads	1,540,414	3,319,804				
Public safety						
Community development					284,847	
Parks and recreation				1,158,387		
Public works						
Unassigned						
Total fund balances <deficits>	<u>1,540,414</u>	<u>3,319,804</u>		<u>1,158,387</u>	<u>284,847</u>	
Total liabilities and fund balances	<u>\$ 1,540,414</u>	<u>\$ 3,319,804</u>	<u>\$ -</u>	<u>\$ 1,158,387</u>	<u>\$ 349,179</u>	<u>\$ -</u>

Special Revenue Funds

Traffic Impact Fees	Fire Mitigation Fees	Maverick Stadium	Traffic Offender	TDA Article 8	Adelanto Community Benefit Corporation	Redevelopment Agency Project Area 3 Housing Set-Aside	Drainage Impact
\$ 2,530,369	\$ 145,791	\$ 12,077	\$ 504	\$ 191,353	\$ 22,334	\$ -	\$ 3,652,890
<u>\$ 2,530,369</u>	<u>\$ 145,791</u>	<u>\$ 12,077</u>	<u>\$ 504</u>	<u>\$ 191,353</u>	<u>\$ 22,334</u>	<u>\$ -</u>	<u>\$ 3,652,890</u>
\$ -	\$ -	\$ 1,010	\$ -	\$ -	\$ -	\$ -	\$ -
		3,082,317					
		3,083,327					
2,530,369	145,791		504	191,353	22,334		3,652,890
		(3,071,250)					
2,530,369	145,791	(3,071,250)	504	191,353	22,334		3,652,890
<u>\$ 2,530,369</u>	<u>\$ 145,791</u>	<u>\$ 12,077</u>	<u>\$ 504</u>	<u>\$ 191,353</u>	<u>\$ 22,334</u>	<u>\$ -</u>	<u>\$ 3,652,890</u>

(Continued)

CITY OF ADELANTO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014
(Continued)

Special Revenue Funds

	Asset Forfeiture Education	Public Safety	FEMA/ OES	California AB Distributions	LLMD Annexation	Adelanto Portion of VVEDA Redevelopment Agency
ASSETS						
Cash and investments	\$ 29,372	\$ 34,812	\$ 174,421	\$ 167,406	\$ 103,722	\$ 434,936
Accounts receivable - net		9,828				91,617
Due from other funds						406
Total assets	<u>\$ 29,372</u>	<u>\$ 44,640</u>	<u>\$ 174,421</u>	<u>\$ 167,406</u>	<u>\$ 103,722</u>	<u>\$ 526,959</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,247	\$ -
Deposits payable						
Due to other funds						12,709
Total Liabilities					2,247	12,709
Fund Balances:						
Restricted for:						
Streets and roads						
Public safety	29,372	44,640	174,421			
Community development					101,475	514,250
Parks and recreation						
Public works				167,406		
Unassigned						
Total fund balances <deficits>	<u>29,372</u>	<u>44,640</u>	<u>174,421</u>	<u>167,406</u>	<u>101,475</u>	<u>514,250</u>
Total liabilities and fund balances	<u>\$ 29,372</u>	<u>\$ 44,640</u>	<u>\$ 174,421</u>	<u>\$ 167,406</u>	<u>\$ 103,722</u>	<u>\$ 526,959</u>

Special Revenue Funds

<u>Proposition 1B</u>	<u>Transit</u>	<u>COPS Grant</u>	<u>CLEEP</u>	<u>Measure I Local 70%</u>	<u>Totals</u>
\$ 487,408	\$ -	\$ 112,951	\$ 208	\$ 1,594,304	\$ 15,963,967 200,120 406
<u>\$ 487,408</u>	<u>\$ -</u>	<u>\$ 112,951</u>	<u>\$ 208</u>	<u>\$ 1,594,304</u>	<u>16,164,493</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,257 64,332 3,095,026
487,408		112,951	208	1,594,304	9,663,652 507,887 922,906 1,158,387 3,820,296 (3,071,250)
<u>487,408</u>		<u>112,951</u>	<u>208</u>	<u>1,594,304</u>	<u>13,001,878</u>
<u>\$ 487,408</u>	<u>\$ -</u>	<u>\$ 112,951</u>	<u>\$ 208</u>	<u>\$ 1,594,304</u>	<u>\$ 16,164,493</u>

CITY OF ADELANTO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds					Adelanto Portion of VVEDA Low/Moderate Income Housing
	Gas Tax Street	Measure "I"	Community Development Block Grant	Special Park	Community Facilities District	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 83,598	\$ -
Licenses and permits						
Fines, forfeitures, and penalties						
Investment earnings		759				
Charges for current services				161,840		
Intergovernmental revenue	995,770		171,957	121,537		
Other revenues						
Total revenues	995,770	759	171,957	283,377	83,598	
EXPENDITURES						
Current:						
Public safety						
Public works		30,000				
Community development			21,644		6,942	
Parks and grounds				38,013		
Capital outlay				34,444		
Total expenditures		30,000	21,644	72,457	6,942	
Excess of revenues over (under) expenditures	995,770	(29,241)	150,313	210,920	76,656	
OTHER FINANCING SOURCES (USES)						
Transfers in						37,598
Transfers out	(900,000)		(120,000)		(65,000)	
Total other financing sources (uses)	(900,000)		(120,000)		(65,000)	37,598
Net Change in Fund Balances	95,770	(29,241)	30,313	210,920	11,656	37,598
Fund balances (deficits) - July 1, 2013	1,444,644	3,349,045	(125,399)	947,467	273,191	(37,598)
Prior period adjustments			95,086			
Fund balances (deficits) - July 1, 2013, restated	1,444,644	3,349,045	(30,313)	947,467	273,191	(37,598)
Fund balances (deficits) - June 30, 2014	\$ 1,540,414	\$ 3,319,804	\$ -	\$ 1,158,387	\$ 284,847	\$ -

Special Revenue Funds

<u>Traffic Impact Fees</u>	<u>Fire Mitigation Fees</u>	<u>Maverick Stadium</u>	<u>Traffic Offender</u>	<u>TDA Article 8</u>	<u>Adelanto Community Benefit Corporation</u>	<u>Redevelopment Agency Project Area 3 Housing Set-Aside</u>	<u>Drainage Impact</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
301,102			19,869				214,231
	19,574	1,722		416,353	21,780		
<u>301,102</u>	<u>19,574</u>	<u>1,722</u>	<u>19,869</u>	<u>416,353</u>	<u>21,780</u>		<u>214,231</u>
	250				23,284		
		44,456					
	<u>250</u>	<u>44,456</u>			<u>23,284</u>		
<u>301,102</u>	<u>19,324</u>	<u>(42,734)</u>	<u>19,869</u>	<u>416,353</u>	<u>(1,504)</u>		<u>214,231</u>
			(24,500)	(225,000)			(300,000)
			(24,500)	(225,000)			(300,000)
<u>301,102</u>	<u>19,324</u>	<u>(42,734)</u>	<u>(4,631)</u>	<u>191,353</u>	<u>(1,504)</u>		<u>(85,769)</u>
2,229,267	126,467	(3,028,516)	5,135		23,838	4,398	3,738,659
						(4,398)	
<u>2,229,267</u>	<u>126,467</u>	<u>(3,028,516)</u>	<u>5,135</u>		<u>23,838</u>		<u>3,738,659</u>
<u>\$ 2,530,369</u>	<u>\$ 145,791</u>	<u>\$ (3,071,250)</u>	<u>\$ 504</u>	<u>\$ 191,353</u>	<u>\$ 22,334</u>	<u>\$ -</u>	<u>\$ 3,652,890</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, 2014
(Continued)

	Special Revenue Funds					Adelanto Portion of VVEDA Redevelopment Agency
	Asset Forfeiture Education	Public Safety	FEMA/ OES	California AB Distributions	LLMD Annexation	
REVENUES						
Taxes	\$ -	\$ 125,130	\$ -	\$ -	\$ 145,237	\$ -
Licenses and permits						
Fines, forfeitures, and penalties						
Investment earnings						
Charges for current services						
Intergovernmental revenue			42,802	21,022		
Other revenues						35,430
Total revenues		125,130	42,802	21,022	145,237	35,430
EXPENDITURES						
Current:						
Public safety			53,356			
Public works				4,800		
Community development					75,430	
Parks and grounds						
Capital outlay						
Total expenditures			53,356	4,800	75,430	
Excess of revenues over (under) expenditures		125,130	(10,554)	16,222	69,807	35,430
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out		(125,000)			(125,000)	(37,598)
Total other financing sources (uses)		(125,000)			(125,000)	(37,598)
Net Change in Fund Balances		130	(10,554)	16,222	(55,193)	(2,168)
Fund balances (deficits) - July 1, 2013	29,372	44,510	184,975	151,184	156,668	516,418
Prior period adjustments						
Fund balances (deficits) - July 1, 2013, restated	29,372	44,510	184,975	151,184	156,668	516,418
Fund balances (deficits) - June 30, 2014	<u>\$ 29,372</u>	<u>\$ 44,640</u>	<u>\$ 174,421</u>	<u>\$ 167,406</u>	<u>\$ 101,475</u>	<u>\$ 514,250</u>

Special Revenue Funds

Proposition IB	Transit	COPS Grant	CLEEP	Measure I Local 70%	Totals
\$ -	\$ -	\$ -	\$ -	\$ 627,246	\$ 981,211
					214,231
					320,971
				208	967
					183,136
		100,027			1,869,468
					57,210
		100,027		627,454	3,627,194
			268		53,874
				1,230	36,030
					127,300
					82,469
				167,619	202,063
			268	168,849	501,736
		100,027	(268)	458,605	3,125,458
					37,598
		(100,000)			(2,022,098)
		(100,000)			(1,984,500)
		27	(268)	458,605	1,140,958
487,408	659	112,924	476	1,135,699	11,770,891
	(659)				90,029
487,408		112,924	476	1,135,699	11,860,920
\$ 487,408	\$ -	\$ 112,951	\$ 208	\$ 1,594,304	\$ 13,001,878

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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 900,000	\$ 995,770	\$ 95,770
Total revenues	900,000	995,770	95,770
OTHER FINANCING SOURCES (USES)			
Transfers out	(900,000)	(900,000)	
Total other financing sources (uses)	(900,000)	(900,000)	
Net Change in Fund Balance		95,770	95,770
Fund balance - July 1, 2013	1,444,644	1,444,644	
Fund balance - June 30, 2014	\$ 1,444,644	\$ 1,540,414	\$ 95,770

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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ -	\$ 759	\$ 759
Total revenues		759	759
EXPENDITURES			
Current:			
Public works		30,000	(30,000)
Capital outlay	3,300,000		3,300,000
Total expenditures	3,300,000	30,000	3,270,000
Excess of revenues over (under) expenditures	(3,300,000)	(29,241)	3,270,759
Net Change in Fund Balance	(3,300,000)	(29,241)	3,270,759
Fund balance - July 1, 2013	3,349,045	3,349,045	
Fund balance - June 30, 2014	\$ 49,045	\$ 3,319,804	\$ 3,270,759

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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 235,000	\$ 171,957	\$ (63,043)
Total revenues	<u>235,000</u>	<u>171,957</u>	<u>(63,043)</u>
EXPENDITURES			
Current:			
Community development		21,644	(21,644)
Capital outlay	<u>115,000</u>		<u>115,000</u>
Total expenditures	<u>115,000</u>	<u>21,644</u>	<u>93,356</u>
Excess of revenues over (under) expenditures	<u>120,000</u>	<u>150,313</u>	<u>30,313</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	
Total other financing sources (uses)	<u>(120,000)</u>	<u>(120,000)</u>	
Net Change in Fund Balance		30,313	30,313
Fund balance (deficit) - July 1, 2013	<u>(30,313)</u>	<u>(30,313)</u>	
Fund balance (deficit) - June 30, 2014	<u>\$ (30,313)</u>	<u>\$ -</u>	<u>\$ 30,313</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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for current services	\$ 75,000	\$ 161,840	\$ 86,840
Intergovernmental revenue		121,537	121,537
Total revenues	<u>75,000</u>	<u>283,377</u>	<u>208,377</u>
EXPENDITURES			
Current:			
Parks and grounds	35,000	38,013	(3,013)
Capital outlay		34,444	(34,444)
Total expenditures	<u>35,000</u>	<u>72,457</u>	<u>(37,457)</u>
Net Change in Fund Balance	40,000	210,920	170,920
Fund balance - July 1, 2013	<u>947,467</u>	<u>947,467</u>	
Fund balance - June 30, 2014	<u>\$ 987,467</u>	<u>\$ 1,158,387</u>	<u>\$ 170,920</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRAFFIC IMPACT FEES SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Fine, forfeitures, and penalties	\$ 100,000	\$ 301,102	\$ 201,102
Total revenues	<u>100,000</u>	<u>301,102</u>	<u>201,102</u>
Net Change in Fund Balance	100,000	301,102	201,102
Fund balance - July 1, 2013	<u>2,229,267</u>	<u>2,229,267</u>	
Fund balance - June 30, 2014	<u><u>\$ 2,329,267</u></u>	<u><u>\$ 2,530,369</u></u>	<u><u>\$ 201,102</u></u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FIRE MITIGATION FEES SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for current services	\$ 20,000	\$ 19,574	\$ (426)
Total revenues	20,000	19,574	(426)
EXPENDITURES			
Current:			
Public works	140,000	250	139,750
Total expenditures	140,000	250	139,750
Net Change in Fund Balance	(120,000)	19,324	139,324
Fund balance - July 1, 2013	126,467	126,467	
Fund balance - June 30, 2014	\$ 6,467	\$ 145,791	\$ 139,324

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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for current services	\$ 1,500	\$ 1,722	\$ 222
Total revenues	1,500	1,722	222
EXPENDITURES			
Current:			
Parks and grounds	87,425	44,456	42,969
Total expenditures	87,425	44,456	42,969
Net Change in Fund Balance	(85,925)	(42,734)	43,191
Fund balance (deficit) - July 1, 2013	(3,028,516)	(3,028,516)	
Fund balance (deficit) - June 30, 2014	\$ (3,114,441)	\$ (3,071,250)	\$ 43,191

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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Fines, forfeitures, and penalties	\$ 35,000	\$ 19,869	\$ (15,131)
Investment earnings	500		(500)
Total revenues	<u>35,500</u>	<u>19,869</u>	<u>(15,631)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(53,000)</u>	<u>(24,500)</u>	<u>28,500</u>
Total other financing sources (uses)	<u>(53,000)</u>	<u>(24,500)</u>	<u>28,500</u>
Net Change in Fund Balance	(17,500)	(4,631)	12,869
Fund balance - July 1, 2013	<u>5,135</u>	<u>5,135</u>	
Fund balance - June 30, 2014	<u>\$ (12,365)</u>	<u>\$ 504</u>	<u>\$ 12,869</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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 416,353	\$ 416,353	\$ -
Total revenues	<u>416,353</u>	<u>416,353</u>	
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(225,000)</u>	<u>(225,000)</u>	
Total other financing sources (uses)	<u>(225,000)</u>	<u>(225,000)</u>	
Net Change in Fund Balance	191,353	191,353	
Fund balance - July 1, 2013			
Fund balance - June 30, 2014	<u>\$ 191,353</u>	<u>\$ 191,353</u>	<u>\$ -</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY PROJECT AREA 3 HOUSING SET A-SIDE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Total revenues			
EXPENDITURES			
Current:			
Community development	4,398		4,398
Total expenditures	4,398		4,398
Net Change in Fund Balance	(4,398)		4,398
Fund balance - July 1, 2013	4,398	4,398	
Prior period adjustments		(4,398)	(4,398)
Fund balance - July 1, 2013, restated	4,398		(4,398)
Fund balance - June 30, 2014	\$ -	\$ -	\$ -

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRAINAGE IMPACT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and permits	\$ 75,050	\$ 214,231	\$ 139,181
Total revenues	75,050	214,231	139,181
EXPENDITURES			
Current:			
Public works	25,000		25,000
Total expenditures	25,000		25,000
Excess of revenues over (under) expenditures	50,050	214,231	164,181
OTHER FINANCING SOURCES (USES)			
Transfers out	(300,000)	(300,000)	
Total other financing sources (uses)	(300,000)	(300,000)	
Net Change in Fund Balance	(249,950)	(85,769)	164,181
Fund balance - July 1, 2013	3,738,659	3,738,659	
Fund balance - June 30, 2014	<u>\$ 3,488,709</u>	<u>\$ 3,652,890</u>	<u>\$ 164,181</u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ASSET FORFEITURE EDUCATION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
EXPENDITURES			
Current:			
Public safety	\$ -	\$ -	\$ -
Total expenditures			
Net Change in Fund Balance			
Fund balance - July 1, 2013	29,372	29,372	
Fund balance - June 30, 2014	\$ 29,372	\$ 29,372	\$ -

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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 100,000	\$ 125,130	\$ 25,130
Total revenues	100,000	125,130	25,130
OTHER FINANCING SOURCES (USES)			
Transfers out	(125,000)	(125,000)	
Total other financing sources (uses)	(125,000)	(125,000)	
Net Change in Fund Balance	(25,000)	130	25,130
Fund balance - July 1, 2013	44,510	44,510	
Fund balance - June 30, 2014	\$ 19,510	\$ 44,640	\$ 25,130

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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 15,000	\$ 21,022	\$ 6,022
Total revenues	15,000	21,022	6,022
EXPENDITURES			
Current:			
Public works	6,000	4,800	1,200
Total expenditures	6,000	4,800	1,200
Net Change in Fund Balance	9,000	16,222	7,222
Fund balance - July 1, 2013	151,184	151,184	
Fund balance - June 30, 2014	\$ 160,184	\$ 167,406	\$ 7,222

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRANSIT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Other revenues	\$ 1,400	\$ -	\$ (1,400)
Total revenues	1,400		(1,400)
Net Change in Fund Balance	1,400		(1,400)
Fund balance - July 1, 2013	659	659	
Prior period adjustments		(659)	(659)
Fund balance - July 1, 2013, restated	659		(659)
Fund balance - June 30, 2014	\$ 2,059	\$ -	\$ (2,059)

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, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 100,000	\$ 100,027	\$ 27
Total revenues	<u>100,000</u>	<u>100,027</u>	<u>27</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	
Net Change in Fund Balance		27	27
Fund balance - July 1, 2013	<u>112,924</u>	<u>112,924</u>	
Fund balance - June 30, 2014	<u><u>\$ 112,924</u></u>	<u><u>\$ 112,951</u></u>	<u><u>\$ 27</u></u>

CITY OF ADELANTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MEASURE I LOCAL 70% SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 400,000	\$ 627,246	\$ 227,246
Investment earnings		208	208
Total revenues	<u>400,000</u>	<u>627,454</u>	<u>227,454</u>
EXPENDITURES			
Current:			
Public works		1,230	(1,230)
Capital outlay	<u>200,000</u>	<u>167,619</u>	<u>32,381</u>
Total expenditures	<u>200,000</u>	<u>168,849</u>	<u>31,151</u>
Net Change in Fund Balance	200,000	458,605	258,605
Fund balance - July 1, 2013	<u>1,135,699</u>	<u>1,135,699</u>	
Fund balance - June 30, 2014	<u>\$ 1,335,699</u>	<u>\$ 1,594,304</u>	<u>\$ 258,605</u>