

COMPREHENSIVE
ANNUAL

FINANCIAL REPORT

City of Barstow, California
for Fiscal Year Ended June 30, 2011

Prepared by the Finance Department

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CITY OF BARSTOW



Joe D. Gomez, Mayor
Julie Hackbarth-McIntyre, Mayor Pro Tem
Tim Silva, Councilmember
Willie L. Hailey, Sr., Councilmember
Tim Saenz, Councilmember

(At Date of Issuance)

Curt Mitchell, City Manager

PREPARED BY THE CITY OF BARSTOW FINANCE DEPARTMENT
Cindy Prothro, Finance Director

CITY OF BARSTOW
Comprehensive Annual Financial Report
Year Ended June 30, 2011

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February 28, 2012

Honorable Mayor, Members of the Council
& Citizens of the City of Barstow

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the City of Barstow (City) for the fiscal year ended June 30, 2010. The City annually issues a report on its financial position and activity, audited by an independent firm of certified public accountants as required by State law. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

Responsibility for the accuracy of the data, and the completeness and fairness of the presentations including disclosures, rests with the management of the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. Also, all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Macias Gini & O'Connell, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Barstow's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Barstow, incorporated in 1947, is located in the northern part of the County of San Bernardino. The City of Barstow prides itself as the "Crossroads of Opportunity" with easy access to major freeways, ample affordable land, minimal pollution, and a business-friendly environment. Situated midway between Los Angeles and Las Vegas, Barstow caters to the needs of approximately 55 million travelers passing through our city each year. The City of Barstow currently occupies a land area of about 40 square miles and serves a population of about 24,000.

The City has operated under the council-manager form of government since 1947. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the City Manager and City Attorney. The council is elected on a non-partisan basis. Council members serve four-year terms and elections are staggered every two years. The



mayor is elected to serve a four-year term. The mayor and the council members are elected at large. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City government, and working with the directors and managers of City departments.

The City of Barstow provides a full range of services, including police protection; economic development; construction and maintenance of highways, parks, streets, and other infrastructure; recreational and cultural activities; utilities services of sewer and refuse (through a contract with a private hauler); and general administrative services. Fire protection is provided to the citizens of Barstow by the Barstow Fire Protection District. On November 17, 2010, the Barstow Fire Protection District became a component unit of the City of Barstow, rather than a separate Special District. This report reflects the partial year activity of the Barstow Fire Protection District from the date it became a component unit.

The Council is required to adopt a final budget by no later than the close of the fiscal year. The annual budget serves as the foundation for the City of Barstow's financial planning and established control. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit, and the City Manager has authority to transfer resources within an individual fund. Supplemental appropriations, and transfers between funds require approval from the governing body.

LOCAL ECONOMY

Major industries located within the government's boundaries or in close proximity include major military installations including both military and civilian personnel; national defense contractors; transportation and rail firms; and numerous educational and financial institutions. While San Bernardino County has experienced tremendous population growth, increasing 19.1% from 2000 to 2010, Barstow has experienced only a 4.01% change within the same period. While unemployment is currently 14.9%, there are many development opportunities in the area that are expected to provide job opportunities for citizens.

While the City of Barstow is linked to San Bernardino County and the "Inland Empire" which are experiencing a significant economic downturn, the City's impacts of the current State budget and the impact of the dissolution of the Redevelopment Agencies throughout the state are relatively minimal. The City of Barstow's assessed property tax values decreased .52 % in Fiscal Year 2010-11 as compared to an average decrease of .87% in San Bernardino County communities. However, as local property values continue to be affected by the depressed economy, the assessed value is expected to decrease as property owners continue filing assessment appeals. Sales tax growth for the fiscal year increased 13.5% as compared to the prior year. The major components of the City's sales tax revenues continue to be sales tax on fuel sales, which has been the main source of sales tax growth, while a significant increase in retail sales also occurred compared to the prior year.

MAJOR ACTIVITY IN THE CITY:

There are many major activities that are underway in the City that are consistent with the City Council's vision and direction to improve and upgrade the infrastructure and public services, and promote economic growth and development. A few of these include:



- Maintaining an ongoing focus on the improvement of City streets, roads, parks and facilities. The fiscal year 2011/12 Capital Budget includes over \$20 million in projects related to City infrastructure and facility improvements.
- The City's efforts to improve infrastructure in the City such as the Lenwood Grade Separation to facilitate future accessibility for businesses in the future.
- Continued progress on the destination resort and casino project; coordination with potential developers for new projects; and development of the Walmart Supercenter and Distribution Center.

LONG-TERM FINANCIAL PLANNING

The City continues to maintain a Council mandated reserve of 20% Working Capital and 5% Emergency, in addition. The Fiscal Year 2011-12 budget falls within the policy guidelines set by the City Council for budgetary and planning purposes. The City has maintained a conservative approach to fiscal matters by managing ongoing expenditures and tracking revenues

The City's financial condition is consistently being monitored. Reports are presented periodically to the City Council regarding the performance of all major funds. By closely tracking revenues and expenditures and forecasting the trends the City has been able to manage the current economic downturns with minimal impact on service levels. The current economic factors continue to play an important role in management of city finances and require close observation.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Barstow for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the second consecutive year the City of Barstow has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

The preparation of the Comprehensive Annual Financial Report was made possible by the efforts of many individuals and the diligent work of the Assistant Finance Director, Mary Stapp. We especially wish to acknowledge the assistance and diligence of our auditors, Macias Gini & O'Connell, LLP, CPAs.

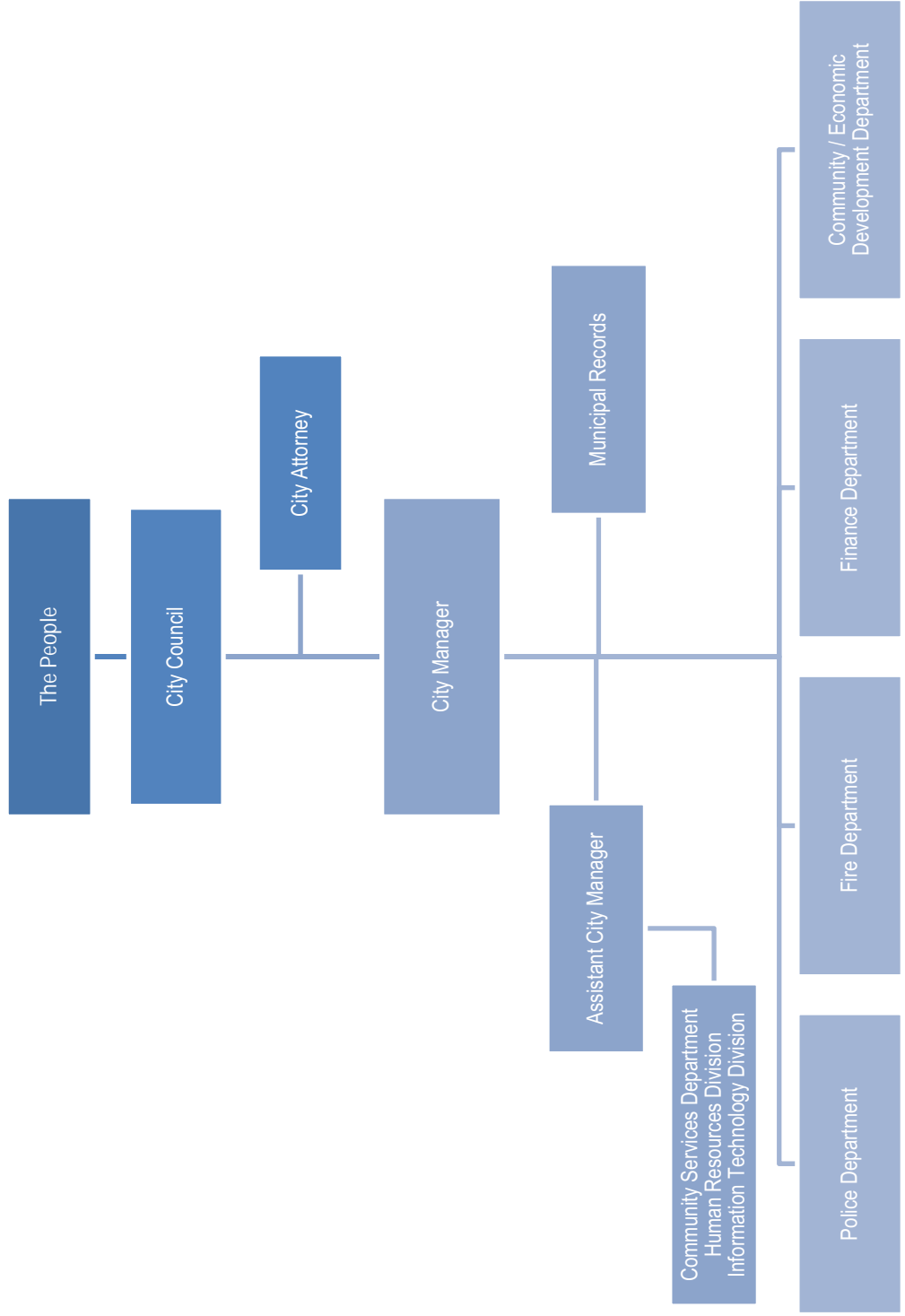
Respectfully submitted,

Charles C. Mitchell
City Manager

Cindy M. Prothro
Finance Director



CITY OF BARSTOW ORGANIZATIONAL CHART



City of Barstow
List of Elected and Appointed Officials
June 30, 2011

Elected Officials

Mayor	Joe D. Gomez
Council Member, Chairman RDA	Tim Silva
Council Member, Mayor Pro Tem	Julie Hackbarth-McIntyre
Council Member	Willie L. Hailey, Sr.
Council Member	Tim Saenz
City Treasurer	Evelyn Radel
City Clerk	JoAnne Cousino

Appointed Officials

City Manager	Curt Mitchell
Finance Director	Cindy Prothro
City Attorney	Terri Highsmith
Acting Chief of Police	Albert Ramirez

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Barstow
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

To the Honorable City Council
City of Barstow, California

INDEPENDENT AUDITOR'S REPORT

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 City of Barstow, California, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note (3) (i) to the basic financial statements, effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note (7) to the financial statements, on June 29, 2011, the California State Legislature enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California (Assembly Bill 1X 26) unless certain payments can be made to the State of California (Assembly Bill 1X 27). On December 29, 2011, the California Supreme Court (Court) largely upheld the legislation for the dissolution of redevelopment agencies. Furthermore, the Court invalidated the Assembly Bill 1X 27. Accordingly, the Barstow Redevelopment Agency (Agency), a blended component unit of the City, was dissolved on February 1, 2012 per the guidelines for dissolution as set forth in the legislation. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress for other postemployment benefits and the budgetary comparison information listed as required supplementary information in the table of contents 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and 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 the audit of the financial statements and certain additional information, 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. The introductory and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Jini & O'Connell LLP

Los Angeles, CA
February 28, 2012

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2011

As management of the City of Barstow (City), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. It is designed to:

- Highlight significant financial issues
- Provide an overview of the City's financial activity
- Discuss changes in the City's financial position
- Explain any material deviations from the approved budget
- Identify individual fund issues

We encourage readers to consider the information presented here in conjunction with the letter of transmittal and the financial statements.

FINANCIAL HIGHLIGHTS

- The governmental program and general revenues were \$27,228,375.
- The cost of governmental activities was \$26,697,456
- The business-type activities program and general revenues were \$10,219,025.
- The cost of business-type activities was \$10,962,721.
- The General Fund reported revenues and transfers in excess of expenditures and transfers out of \$5,235,917.
- For the General Fund, actual revenues exceeded final budget by \$205,698, while actual expenditures were less than final budget by \$1,537,344.
- The Barstow Fire Protection District was added as of November 17, 2010; a non major governmental fund, for the purpose of fiscal year 2010/11 reporting, the Barstow Fire Protections District's operating activity reflects the partial year from November 17, 2010 through June 30, 2011. The district ended the fiscal year with \$419,316 nonspendable fund balance and \$605,007 in restricted fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Barstow's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2011

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, recreation and community development. The business-type activities of the City include wastewater reclamation, solid waste disposal, transit services, and the compressed/liquefied natural gas fueling station.

The government-wide financial statements include not only the City itself, (known as the *primary government*), but also its legally separate component units. The Barstow Redevelopment Agency, the Barstow Public Financing Authority, the Barstow Public Facilities Corporation, the Barstow Fire Protection District, the Odessa Water District, and the Barstow Harvey House Foundation all function, for all practical purposes, as part of the City of Barstow, and therefore, have been included (blended) as an integral part of the primary government. The government-wide financial statements are presented on pages 19 through 21.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Barstow maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Measure I special revenue fund, redevelopment Area I debt service fund and City capital projects funds, which are considered to be major funds. Data from the

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2011

other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* as supplementary information.

Changes in the presentation of governmental funds for fiscal year 2010/11 include the following:

- The implementation of Governmental Accounting Standards Boards (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which impact the following reporting entities:
 - The governmental funds, where the use of reserved and unreserved fund balance have been replaced with the categories of nonspendable, restricted, committed, assigned and unassigned. This change is to provide clearer identification of pre-existing fund balance commitments.
 - The Hospital Fund, the LTF Streets Fund, the Odessa Water District Fund, and the Harvey House Fund. have been consolidated with the General Fund for reporting purposes. Since they do not have a restricted revenue source, these funds do not meet the definition of a special revenue fund under GASB Statement No. 54.

The City adopted an annual appropriated budget for its governmental funds in fiscal year 2011 with the exception of the Barstow Fire Protection District Fund and the Barstow Harvey House Foundation Fund.

The basic governmental fund financial statements can be found on pages 22-28 of this report.

Proprietary funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater reclamation, solid waste disposal, transit services, and fueling station operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds. The basic proprietary fund financial statements can be found on pages 30-37 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources for those funds are not available to support the City's own programs. The accounting used for fiduciary funds is like that used for proprietary funds. Fiduciary fund statements are located on page 38 and 98-102 of this report.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2011

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located on pages 39-71 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary information and compliance for the general fund, and Measure I special revenue fund. The schedule of funding progress, which presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits, is also presented as required supplementary information as required by GASB Statement No. 45. Required supplementary information can be found beginning on page 73 of this report.

The Redevelopment debt service fund and City capital projects fund budgetary information along with the combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Supplementary information can be found beginning on page 79 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

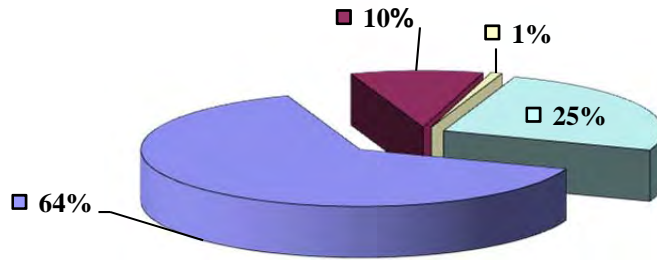
Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$125,531,193 at the close of the most recent fiscal year, an increase of .9% over the previous year.

The largest portion (64%), \$80,445,806, represents investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The second largest portion of the City's net assets, unrestricted (25%), \$31,771,939, is available to be spent at the discretion of the City Council.

As shown in the total column for 2011 in the following chart, an additional portion of the City's net assets, \$13,313,448 (11%), represents resources that are subject to restrictions in how they may be used. Of this, \$12,255,105 is restricted for specific programs and projects and \$1,058,343 is legally restricted for use in relation to low and moderate income housing projects.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2011

City of Barstow Net Assets



- Invested in capital assets, net of related debt
- Specific projects & programs
- Low & moderate income housing
- Unrestricted

CITY OF BARSTOW NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 59,429,886	\$ 60,806,615	\$ 6,480,421	\$ 5,798,908	\$ 65,910,307	\$ 66,605,523
Capital assets	72,243,744	66,219,893	17,692,624	16,959,391	89,936,368	83,179,284
Total assets	131,673,630	127,026,508	24,173,045	22,758,299	155,846,675	149,784,807
Long-term liabilities	13,391,532	10,029,361	12,345,040	10,561,253	25,736,572	20,590,614
Other liabilities	3,313,977	3,864,425	1,264,933	890,278	4,578,910	4,754,703
Total liabilities	16,705,509	13,893,786	13,609,973	11,451,531	30,315,482	25,345,317
Net assets:						
Invested in capital assets	68,836,403	65,754,048	11,609,403	14,309,391	80,445,806	80,063,439
Restricted	13,313,448	7,467,900			13,313,448	7,467,900
Unrestricted	32,818,270	39,910,774	(1,046,331)	(3,002,623)	31,771,939	36,908,151
Total Net Assets:	\$ 114,968,121	\$ 113,132,722	\$ 10,563,072	\$ 11,306,768	\$ 125,531,193	\$ 124,439,490

City of Barstow Changes in Net Assets

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Management's Discussion and Analysis
June 30, 2011

Governmental Activities

Governmental activities increased net assets by \$1.8 million for fiscal year 2011, with the merger of the Fire District accounting for the change. Program revenues decreased from the previous fiscal year (3.5%). This was due mainly to one-time grant funding in the previous fiscal year. General revenues reflected an increase (21%) primarily related to the Fire District merger.

Program Revenues:

- Operating grants and contributions reflect an increase directly attributable to the fire district merger.
- As the federal stimulus programs have wound down and the state's economy suffers, capital contributions have suffered, declining 94%.

General Revenues:

- General revenues reflected an increase of \$4.2 million (21%) primarily from the merged fire district's property tax revenues of \$2.3 million. Sales tax also grew substantially, \$.8 million (14%), from the higher cost of fuel and increased apparel sales.

Expenses:

- Expenses grew \$504,000 reflecting the addition of the Fire District expenditures of \$2.3 million offset by delays of programmed capital expenditures for public works of \$1.2 million and recreation expenditures of \$500,000.

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Management's Discussion and Analysis
June 30, 2011

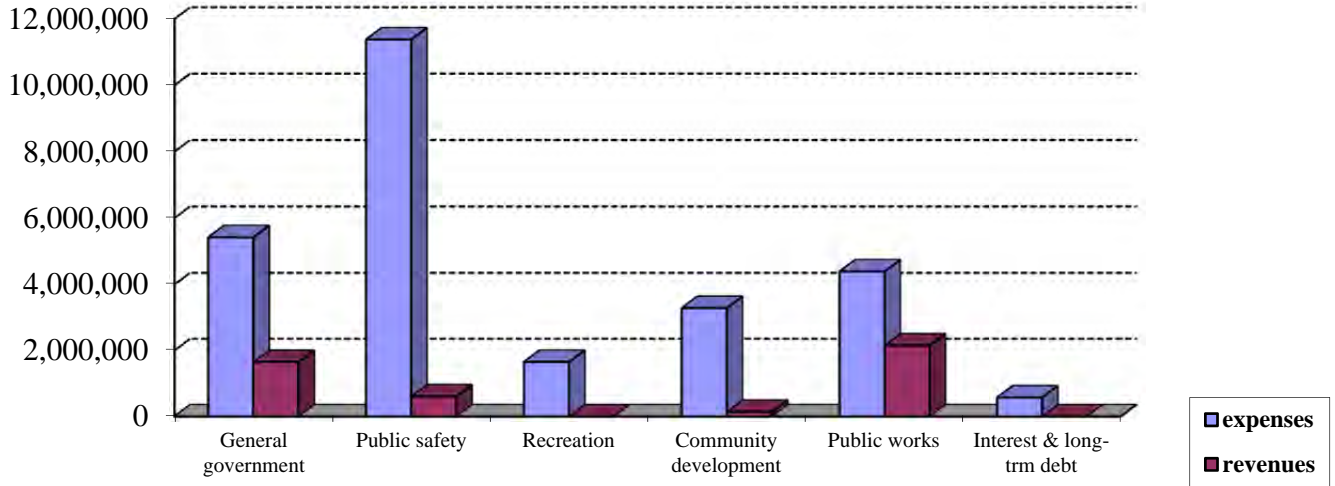
Governmental & Business-Type Activities Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues						
Charges for services	\$ 1,502,836	\$ 1,560,775	\$ 7,757,562	\$ 7,088,783	\$ 9,260,398	\$ 8,649,558
Operating contributions and grants	2,977,984	2,188,144	2,018,897	2,580,170	4,996,881	4,768,314
Capital contributions and grants	54,290	950,770	151,117	419,872	205,407	1,370,642
Total Program Revenues	4,535,110	4,699,689	9,927,576	10,088,825	14,462,686	14,788,514
General Revenues						
Property taxes	10,106,231	8,359,770	-	-	10,106,231	8,359,770
Other taxes	3,760,174	3,613,519	-	-	3,760,174	3,613,519
Sales and use tax	6,589,010	5,802,928	-	-	6,589,010	5,802,928
Other revenues	2,237,850	2,029,305	107,970	177,265	2,345,820	2,206,570
Total General Revenues	22,693,265	19,805,522	107,970	177,265	22,801,235	19,982,787
Total Revenues	27,228,375	24,505,211	10,035,546	10,266,090	37,263,921	34,771,301
Expenses:						
General government	5,419,817	6,094,918	-	-	5,419,817	6,094,918
Public safety	11,379,248	8,431,831	-	-	11,379,248	8,431,831
Recreation	1,651,047	2,169,160	-	-	1,651,047	2,169,160
Community development	3,284,720	3,394,422	-	-	3,284,720	3,394,422
Public works	4,390,903	5,631,968	-	-	4,390,903	5,631,968
Interest on long-term debt	571,721	470,703	-	-	571,721	470,703
Wastewater	-	-	3,514,998	3,247,228	3,514,998	3,247,228
Solid waste	-	-	4,213,429	4,011,446	4,213,429	4,011,446
Transit	-	-	2,890,641	3,372,469	2,890,641	3,372,469
CNG/LNG fueling station	-	-	343,653	398,573	343,653	398,573
Total Expenses	26,697,456	26,193,002	10,962,721	11,029,716	37,660,177	37,222,718
Excess (Deficiency) of Revenues over (under) Expenses	530,919	(1,687,791)	(927,175)	(763,626)	(396,256)	(2,451,417)
Transfers and Special Item:						
Transfers in/(out)	(183,479)	-	183,479	-	-	-
Special item-merger of fire district	1,487,959	-	-	-	1,487,959	-
Special item-impairment loss	-	-	-	(1,709,103)	-	(1,709,103)
	1,304,480	-	183,479	(1,709,103)	1,487,959	(1,709,103)
Changes in Net Assets	1,835,399	(1,687,791)	(743,696)	(2,472,729)	1,091,703	(4,160,520)
Net assets beginning of year	113,132,722	114,820,513	11,306,768	13,779,497	124,439,490	128,600,010
Net assets June 30	\$ 114,968,121	\$ 113,132,722	\$ 10,563,072	\$ 11,306,768	\$ 125,531,193	\$ 124,439,490

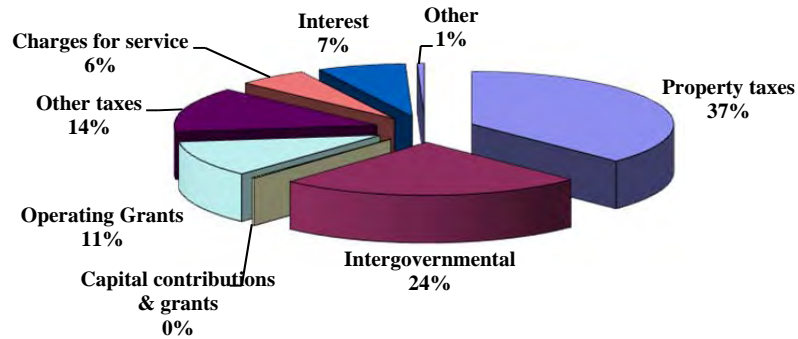
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Governmental Activities

Governmental Activities - Expenses and Program Revenues for FY 2010/11



Governmental Activities - Revenues by Source



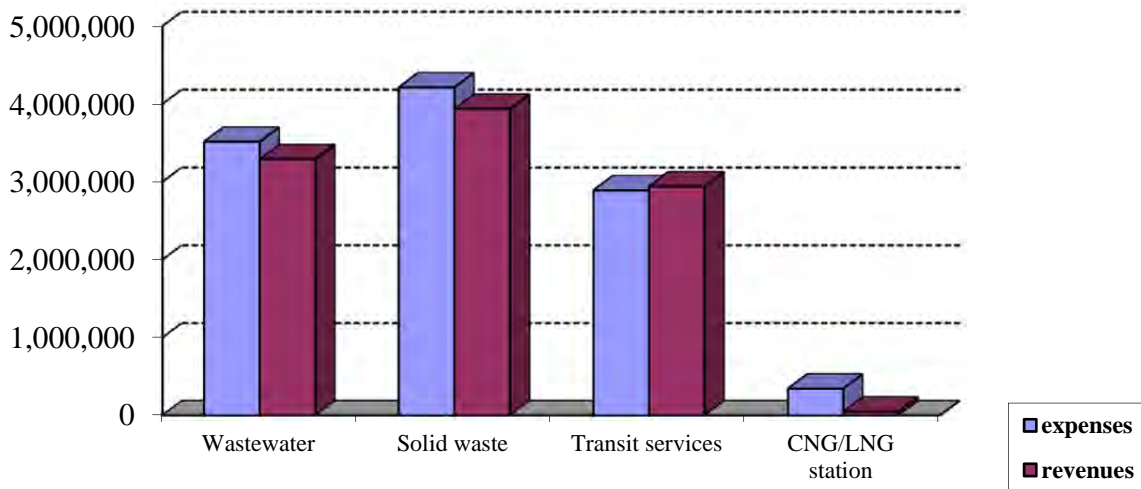
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Business-type Activities As shown in the chart on page 9 business-type activities decreased the City of Barstow net assets by \$743,696. Key elements of this decrease are as follows and are reflected on page 32 and 33 of this report in the Statement of Revenues, Expenses and Changes in Fund Net Assets:

- Charges for services for business-type activities increased by 9% as compared with the previous fiscal year. This was due to an increase in service demand.
- Overall, operating expenses decreased but only slightly (1%) as compared with the previous fiscal year (\$114,075). This was due to a concentrated effort by management to curb unnecessary costs due to continued economic concerns.
- Although there was an operating loss in total of \$3 million, this was offset by non-operating revenues and capital contributions/transfers in of \$2.3 million resulting in a decrease in net-assets of \$743,696. The majority of the capital contribution was due to grant reimbursement of new transit vehicles purchased for the transportation.

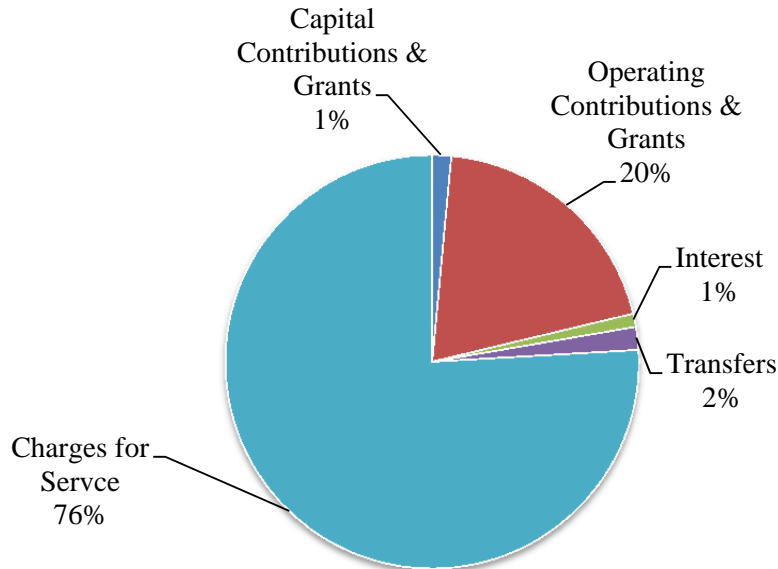
The chart below illustrates Business-type expenses and revenues.

Business-Type Activities - Expenses and Program Revenues



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Business-Type Activities - Revenues by Source



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* information may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$52,839,744, a decrease of \$1,327,866 when compared to the fund balances of the prior year. Approximately 35%, or \$18,745,130, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The amount of *Non-spendable fund balance*, such as prepaids, advances to other funds, inventories and deposits, accounts for \$9,306,110 or 18% of the total. *Restricted fund balance* is defined as having externally enforceable limitations on their use. The City has

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\$14,386,199 or 27% characterized as *restricted*. *Assigned fund balances* are amounts that can be used for the specific purpose determined by Council action. *Assigned fund balance* for the City is \$10,402,305 or 20%.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At year-end the total net assets of all proprietary funds was \$10,563,072, which is a decrease of \$743,696 or 7% from the previous fiscal year. Program revenues in total decreased from the previous fiscal year by 2%. Charges for services increased by \$668,779 but this was offset by a decrease in operating contributions and grant of \$561,273. Total revenues were \$10,035,546 when compared with the previous fiscal year of \$10,266,090.

The wastewater fund, solid waste fund, transit services and the CNG/LNG fueling station recorded a combined loss of \$1,078,292 before capital contributions and transfers. Future improvements at the wastewater facility and continued review of the solid waste program to reduce costs will assist in ensuring losses are minimal and eventually eliminated. As noted under the Capital Asset section of this report, a major lease has been entered into to make capital improvements at the wastewater plant improving infrastructure. The CNG/LNG fueling facility is operating under a new contract. The plan is to increase profitability in the near future.

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GENERAL FUND BUDGETARY HIGHLIGHTS

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budgets</u>
Total Revenues	\$ 15,799,450	\$ 15,907,808	\$ 16,113,506	\$ 205,698
Expenditures				
General Government	2,793,916	5,288,224	3,723,967	1,564,257
Public Safety	8,236,233	8,070,573	8,374,856	(304,283)
Recreation	1,960,167	1,252,973	1,300,759	(47,786)
Community Development	1,475,017	1,603,474	1,531,445	72,029
Public Works	1,841,635	2,904,897	2,505,479	399,418
Capital Outlay	3,500	117,750	264,040	(146,290)
Total Expenditures	<u>16,310,468</u>	<u>19,237,891</u>	<u>17,700,546</u>	<u>1,537,345</u>
Excess of revenues over (under) expenditures	(511,018)	(3,330,083)	(1,587,040)	1,743,042
Other Financing Sources (Uses)	<u>1,720,900</u>	<u>1,720,900</u>	<u>6,822,958</u>	<u>5,102,058</u>
Net Change in Fund Balance	1,209,882	(1,609,183)	5,235,918	6,845,100
Fund balance, beginning of the year	<u>28,045,047</u>	<u>28,045,047</u>	<u>28,045,047</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 29,254,929</u></u>	<u><u>\$ 26,435,864</u></u>	<u><u>\$ 33,280,965</u></u>	<u><u>\$ 6,845,100</u></u>

The difference between the original revenue budget and the final amended revenue budget was an increase of \$108,358. Revenue adjustments in the amount of \$108,358 were posted, to increase sales tax revenue identified during the mid-year review due to upward trends, offset by other minor decreases to park revenue.

The difference in the original expenditure budget and the final amended expenditure budget was an increase in appropriations of \$2,927,423. The increase in the expenditure budget was due to the carry-over of unspent budget from fiscal year 2009/2010 for on-going projects.

Actual amounts differed from the final general fund budget as follows:

- Actual revenues were greater than anticipated overall primarily due to increases in sales tax. Revenue came in higher than budgeted due to higher gasoline fuel costs and increased apparel sales. Property taxes also came in higher than budgeted. The property tax budget for fiscal year 2011 was a conservative estimate to due economic uncertainty.
- Actual general government costs were less than expected due to the project costs budgeted but not expected to be fully expended until fiscal year 2012. The variance between the final budget and actual expenditure is \$1.5 million.

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- The public works department also has delayed project costs mainly due to a change in executive City management until further review and project priority could be determined. The variance between the final budget and the actual expenditure is \$400,000
- Public safety had a negative variance of \$304,000, due to a local contaminated water emergency.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$89,936,368 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment and park facilities. The total change in the City's investment in capital assets for the current fiscal year, when compared to the previous year's capital assets, was an increase of 8%. The City of Barstow's Capital Assets chart is shown on the following page as a reference.

Executive management reviewed projects and capital expenditures in-line with Council priorities. Further analysis indicates the major variance is due to multi-year infrastructure projects commenced in fiscal year 2011, resulting in an increase in work-in-progress.

Major capital asset variations in fiscal year 2011 include:

- Additions to work-in-progress were \$7.5 million as detailed below:
 - Governmental Activities increase was \$6 million.
 - Major road construction projects include Armory Road (\$900,000), Main Street (\$801,000), Yucca Avenue (\$343,000) and Mountain View (\$368,000). Several other smaller projects are in the beginning stages adding to the work-in-progress account.
 - Business-type activities increase was \$1.5 million.
 - The Wastewater Fund added new sewer lines for \$500,000. Sewer lines are being evaluated and replaced in conjunction with major reconstruction projects. In addition, the JCI Energy Retrofit project added another \$987,000. The project upgrades two pumps and blowers at the plant which should reduce future costs and improve efficiency.

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City of Barstow's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land & Intangible Assets	\$ 9,511,209	\$ 9,381,080	\$ 1,733,787	\$ 1,733,787	\$ 11,244,996	\$ 11,114,867
Work in progress	7,232,511	1,306,002	1,672,057	121,858	8,904,568	1,427,860
Buildings & Structures	14,205,739	13,984,113	1,882,949	1,961,672	16,088,688	15,945,785
Machinery and equipment	2,661,445	2,031,194	2,784,214	3,069,179	5,445,659	5,100,373
Infrastructure	38,632,840	39,517,504	9,619,617	10,072,895	48,252,457	49,590,399
Total	\$ 72,243,744	\$ 66,219,893	\$ 17,692,624	\$ 16,959,391	\$ 89,936,368	\$ 83,179,284

Additional information on the City's capital assets can be found in Note 3(f) of Notes to Financial Statements on page 55 & 56 of this report.

Long-term Debt

At the end of the current fiscal year, the City of Barstow had total debt outstanding of the government of \$25,736,572. Of this amount of debt, governmental activities accounts for \$13,391,532 and \$12,345,040, is related to business-type activities. As shown in the chart below, the City has no general obligation bond debt.

Further analysis indicates the City's total debt increased by \$4 million or 20%. This majority of this increase is attributed to the Capital Lease Agreement category. The City entered into a new lease agreement with Johnson Controls (JCI) to install and replace energy efficient systems throughout the City's infrastructure. Additionally, the lease also covers the cost of building capital assets. New energy efficient blowers at the City's wastewater facility will improve processing at the plant. This is offset by the retirement of bonded debt for the fiscal year (\$490,000) and the annual amortization of the pollution remediation (\$274,560). Compensated absences increased by approximately \$113,571, while claims and judgments payable remained relatively flat.

City of Barstow's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	Total 2011	Total 2010
Tax Allocation Bonds	\$ 7,845,000	\$ 8,335,000	\$ -	\$ -	\$ 7,845,000	\$ 8,335,000
Capital Lease Agreement	3,407,341	465,845	2,316,949	-	5,724,290	465,845
Certificates of Participation	-	-	2,395,000	2,650,000	2,395,000	2,650,000
Pollution Remediation Liab	-	-	7,601,374	7,875,934	7,601,374	7,875,934
Claims & Judgments Payable	793,502	802,743	-	-	793,502	802,743
Compensated Absences	1,345,689	1,228,516	31,717	35,319	1,377,406	1,263,835
Total	\$ 13,391,532	\$ 10,832,104	\$ 12,345,040	\$ 10,561,253	\$ 25,736,572	\$ 21,393,357

Additional information on the City's long-term debt can be found in Note 3(g) on page 57 of this report.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economy is at the forefront of management's consideration in leading and providing services for the residents of the City of Barstow. The continued economic downturn has caused financial hardship on all levels of government and the City of Barstow is no exception. Therefore, the management team continuously takes the necessary steps required to address the needs of its residents for the short-term and the long-term, focusing on needed infrastructure improvements, community services including recreation and activities for all ages, business and economic development and planning for long-term growth in conjunction with the City Council.

During the fiscal year 2010/2011, the City's executive management team changed. The executive team did a thorough analysis of revenues and expenditures, and took into consideration the direction Council envisioned for the City and their project priorities. With that intent, the budget for fiscal year 2012 was prepared. Capital expenditures and infrastructure, mainly in the area of road and street construction was presented to Council and approved.

The City's management team met to develop revenue enhancements and cost reduction strategies wherever possible. The fiscal year 2011/12 budget projects general fund revenues of \$16.4 million and general fund expenditures of \$17.4 million.

- Sales and use taxes continue to be a major source of revenue for the City. In fiscal year 2010/11, actual sales tax revenue was approximately \$586,000 over budget. In fiscal year 2011/12, sales tax revenue is estimated to be \$6.6 million. This projection and will continued to be monitored and adjusted if needed to reflect the current trend in sales.
- The unemployment rate for the City of Barstow is 14.9% (December 2011). The City's Economic Development team is working to bring new employers and subsequent employment opportunities to residents. The City's new hospital is currently being built. Development for a Wal-Mart Supercenter and Wal-Mart Distribution Center is currently underway.
- The transient occupancy tax, also known as the hotel and motel tax charged to travelers utilizing the City's hotels, continues to be a significant revenue source (\$2.5 million). Revenues actually exceeded budget projections by \$41,000 for fiscal year 2011. When compared with fiscal year 2010, actual revenues for transient occupancy tax were \$149,000 higher for fiscal year 2011. This increase confirms the importance of hotels and motels as temporary lodging by government contractors related to the surrounding military installations in addition to travelers.
- As evidenced by the increase in capital asset additions, mainly in work-in-progress, the City added approximately \$7.5 million in construction and infrastructure projects, as compared with last fiscal year. These projects are funded by Gas Tax, Measure I and other City funds. Grants will also be sought after as an additional revenue stream.

Financial activity will be closely monitored to ensure resources and expenses are in-line with budgeted projections. All of these factors were considered in the preparation of the City's budget for fiscal year 2011/12.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2011

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 220 E. Mountain View Street, Suite A, Barstow, California 92311.

CITY OF BARSTOW
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 43,357,416	\$ 6,545,353	\$ 49,902,769
Cash and investments with fiscal agent	1,817,665	1,371,272	3,188,937
Accounts receivable, net	533,110	1,368,697	1,901,807
Accrued interest	209,960	30,560	240,520
Taxes receivable	132,088	-	132,088
PID assessment receivable	88,053	-	88,053
Internal balances	2,950,518	(2,950,518)	-
Due from other governmental agencies	1,802,602	-	1,802,602
Notes and loans receivable	125,000	-	125,000
Deposits	1,120,102	-	1,120,102
Inventories and prepayments	113,611	-	113,611
Other assets	-	115,057	115,057
Prepaid pension asset	2,786,109	-	2,786,109
Real property held for resale	4,393,652	-	4,393,652
Capital assets:			
Not being depreciated	16,743,720	3,405,844	20,149,564
Being depreciated, net	55,500,024	14,286,780	69,786,804
Total assets	<u>131,673,630</u>	<u>24,173,045</u>	<u>155,846,675</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	2,945,645	1,156,976	4,102,621
Deposits	86,036	-	86,036
Unearned revenue	166,078	107,957	274,035
Interest payable	116,218	-	116,218
Noncurrent liabilities:			
Long-term debt due within one year	1,538,206	957,065	2,495,271
Long-term debt due in more than one year	11,853,326	11,387,975	23,241,301
Total liabilities	<u>16,705,509</u>	<u>13,609,973</u>	<u>30,315,482</u>
Net assets:			
Invested in capital assets, net of related debt	68,836,403	11,609,403	80,445,806
Restricted for:			
Low and moderate income housing	1,058,343	-	1,058,343
Specific projects and programs	12,255,105	-	12,255,105
Unrestricted (deficit)	32,818,270	(1,046,331)	31,771,939
Total net assets	<u>\$ 114,968,121</u>	<u>\$ 10,563,072</u>	<u>\$ 125,531,193</u>

See Accompanying Notes to Financial Statements.

CITY OF BARSTOW
Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 5,419,817	\$ 1,502,836	\$ 145,414	\$ -
Public safety	11,379,248	-	602,542	-
Recreation	1,651,047	-	-	-
Community development	3,284,720	-	134,515	2,407
Public works	4,390,903	-	2,095,513	51,883
Interest on long-term debt	571,721	-	-	-
Total governmental activities	<u>26,697,456</u>	<u>1,502,836</u>	<u>2,977,984</u>	<u>54,290</u>
Business-type activities:				
Wastewater	3,514,998	3,221,304	-	-
Solid waste disposal	4,213,429	3,876,407	26,252	-
Transit services	2,890,641	610,343	1,992,645	151,117
CNG/LNG fueling station	343,653	49,508	-	-
Total business-type activities	<u>10,962,721</u>	<u>7,757,562</u>	<u>2,018,897</u>	<u>151,117</u>
Total primary government	<u>\$ 37,660,177</u>	<u>\$ 9,260,398</u>	<u>\$ 4,996,881</u>	<u>\$ 205,407</u>

General revenues:

Taxes:

- Property taxes
- Transient occupancy tax
- Motor vehicle fees in lieu, unrestricted
- Franchise taxes
- Business license taxes
- Other taxes

- Sales and use tax
- Use of money and property
- Other revenue

Special item - merger of fire district

Transfers in/(out)

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year

Net assets, end of year

See Accompanying Notes to Financial Statements.

Net (Expenses) Revenues and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,771,567)	\$ -	\$ (3,771,567)
(10,776,706)	-	(10,776,706)
(1,651,047)	-	(1,651,047)
(3,147,798)	-	(3,147,798)
(2,243,507)	-	(2,243,507)
(571,721)	-	(571,721)
<u>(22,162,346)</u>	<u>-</u>	<u>(22,162,346)</u>
-	(293,694)	(293,694)
-	(310,770)	(310,770)
-	(136,536)	(136,536)
-	(294,145)	(294,145)
<u>-</u>	<u>(1,035,145)</u>	<u>(1,035,145)</u>
<u>(22,162,346)</u>	<u>(1,035,145)</u>	<u>(23,197,491)</u>
10,106,231	-	10,106,231
2,541,970	-	2,541,970
110,786	-	110,786
855,516	-	855,516
184,846	-	184,846
67,056	-	67,056
6,589,010	-	6,589,010
1,903,747	105,720	2,009,467
334,103	2,250	336,353
1,487,959	-	1,487,959
(183,479)	183,479	-
<u>23,997,745</u>	<u>291,449</u>	<u>24,289,194</u>
1,835,399	(743,696)	1,091,703
<u>113,132,722</u>	<u>11,306,768</u>	<u>124,439,490</u>
<u>\$ 114,968,121</u>	<u>\$ 10,563,072</u>	<u>\$ 125,531,193</u>

See Accompanying Notes to Financial Statements.

CITY OF BARSTOW
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>Measure I Special Revenue Fund</u>	<u>Redevelopment Area I Debt Service Fund</u>
Assets:			
Cash and investments	\$ 22,748,329	\$ 4,512,863	\$ 5,825,938
Cash and investments with fiscal agent	1,817,665	-	-
Accounts receivable, net	82,379	-	-
Accrued interest	114,306	21,192	26,664
Taxes receivable	-	-	45,666
PID assessment receivable	88,053	-	-
Due from other governmental agencies	1,802,602	-	-
Due from other funds	63,861	-	-
Advances to other funds	3,341,145	-	-
Notes and loans receivable	-	-	-
Deposits	700,786	-	-
Prepays	30,000	-	-
Inventory	83,611	-	-
Real property held for resale	4,393,652	-	-
Total assets	<u>\$ 35,266,389</u>	<u>\$ 4,534,055</u>	<u>\$ 5,898,268</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,813,706	\$ 262,962	\$ 94,265
Deposits	86,036	-	-
Due to other funds	85,416	-	-
Advances from other funds	-	-	4,731,252
Deferred revenues	267	-	-
Total liabilities	<u>1,985,425</u>	<u>262,962</u>	<u>4,825,517</u>
Fund balances:			
Nonspendable:			
Prepays	30,000	-	-
Advances to other funds	3,341,145	-	-
Inventories	83,611	-	-
Deposits	700,786	-	-
Restricted:			
Public safety	-	-	-
Streets and highways	68,346	4,244,075	-
Transit	-	27,018	-
Low and moderate income housing	-	-	-
Hospital site improvement	1,481,958	-	-
Debt service reserve	-	-	1,072,751
Future capital projects	-	-	-
Property held for resale	4,393,652	-	-
Other purpose	-	-	-
Assigned:			
Emergency contingency	885,000	-	-
Working capital reserve	3,540,000	-	-
Unassigned	18,756,466	-	-
Total fund balances	<u>33,280,964</u>	<u>4,271,093</u>	<u>1,072,751</u>
Total liabilities and fund balances	<u>\$ 35,266,389</u>	<u>\$ 4,534,055</u>	<u>\$ 5,898,268</u>

See Accompanying Notes to Financial Statements.

City Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,715,168	\$ 3,555,118	\$ 43,357,416
-	-	1,817,665
304,271	146,460	533,110
29,650	18,148	209,960
-	86,422	132,088
-	-	88,053
-	-	1,802,602
-	45,461	109,322
3,218,021	1,513,231	8,072,397
-	125,000	125,000
-	419,316	1,120,102
-	-	30,000
-	-	83,611
-	-	4,393,652
<u>\$ 10,267,110</u>	<u>\$ 5,909,156</u>	<u>\$ 61,874,978</u>
\$ 376,886	\$ 397,826	\$ 2,945,645
-	-	86,036
-	23,906	109,322
390,627	-	5,121,879
304,271	467,814	772,352
<u>1,071,784</u>	<u>889,546</u>	<u>9,035,234</u>
-	-	30,000
3,218,021	1,513,231	8,072,397
-	-	83,611
-	419,316	1,120,102
-	680,268	680,268
-	677,273	4,989,694
-	-	27,018
-	1,058,343	1,058,343
-	-	1,481,958
-	-	1,072,751
-	667,098	667,098
-	-	4,393,652
-	15,417	15,417
-	-	885,000
5,977,305	-	9,517,305
-	(11,336)	18,745,130
<u>9,195,326</u>	<u>5,019,610</u>	<u>52,839,744</u>
<u>\$ 10,267,110</u>	<u>\$ 5,909,156</u>	<u>\$ 61,874,978</u>

See Accompanying Notes to Financial Statements.

CITY OF BARSTOW
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Fund balances of governmental funds	\$	52,839,744
Amounts reported for governmental activities in the statement of net assets are different because:		
A prepayment of the pension safety side fund to CalPers in the amount of \$3,582,139 less accumulated amortization of \$796,030 to be amortized over 9 years.		2,786,109
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		72,243,744
Long-term debt and compensated absences have not been included in the governmental fund activity.		
Tax allocation bonds	\$	(7,845,000)
Compensated absences		(1,345,689)
Capital leases		(3,407,341)
Claims and judgments payable		(793,502)
		(13,391,532)
Accrued interest payable for the current portion of interest due on debt service has not been reported in the governmental fund activity.		(116,218)
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis in governmental funds.		606,274
		114,968,121
Net assets of governmental activities	\$	114,968,121

See Accompanying Notes to Financial Statements.

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CITY OF BARSTOW
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Measure I Special Revenue Fund</u>	<u>Redevelopment Area I Debt Service Fund</u>
Revenues:			
Property taxes	\$ 3,406,243	\$ -	\$ 3,127,870
Sales and use taxes	6,589,010	-	-
Transient occupancy tax	2,541,970	-	-
Motor vehicle fees, in lieu, unrestricted	110,786	-	-
Franchise taxes	855,516	-	-
Business license taxes	184,846	-	-
Other taxes	67,056	-	-
Licenses and permits	129,664	-	-
Fines and penalties	129,349	-	-
From other agencies	145,414	1,488,242	-
Charges for current services	1,156,934	-	-
Other	308,579	-	-
Use of money and property	488,139	84,834	88,870
	<u>16,113,506</u>	<u>1,573,076</u>	<u>3,216,740</u>
Expenditures:			
Current:			
General government	3,723,968	-	795,512
Public safety	8,374,856	-	-
Recreation	1,300,759	-	-
Community development	1,531,445	-	-
Public works	2,505,479	-	-
Capital outlay	264,040	1,339,065	-
Debt service:			
Principal retirement	-	-	490,000
Interest and fiscal charges	-	-	576,041
	<u>17,700,547</u>	<u>1,339,065</u>	<u>1,861,553</u>
Excess of revenues over (under) expenditures	<u>(1,587,041)</u>	<u>234,011</u>	<u>1,355,187</u>
Other financing sources (uses):			
Transfers in	5,218,652	-	-
Transfers (out)	(1,547,794)	(650,333)	(1,669,285)
Capital lease financing	3,128,993	-	-
Proceeds from sale of assets	23,107	-	-
	<u>6,822,958</u>	<u>(650,333)</u>	<u>(1,669,285)</u>
Special item:			
Merger of fire district	-	-	-
Net changes in fund balances	<u>5,235,917</u>	<u>(416,322)</u>	<u>(314,098)</u>
Fund balances, beginning of year	<u>28,045,047</u>	<u>4,687,415</u>	<u>1,386,849</u>
Fund balances, end of year	<u>\$ 33,280,964</u>	<u>\$ 4,271,093</u>	<u>\$ 1,072,751</u>

See Accompanying Notes to Financial Statements.

City Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,572,118	\$ 10,106,231
-	-	6,589,010
-	-	2,541,970
-	-	110,786
-	-	855,516
-	-	184,846
-	-	67,056
-	30,747	160,411
-	-	129,349
51,883	1,291,960	2,977,499
-	-	1,156,934
-	23,650	332,229
1,203,185	38,719	1,903,747
<u>1,255,068</u>	<u>4,957,194</u>	<u>27,115,584</u>
-	603,226	5,122,706
-	2,323,936	10,698,792
-	-	1,300,759
-	1,746,819	3,278,264
-	-	2,505,479
5,215,928	1,271,713	8,090,746
-	-	490,000
2,854	-	578,895
<u>5,218,782</u>	<u>5,945,694</u>	<u>32,065,641</u>
<u>(3,963,714)</u>	<u>(988,500)</u>	<u>(4,950,057)</u>
3,988,871	1,781,309	10,988,832
(2,191,345)	(5,113,554)	(11,172,311)
-	-	3,128,993
-	-	23,107
<u>1,797,526</u>	<u>(3,332,245)</u>	<u>2,968,621</u>
-	653,570	653,570
<u>(2,166,188)</u>	<u>(3,667,175)</u>	<u>(1,327,866)</u>
<u>11,361,514</u>	<u>8,686,785</u>	<u>54,167,610</u>
<u>\$ 9,195,326</u>	<u>\$ 5,019,610</u>	<u>\$ 52,839,744</u>

See Accompanying Notes to Financial Statements.

CITY OF BARSTOW
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Net changes in fund balances - total governmental funds		\$ (1,327,866)
<p>Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the statement of revenues, and changes in fund balances because:</p>		
<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital outlays	\$ 8,090,746	
Barstow Fire Protection District (BFPD)		
capital assets - special item	1,102,631	
Depreciation expense	(3,169,527)	6,023,850
Amortization for current year of prepaid safety pension side fund to be amortized over 9 years.		(398,015)
Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. The statement of net assets includes accrued interest. This amount represents the change in accrued interest.		7,175
Some revenues reported in the statement of activities do not represent current financial resources and therefore are not reported as revenue in the governmental funds. This amount represents the change in deferred revenues.		89,683
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt related items.</p>		
Tax allocation bonds principal payments	\$ 490,000	
Increase in capital lease obligations	(3,128,993)	
Payments on capital lease obligations	187,497	
Net decrease in claims and judgments	9,241	
Special item - compensated absences BFPD	(268,242)	
Net decrease in compensated absences	151,069	(2,559,428)
Changes in net assets of governmental activities		\$ 1,835,399

See Accompanying Notes to Financial Statements.

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CITY OF BARSTOW
Statement of Net Assets
Enterprise Funds
June 30, 2011

Assets:	Wastewater Reclamation	Solid Waste Disposal	Transit Services
Current assets:			
Cash and investments	\$ 4,423,103	\$ 1,933,976	\$ 188,274
Cash and investments with fiscal agent	1,371,272	-	-
Accounts receivable, net	544,958	544,698	279,041
Accrued interest	21,246	9,314	-
Total current assets	<u>6,360,579</u>	<u>2,487,988</u>	<u>467,315</u>
Noncurrent assets:			
Other assets	115,057	-	-
Capital assets:			
Not being depreciated	3,142,175	-	187,519
Being depreciated, net	11,140,579	24,023	776,320
Total noncurrent assets	<u>14,397,811</u>	<u>24,023</u>	<u>963,839</u>
Total assets	<u>20,758,390</u>	<u>2,512,011</u>	<u>1,431,154</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	487,878	302,157	350,702
Unearned revenue	-	-	107,957
Pollution remediation liability - due within one year	500,000	-	-
Compensated absences payable	442	8,783	3,462
Capital lease payable - due within one year	179,378	-	-
Long-term debt - due within one year	265,000	-	-
Total current liabilities	<u>1,432,698</u>	<u>310,940</u>	<u>462,121</u>
Noncurrent liabilities:			
Advances from other funds	2,073,480	-	-
Pollution remediation liability	7,101,374	-	-
Compensated absences payable	662	13,174	5,194
Capital lease payable	2,137,571	-	-
Long-term debt	2,130,000	-	-
Total noncurrent liabilities	<u>13,443,087</u>	<u>13,174</u>	<u>5,194</u>
Total liabilities	<u>14,875,785</u>	<u>324,114</u>	<u>467,315</u>
Net assets:			
Invested in capital assets, net of related debt	8,199,533	24,023	963,839
Unrestricted (deficit)	(2,316,928)	2,163,874	-
Total net assets	<u>\$ 5,882,605</u>	<u>\$ 2,187,897</u>	<u>\$ 963,839</u>

See Accompanying Notes to Financial Statements.

<u>Nonmajor CNG/LNG Fueling Station</u>	<u>Totals</u>
\$ -	\$ 6,545,353
-	1,371,272
-	1,368,697
-	30,560
-	9,315,882
-	115,057
76,150	3,405,844
2,345,858	14,286,780
2,422,008	17,807,681
2,422,008	27,123,563
16,239	1,156,976
-	107,957
-	500,000
-	12,687
-	179,378
-	265,000
16,239	2,221,998
877,038	2,950,518
-	7,101,374
-	19,030
-	2,137,571
-	2,130,000
877,038	14,338,493
893,277	16,560,491
2,422,008	11,609,403
(893,277)	(1,046,331)
<u>\$ 1,528,731</u>	<u>\$ 10,563,072</u>

See Accompanying Notes to Financial Statements.

CITY OF BARSTOW
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended June 30, 2011

	<u>Wastewater Reclamation</u>	<u>Solid Waste Disposal</u>	<u>Transit Services</u>
Operating revenues:			
Service charges	\$ 3,221,304	\$ 3,829,248	\$ 259,847
Rents	-	-	-
Other revenues	-	47,159	350,496
	<u>3,221,304</u>	<u>3,876,407</u>	<u>610,343</u>
Operating expenses:			
General administration	447,154	761,525	252,625
Cost of services	2,278,074	3,451,374	2,146,448
Insurance expenses and claims	-	-	6,388
Depreciation	671,646	530	474,708
	<u>3,396,874</u>	<u>4,213,429</u>	<u>2,880,169</u>
Operating loss	<u>(175,570)</u>	<u>(337,022)</u>	<u>(2,269,826)</u>
Nonoperating revenues (expenses):			
Interest income	70,781	34,273	666
Interest expense	(118,124)	-	(10,472)
Operating grants and contributions	-	26,252	1,992,645
Proceeds from sale of asset	-	-	2,250
	<u>(47,343)</u>	<u>60,525</u>	<u>1,985,089</u>
Income (loss) before capital contributions and transfers	<u>(222,913)</u>	<u>(276,497)</u>	<u>(284,737)</u>
Capital contributions	-	-	151,117
Transfers in	-	-	183,479
	<u>-</u>	<u>-</u>	<u>334,596</u>
Changes in net assets	(222,913)	(276,497)	49,859
Net assets, beginning of year	<u>6,105,518</u>	<u>2,464,394</u>	<u>913,980</u>
Net assets, end of year	<u>\$ 5,882,605</u>	<u>\$ 2,187,897</u>	<u>\$ 963,839</u>

See Accompanying Notes to Financial Statements.

<u>Nonmajor CNG/LNG Fueling Station</u>	<u>Totals</u>
\$ -	\$ 7,310,399
49,508	49,508
-	397,655
<u>49,508</u>	<u>7,757,562</u>
-	1,461,304
200,866	8,076,762
14,002	20,390
113,195	1,260,079
<u>328,063</u>	<u>10,818,535</u>
<u>(278,555)</u>	<u>(3,060,973)</u>
-	105,720
(15,590)	(144,186)
-	2,018,897
-	2,250
<u>(15,590)</u>	<u>1,982,681</u>
<u>(294,145)</u>	<u>(1,078,292)</u>
-	151,117
-	183,479
-	334,596
(294,145)	(743,696)
<u>1,822,876</u>	<u>11,306,768</u>
<u>\$ 1,528,731</u>	<u>\$ 10,563,072</u>

See Accompanying Notes to Financial Statements.

CITY OF BARSTOW
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2011

	<u>Wastewater Reclamation</u>	<u>Solid Waste Disposal</u>	<u>Transit Services</u>
Cash flows from operating activities:			
Cash received from customers/other funds	\$ 3,145,958	\$ 3,839,132	\$ 1,007,880
Cash payments to suppliers of goods and services	(2,382,232)	(3,446,164)	(1,928,464)
Cash payments to employees for services	(457,157)	(756,486)	(257,651)
Net cash provided by (used for) operating activities	<u>306,569</u>	<u>(363,518)</u>	<u>(1,178,235)</u>
Cash flows from noncapital financing activities:			
Operating grants and contributions	-	26,252	2,176,124
Payments on interfund borrowing	(213,644)	-	(428,608)
Net cash provided by noncapital financing activities	<u>(213,644)</u>	<u>26,252</u>	<u>1,747,516</u>
Cash flows from capital and related financing activities:			
Capital contributions	-	-	151,117
Principal payments on long-term debt and capital lease	(298,519)	-	-
Capital lease	2,360,468	-	-
Interest paid on long-term debt and capital lease	(119,938)	-	-
Acquisition of capital assets	(1,429,654)	(24,553)	(532,790)
Net cash (used for) capital and related financing activities	<u>512,357</u>	<u>(24,553)</u>	<u>(381,673)</u>
Cash flows from investing activities:			
Interest on investments	70,781	34,273	666
Net increase (decrease) in cash and cash equivalents	676,063	(327,546)	188,274
Cash and cash equivalents, beginning of year	<u>5,118,312</u>	<u>2,261,522</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 5,794,375</u>	<u>\$ 1,933,976</u>	<u>\$ 188,274</u>

See Accompanying Notes to Financial Statements.

<u>Nonmajor CNG/LNG Fueling Station</u>	<u>Totals</u>
\$ 71,002	\$ 8,063,972
(219,807)	(7,976,667)
<u>(14,002)</u>	<u>(1,485,296)</u>
<u>(162,807)</u>	<u>(1,397,991)</u>
-	2,202,376
<u>178,397</u>	<u>(463,855)</u>
<u>178,397</u>	<u>1,738,521</u>
-	151,117
-	(298,519)
-	2,360,468
-	(119,938)
<u>-</u>	<u>(1,986,997)</u>
<u>-</u>	<u>106,131</u>
<u>(15,590)</u>	<u>90,130</u>
-	536,791
-	7,379,834
<u>-</u>	<u>7,379,834</u>
<u>\$ -</u>	<u>\$ 7,916,625</u>
	(Continued)

See Accompanying Notes to Financial Statements.

CITY OF BARSTOW
Statement of Cash Flows (Continued)
Enterprise Funds
For the Year Ended June 30, 2011

	<u>Wastewater Reclamation</u>	<u>Solid Waste Disposal</u>	<u>Transit Services</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	\$ (175,570)	\$ (337,022)	\$ (2,269,826)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	671,646	530	474,708
Changes in assets and liabilities:			
Accounts receivable	(77,531)	(40,684)	397,537
Interest receivable	2,185	3,409	-
Inventories and prepayments	-	-	-
Accounts payable and accrued liabilities	170,402	5,210	217,984
Pollution remediation liability	(274,560)	-	-
Compensated absences payable	(10,003)	5,039	1,362
Net cash provided by (used for) operating activities	<u>\$ 306,569</u>	<u>\$ (363,518)</u>	<u>\$ (1,178,235)</u>

See Accompanying Notes to Financial Statements.

<u>Nonmajor CNG/LNG Fueling Station</u>	<u>Totals</u>
\$ (278,555)	\$ (3,060,973)
113,195	1,260,079
14,230	293,552
-	5,594
7,264	7,264
(18,941)	374,655
-	(274,560)
-	(3,602)
<u>\$ (162,807)</u>	<u>\$ (1,397,991)</u>

See Accompanying Notes to Financial Statements.

CITY OF BARSTOW
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	Agency Funds
Assets:	
Cash and investments	\$ 304,619
Cash and investments with fiscal agent	498,148
Taxes and liens receivable	1,418
Interest receivable	668
Total assets	\$ 804,853
Liabilities:	
Accounts payable	\$ 18,266
Deposits	60,814
Due to bondholders	703,692
Due to other agencies	22,081
Total liabilities	\$ 804,853

See Accompanying Notes to Financial Statements.

CITY OF BARSTOW
Notes to Financial Statements
June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of the Reporting Entity

The City of Barstow (City) was incorporated on September 30, 1947, under the general laws of the State of California. The City operates under a council-manager form of government and provides the following services: park and recreation, public safety (police), highways and streets, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements include the financial activities of the City, and its component units, the Barstow Redevelopment Agency, the Barstow Public Financing Authority, the Barstow Public Facilities Corporation, the Odessa Water District, the Barstow Harvey House Foundation and the Barstow Fire Protection District. Financial information for the City and these components are accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council serves as the governing board of these component units and, as such, these entities are presented on a blended basis.

Blended Component Units

The Barstow Redevelopment Agency (the Agency) was established on July 30, 1973, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law." The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation, and development of blighted areas within the territorial limits of the City. City staff provides management assistance to the Agency. The City Council acts as the Agency's governing board and exerts significant influence over its operations. The funds of the Agency have been included in the governmental funds in the financial statements. Separate financial statements are produced for the Agency and may be obtained from the City's Finance Administration Office.

On June 29, 2011, the Governor of the State of California signed Assembly Bill 1X 26 as part of the State's budget package, which was upheld by the California Supreme Court on December 29, 2011. Assembly Bill 1X 26 dissolves all redevelopment agencies and community development agencies. As of June 29, 2011, the Agency cannot incur new obligations and debt and cannot enter into or amend contracts, renew or extend leases or other agreements, and dispose of or transfer real property or other assets. However, the Agency is required to continue to make scheduled payments on bonds and other legally binding agreements and manage existing contracts, projects, and other agreements. The Agency was dissolved on February 1, 2012 (See Note 7).

The Barstow Public Financing Authority (the Authority) was established on April 1, 1994, pursuant to California Code Section 6500. The Authority was established to provide a financing mechanism for the City's and Agency's various public projects. Separate financial statements are not produced for the Authority.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

The Barstow Public Facilities Corporation (the Facilities Corporation) was established on September 21, 1989, to render financial assistance to the City by financing, refinancing, acquiring, constructing, improving, leasing, selling or otherwise conveying property of any kind to the City. Separate financial statements are not produced for the Facilities Corporation.

The Odessa Water District (Odessa) was established on July 5, 1993, pursuant to legislation approved by the State in 1991 to provide water resources to the City. Separate financial statements are not produced for Odessa.

The Barstow Harvey House Foundation (the Foundation) is a nonprofit public benefit corporation established on January 16, 1992 to promote development of the Harvey House historic site, to improve and renovate and maintain the historic significance of the site. Separate financial statements are not produced for the Foundation.

The Barstow Fire Protection District (the District) became a component unit of the City on November 17, 2010. Previously the District was an independent district. The District will continue to be operated according to the applicable state fire protection district laws and the property taxes collected within the district will be used exclusively for the administration and operational costs of the district. At November 17, 2010, the District had assets of \$1,996,269, liabilities of \$508,310 and net assets of \$1,487,959. A special revenue fund was established to account for the activities of the District. Separate financial statements are produced for the District and may be obtained from the City's Finance Administration Office.

(b) Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The City's government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses recognized in the period in which the liability is incurred. Grant revenues are recognized when all eligibility requirements imposed by the provider have been met. The types of transactions reported

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated except those representing balances between the governmental activities and the business-type activities.

Private-sector standards of accounting and financial reporting issued by Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the business-type activities in the government-wide financial statements and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Governmental Funds Financial Statements

Governmental funds financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements.

The City of Barstow reports the following major governmental funds:

- The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Measure I Special Revenue fund is used to account for money generated by a one-half percent sales tax approved by the voters in 1989. The City elected to present the fund as a major fund.
- The Redevelopment Area I Debt Service fund accounts for tax increment revenue and other miscellaneous revenue, as well as payments of principal and interest on Redevelopment Agency loans and bonds.
- The City Capital Projects fund accounts for transactions related to proceeds from bonds and other resources and their use to acquire and construct certain capital facilities.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 60 days after year-end). The primary revenue sources, which have been treated as susceptible to

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Enterprise Fund Financial Statements

Enterprise fund financial statements include a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows for each major enterprise fund and nonmajor funds aggregated.

The City of Barstow reports the following major enterprise funds:

- The Wastewater Reclamation fund accounts for the operation of the wastewater system. The City operates the wastewater system pursuant to a separate management agreement with Aquarion Operating Services.
- The Solid Waste Disposal fund is used to account for the operation of the Solid Waste (trash) utility, a self-supporting activity which renders services on a user charge basis to residents and businesses located in the Barstow area.
- The Transit Services fund accounts for the operations of the City's transportation system for a fixed route and demand response service (Barstow Area Transit and Dial-A-Ride), which, along with fare box revenues, receives grants from the Transportation Development Act (TDA).

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a statement of fiduciary assets and liabilities. The City's fiduciary funds represent agency funds, which are custodial in nature (statement of fiduciary assets and liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on the accrual basis of accounting.

Fiduciary funds account for receipt of special taxes and assessments used to pay principal and interest on related bonds with no direct City liability.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

(c) Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. In compliance with Governmental Accounting Standards Board Statement No. 31, the City's investments are stated at fair value. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The City generally holds all investments until maturity or until market values equal or exceed cost. Therefore, the fair value of securities in the investment pool does not necessarily reflect realized gains or losses but rather the fair value of those investments as of June 30, 2011.

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All pooled cash and investments of the enterprise funds are considered cash equivalents.

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances to other funds, as reported in the fund financial statements, are offset by a nonspendable fund balance.

Governmental fund and enterprise fund receivables are shown net of an allowance for uncollectible amounts. Utility customers are billed bi-monthly on an alternating basis.

Property taxes are assessed, collected and allocated by San Bernardino County throughout the fiscal year according to the following property tax calendar:

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1 st Installment February 1, 2 nd Installment
Delinquent Dates	December 11, 1 st Installment April 11, 2 nd Installment

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

City property tax revenues are recognized when levied to the extent that they result in current receivables. The City elected to participate in the County of San Bernardino Teeter Plan guaranteed payment as of June 30, 1993.

The County of San Bernardino collects an administration fee from the City and the Agency for its services. The City receives a percentage of the basic 1% ad valorem tax rate allowed on property within the City of Barstow. Property tax rates for the City's general obligation debt are set by the City Council based on assessed valuations and debt service requirements. The assessed valuation is at "full cash value."

(g) Inventories, Prepaids, and Real Property Held for Sale

Inventory is valued at cost using the first in, first out method. The cost is recorded as an expense as inventory items are consumed. Certain types of goods and services such as payments to vendors and pension costs are paid in advance and reflect costs applicable to future accounting periods and are recorded as prepaid items. Land held for resale is valued at the lower of cost or estimated net realizable value, determined upon the execution of a disposition and development agreement, and is recorded in the general fund.

(h) Use of Restricted/Unrestricted Net Assets

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

(i) Capital Assets

The City's buildings, machinery, equipment, infrastructure and intangible assets with useful lives of more than one year are stated at historical cost or estimated historical cost and reported in the government-wide financial statements. Enterprise capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchased and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization. Intangible assets comprising of water rights are not depreciated. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50 years
Infrastructure and improvements other than buildings	10-100 years
Machinery and equipment	3-15 years

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

(j) *Compensated Absences Payable*

Under certain circumstances and according to negotiated labor agreements, employees of the City are allowed to accumulate annual leave. This amount is included as a liability in the government-wide and enterprise fund financial statements.

(k) *Long-Term Obligations*

In the government-wide financial statements and -enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net assets.

(l) *Net Assets and Fund Equity*

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt: This category groups all capital assets into one component of net assets. Accumulated depreciation on these assets and the outstanding principal of related debt reduce this category.

Restricted Net Assets: This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets: This category represents the net assets of the City that are not externally restricted for any project or other purpose.

In the fund financial statements, governmental funds are classified in the following categories:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) City Council or (b) a body (a budget, finance committee, or management (City Wide Leadership team, which consists of City Manager and Executive Department Heads)) to which the assigned amounts are to be used for

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund, that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance – the residual classification for the General Fund and includes all amounts not contained in the other classifications. Governmental funds report residual negative balances as unassigned fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

(m) Landfills

The County of San Bernardino owns and operates a separate landfill located within the City's limits. The City, however, is not responsible for any of the operating, closure or post-closure costs associated with this landfill. Accordingly, no accrual for these costs is reflected in the City's financial statements.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Budgetary Data

The City follows these procedures in establishing the budgets.

1. The annual budget is adopted by the City Council after the holding of a hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This “appropriated budget” covers City expenditures in all governmental funds, except for debt service and capital improvement projects carried forward from prior years.

The City Manager is authorized to transfer budgeted amounts between departments. Actual expenditures may not exceed budgeted appropriations at the fund level.

3. Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Capital projects appropriations are an automatic supplemental appropriation for the next year. All others lapse unless they are encumbered at year end or re-appropriated through the formal budget process.
4. Annual budgets are adopted for the General Fund, all special revenue funds, capital projects funds, and debt service funds, on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. In fiscal year 2011, the City adopted a budget for its governmental funds with the exception of the Barstow Fire Protection District Fund and the Barstow Harvey House Foundation Fund.

5. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as restricted or committed fund balances since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

(b) Excess of Expenditures over Appropriations

The Barstow Fire Protection District had expenditures in excess of appropriations of \$1,194,975.

(c) Deficit Fund Balance

The Grants Fund has a deficit fund balance of \$11,336 as of June 30, 2011. The City plans for future revenues to alleviate the deficit fund balance in the future.

(3) DETAILED NOTES ON ALL FUNDS

(a) Cash and Investments

Cash and investments are reported in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 49,902,769
Cash and investments with fiscal agents	3,188,937
	53,091,706
Fiduciary funds:	
Cash and investments	304,619
Cash and investments with fiscal agents	498,148
	802,767
Total	\$ 53,894,473

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

Cash and investments at June 30, 2011 consist of the following:

Cash on hand	\$	1,640
Deposits with financial institutions		1,527,971
Investments		52,364,862
Total cash and investments	\$	53,894,473

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investments Authorized by the California Government Code and the City of Barstow Adopted Investment Policy

The table below identifies the investment types that are authorized for the City of Barstow by the California Government Code and by the City's adopted investment policy. The table also identifies certain provisions of the California Government Code or the City's adopted 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 or its authorities, rather than the general provisions of the California Government Code or the City's adopted investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills, Notes, or Bonds	5 years	None	None
U.S. Agencies	5 years	None	None
Time Certificates of Deposit	5 years	None	50%
Negotiable Certificates of Deposit	N/A	30%	50%
Bankers' Acceptance	180 days	40%	30%
Prime Commercial Paper	270 days	25%	50%
Repurchase Agreements	1 year	None	50%
Mutual Funds investing in eligible securities	N/A	20%	10%
Medium Term Notes	5 years	30%	50%
County Pooled Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	100%	\$50 million *

* Limit set by LAIF Governing Board, not Government Code

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is 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 general investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Federal Housing Administration Debentures	None	None	None
U. S. Agencies	None	None	None
Certificates of Deposit	30 days	None	None
Bankers' Acceptance	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Funds	None	None	None
Repurchase Agreements	None	None	None
State Obligations	None	None	None
Pre-funded Municipal Obligations	None	None	None
County Pooled Funds	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

Disclosures Related 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 to market interest rate fluctuations is provided in the following table that shows the distribution of the City's investments by maturity:

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

<u>Investment Types</u>	<u>Amount</u>	<u>Remaining Maturity</u>		
		<u>Less Than One Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>
Federal Agency Securities	\$ 40,130,490	\$ -	\$ 1,010,320	\$ 39,120,170
Medium Term Notes	2,036,740	2,036,740		-
Local Agency Investment Fund	6,510,547	6,510,547	-	-
Held by Fiscal Agent: Money Market Funds	3,687,085	3,687,085	-	-
Total	<u>\$ 52,364,862</u>	<u>\$ 12,234,372</u>	<u>\$ 1,010,320</u>	<u>\$ 39,120,170</u>

Disclosures Related 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 the California Government Code or the City's investment policy, and the actual rating as of year end for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Federal Agency Securities	\$ 40,130,490	AAA	\$ 40,130,490	\$ -
Medium Term Notes	2,036,740	Aa2	2,036,740	-
Local Agency Investment Fund	6,510,547	N/A	-	6,510,547
Held by fiscal agent: Money Market Funds	3,687,085	AAA	3,687,085	-
	<u>\$ 52,364,862</u>		<u>\$ 45,854,315</u>	<u>\$ 6,510,547</u>

Concentration of Credit Risk

The City's investment policy contains certain limitations as disclosed in the accompanying table on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The distribution of investments, by issuer that represents 5% or more of the City's investments is as follows:

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

<u>Issuer Name</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	Federal Agency Securities	\$ 20,110,210
Federal Home Loan Mortgage Corporation	Federal Agency Securities	10,006,320
Federal National Mortgage Association	Federal Agency Securities	9,003,640

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 governmental unit). The market 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, 2011, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2011, no City investments were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City's LAIF balance at June 30, 2011 was \$6,510,547.

The total amount invested by all public agencies in LAIF as of June 30, 2011 was \$24 billion. LAIF is part of the California Pooled Money Investment Account (PMIA) which at June 30, 2011 has a balance of \$66.5 billion, of that amount 5.01% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PIMA investments was 237 days as of June 30, 2011.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

(b) Accounts Receivable

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Accounts Receivable, Net</u>
Governmental Funds:			
General Fund	\$ 117,251	\$ (34,872)	\$ 82,379
City Capital Projects Fund	304,271	-	304,271
Nonmajor Governmental Funds	146,460	-	146,460
Enterprise Funds:			
Wastewater Reclamation	610,235	(65,277)	544,958
Solid Waste Disposal	655,845	(111,147)	544,698
Transit Services	279,041	-	279,041
Total	<u>\$ 2,113,103</u>	<u>\$ (211,296)</u>	<u>\$ 1,901,807</u>

(c) Interfund Balances

The following table presents the interfund balances as of June 30, 2011:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 63,861	\$ 85,416
Nonmajor Governmental Funds	45,461	23,906
Total	<u>\$ 109,322</u>	<u>\$ 109,322</u>

The following table presents advances as of June 30, 2011:

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

<u>Governmental Activities</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$ 3,341,145	\$ -
Redevelopment Area I Debt Service Fund	-	4,731,252
City Capital Projects Fund	3,218,021	390,627
Nonmajor:		
Redevelopment Low and Moderate Income Housing Special Revenue Fund	1,513,231	-
	<u>8,072,397</u>	<u>5,121,879</u>
<u>Business-type Activities</u>		
Wastewater Reclamation Enterprise Fund	-	2,073,480
Nonmajor - CNG/LNG Fueling Station	-	877,038
	<u>-</u>	<u>2,950,518</u>
Total	<u>\$ 8,072,397</u>	<u>\$ 8,072,397</u>

The City Capital Projects Fund authorized advances to the Redevelopment Area I Debt Service Fund on October 6, 1975 for a portion of the cost of an indoor swimming complex in the original amount of \$1,450,000. On January 6, 1986, the City entered into a reimbursement agreement with the Agency to accrue interest at the rate of \$174,000 per annum. The reimbursement agreement was amended in September 2001 to accrue interest at 6% and begin payments ranging from \$100,000 to \$200,000 per year. As of June 30, 2011, the total amount owed to the City Capital Projects Fund by Redevelopment Area I Debt Service Fund was \$3,218,021.

The advances made by the General Fund to the Wastewater Enterprise Fund were due to the necessary and immediate capital improvements as authorized by the City Council. The advance will be paid over 10 years from customer revenues at the current LAIF interest rate plus 1%. As of June 30, 2011, the total amount owed to the General Fund from the Wastewater Fund is \$2,073,480. The advances made by the General Fund to the CNG/LNG Fueling Station nonmajor enterprise fund are made under a long term agreement under which the City will be repaid a percentage of sales after a base amount is met. The base amount is expected to be met in fiscal year 2012/13. The advances of \$390,627 made by the Hospital Fund, which is combined with the General Fund, to the City Capital Projects Fund are for the hospital site improvement project.

The Redevelopment Debt Service Fund owes \$1,513,231 to the Redevelopment Low and Moderate Income Housing Fund for prior low and moderate income housing set aside obligations. Pursuant to a repayment plan the Redevelopment Debt Service Fund will pay annual installments of \$100,000 until 2015, at which time the payment increases to \$150,000 until the final payment in 2022 which will be for \$163,231.

(d) Interfund Transfers

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditure on behalf of another fund.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

In the governmental fund financial statements, total transfers were \$11,172,311 as follows:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>Governmental Funds</u>			<u>Enterprise Fund</u>	
	<u>General Fund</u>	<u>City Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Transit Services</u>	
Major funds:					
General Fund	\$ 225,000	\$ 1,322,794	\$ -	\$ -	\$ 1,547,794
Measure I Special Revenue Fund	-	466,854	-	183,479	650,333
Redevelopment Area I					
Debt Service Fund	-	-	1,669,285	-	1,669,285
City Capital Projects Fund	-	2,191,345	-	-	2,191,345
Nonmajor Governmental Funds	<u>4,993,652</u>	<u>7,878</u>	<u>112,024</u>	<u>-</u>	<u>5,113,554</u>
Total	<u>\$ 5,218,652</u>	<u>\$ 3,988,871</u>	<u>\$ 1,781,309</u>	<u>\$ 183,479</u>	<u>\$ 11,172,311</u>

The transfers between governmental funds have been eliminated in the government-wide statements.

The transfer of \$650,333 is used to transfer Measure I revenues that have been pledged to pay debt service.

The transfers of \$4,993,652 into the General Fund include a transfer of \$4,393,652 of land held for resale from the Redevelopment Capital Projects Fund pursuant to a resolution of the Agency as detailed in note 3 (e).

(e) Real Property Held for Resale

In order to improve blighted conditions in the City of Barstow, the City formed the Barstow Redevelopment Agency in 1973. Additionally, the Agency has adopted a Five Year Implementation Plan for the Project Area I with the established goals supporting affordable housing and promoting economic development, as well as community, commercial and institutional revitalization. To implement these programs and activities, the Agency acquired real property within the Project Area I to be redeveloped. Thirty-two parcels were held in the Land Held for Resale asset account by the Agency totaling \$4,393,652.

Pursuant to California Health & Safety Code Section 33220, certain public bodies including the City, may aid and cooperate in the planning, undertaking, construction or operation of redevelopment projects. To this end, the Agency approved Resolution 4610-2011 on April 4, 2011, to transfer the thirty-two land parcels held for resale by the Agency to the City. The resolution approves the transfer of these parcels of real property to the City, as the Agency's agent, along with the responsibility of implementing the Redevelopment Plan, to bring about the disposition and

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

redevelopment of the parcels in accordance with the objectives and purposes of California Redevelopment Law.

(f) Capital Assets

A summary of changes in the governmental activities capital assets at June 30, 2011 is as follows:

	<u>Balance at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Work in progress	\$ 1,306,002	\$ 6,319,815	\$ (393,306)	\$ 7,232,511
Land	9,381,080	45,129	-	9,426,209
Intangible asset - water rights	-	85,000	-	85,000
Total capital assets, not being depreciated	<u>10,687,082</u>	<u>6,449,944</u>	<u>(393,306)</u>	<u>16,743,720</u>
Capital assets, being depreciated:				
Buildings and improvements	25,680,925	736,013	-	26,416,938
Machinery and equipment	3,440,498	1,128,564	(115,178)	4,453,884
Property under capital leases	586,918	-	-	586,918
Infrastructure	<u>77,018,774</u>	<u>1,272,163</u>	<u>-</u>	<u>78,290,937</u>
Total capital assets, being depreciated	<u>106,727,115</u>	<u>3,136,740</u>	<u>(115,178)</u>	<u>109,748,677</u>
Less accumulated depreciation:				
Buildings and improvements	(11,696,812)	(514,387)	-	(12,211,199)
Machinery and equipment	(1,871,044)	(427,760)	115,178	(2,183,626)
Property under capital leases	(125,178)	(70,553)	-	(195,731)
Infrastructure	<u>(37,501,270)</u>	<u>(2,156,827)</u>	<u>-</u>	<u>(39,658,097)</u>
Total accumulated depreciation	<u>(51,194,304)</u>	<u>(3,169,527)</u>	<u>115,178</u>	<u>(54,248,653)</u>
Total capital assets, being depreciated, net	<u>55,532,811</u>	<u>(32,787)</u>	<u>-</u>	<u>55,500,024</u>
Governmental activities capital assets, net	<u>\$ 66,219,893</u>	<u>\$ 6,417,157</u>	<u>\$ (393,306)</u>	<u>\$ 72,243,744</u>

Machinery and equipment balance at July 1, 2010 decreased by \$3,824 with a corresponding increase in the balance of property under capital leases due to a reclassification adjustment.

Reduction in work in progress for \$393,306 is for transfer to asset account on project completion.

Additions to capital assets during the fiscal year include \$45,129 for land, \$706,323 for buildings and improvements and \$351,178 for machinery and equipment due to annexation of Barstow Fire Protection District effective November 17, 2010. Water rights of \$85,000 were added during the current year resulting from re-characterization of Odessa Water District from the Agency fund to a governmental fund.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

A summary of changes in the business-type activities capital assets at June 30, 2011 is as follows:

	<u>Balance at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2011</u>
Business-type activities:				
Capital assets, not being depreciated:				
Work in progress	\$ 121,858	\$ 1,634,062	\$ (83,863)	\$ 1,672,057
Land	1,733,787	-	-	1,733,787
Total capital assets, not being depreciated	<u>1,855,645</u>	<u>1,634,062</u>	<u>(83,863)</u>	<u>3,405,844</u>
Capital assets, being depreciated:				
Buildings and improvements	2,432,120	-	-	2,432,120
Machinery and equipment	6,830,522	443,113	(361,454)	6,912,181
Infrastructure	17,042,260	-	-	17,042,260
Total capital assets, being depreciated	<u>26,304,902</u>	<u>443,113</u>	<u>(361,454)</u>	<u>26,386,561</u>
Less accumulated depreciation:				
Buildings and improvements	(470,448)	(78,723)	-	(549,171)
Machinery and equipment	(3,761,343)	(728,078)	361,454	(4,127,967)
Infrastructure	(6,969,365)	(453,277)	-	(7,422,642)
Total accumulated depreciation	<u>(11,201,156)</u>	<u>(1,260,079)</u>	<u>361,454</u>	<u>(12,099,781)</u>
Total capital assets, being depreciated, net	<u>15,103,746</u>	<u>(816,966)</u>	<u>-</u>	<u>14,286,780</u>
Business-type activities capital assets, net	<u>\$ 16,959,391</u>	<u>\$ 817,096</u>	<u>\$ (83,863)</u>	<u>\$ 17,692,624</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 457,421	\$ -
Public safety	282,441	-
Recreation	350,288	-
Community development	6,456	-
Public works	2,072,921	-
Wastewater reclamation	-	671,646
Solidwaste disposal	-	530
Transit services	-	474,708
CNG/LNG fuel station	-	113,195
Total	<u>\$ 3,169,527</u>	<u>\$ 1,260,079</u>

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

(g) Long-Term Debt

During the year ended June 30, 2011, the following changes occurred in liabilities reported in long-term debt:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Bonds:					
1994 Tax allocation bonds	\$ 735,000	\$ -	\$ (125,000)	\$ 610,000	\$ 140,000
2004 Tax allocation bonds	7,600,000	-	(365,000)	7,235,000	370,000
Capital lease agreements	465,845	3,128,993	(187,497)	3,407,341	370,905
Compensated absences	1,228,516	1,620,785	(1,503,612)	1,345,689	538,276
Claims and judgments payable	802,743	396,074	(405,315)	793,502	119,025
Total governmental activities	\$ 10,832,104	\$ 5,145,852	\$ (2,586,424)	\$ 13,391,532	\$ 1,538,206
Business type activities:					
Certificates of participation	\$ 2,650,000	\$ -	\$ (255,000)	\$ 2,395,000	\$ 265,000
Pollution remediation liability	7,875,934	-	(274,560)	7,601,374	500,000
Capital lease agreement	-	2,360,468	(43,519)	2,316,949	179,378
Compensated absences	35,319	37,446	(41,048)	31,717	12,687
Total business-type Activities	\$ 10,561,253	\$ 2,397,914	\$ (614,127)	\$ 12,345,040	\$ 957,065

1994 Tax Allocation Bonds

On May 1, 1994, the Agency issued \$11,785,000 in Tax Allocation Bonds, Series 1994, of which the Agency issued \$6,600,000 in tax allocation bonds to advance refund \$6,600,000 of outstanding Tax Allocation Bonds, Series 1986. The net proceeds along with a contribution from the Agency were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for debt service payments on the Series 1986 bonds after fiscal year 1994. As a result, the Series 1986 bonds are considered to be in-substance defeased, and the assets and liability for those bonds has been removed from long-term debt, components of the Agency. Payments on the 1994 Tax Allocation Bonds are due semi-annually in September and March. The 1994 Tax Allocation Bonds are secured by the Agency's pledge of certain tax increment revenues to be derived from Project Area I and are payable from the tax increment revenues and such other funds as may become available for such purposes. The bonds bear interest payable semi-annually at rates ranging from 3.00% to 4.70% per annum with maturity dates until September 1, 2014. The total principal and interest remaining to be paid on the bonds is \$698,550. Principal and interest paid for the year and tax increment revenues recognized were \$172,075 and \$3,127,870, respectively. The principal amount outstanding at June 30, 2011 is \$610,000.

Although the 1986 Series portion of the bond refinance has been removed from the long-term debt of the Agency, in accordance with the terms of the 1994 indenture, the 1994 trustee shall pay the principal (Sinking Account Installments) and interest due on the 1986 bonds until they mature on September 1, 2014. These funds will remain on deposit with the trustee in the escrow fund

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

including investment earnings. In the event the maturing principal and interest on these securities is insufficient to make the payments, the Escrow Agent shall give the Agency prompt notice. The amount of defeased debt outstanding at June 30, 2011 is \$1,190,000.

2004 Tax Allocation Bonds

On July 1, 2004, the Agency issued \$8,660,000 in Tax Allocation Bonds, Series 2004, for the purpose of refunding a portion of the Agency's outstanding Central Redevelopment Project Tax Allocation Bonds, 1994 Series A, which are secured by an irrevocable pledge of the tax revenues payable to the Agency.

The 2004 Tax Allocation Bonds are secured by the Agency increment pledge of certain tax increment revenues to be derived from Project Area I and are payable from the Tax Revenues and such other funds as may become available for such purposes. The notes bear interest payable semi-annually at rates ranging from 3.00% to 4.70% per annum, with maturity dates until September 1, 2022. Total principal and interest remaining on the bonds is \$9,416,933, payable through September 2022. For the current year, principal and interest paid and total tax increment revenues recognized were \$677,343 and \$3,127,870, respectively. The principal amount outstanding at June 30, 2011 is \$7,235,000.

Tax allocation bonds debt service requirements to maturity are as follows:

Fiscal Year Ending	Principal	Interest	Total
1994 Tax Allocation Bonds:			
2012	\$ 140,000	\$ 37,800	\$ 177,800
2013	145,000	27,825	172,825
2014	160,000	17,150	177,150
2015	165,000	5,775	170,775
Total	<u>\$ 610,000</u>	<u>\$ 88,550</u>	<u>\$ 698,550</u>
2004 Tax Allocation Bonds:			
2012	\$ 370,000	\$ 299,480	\$ 669,480
2013	390,000	285,693	675,693
2014	400,000	270,880	670,880
2015	420,000	254,980	674,980
2016	610,000	234,380	844,380
2017-2021	3,450,000	761,123	4,211,123
2022-2023	1,595,000	75,397	1,670,397
Total	<u>\$ 7,235,000</u>	<u>\$ 2,181,933</u>	<u>\$ 9,416,933</u>

Capital Lease Agreements

The City has entered into lease agreements for financing office equipment. The leases are for 60 months with monthly payments ranging between \$204 and \$1,234 and expire on various dates through April, 2015.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

During the fiscal year, the City entered into a new capital lease agreement to finance the cost of an energy retrofit project for \$5,489,461. The City is required to make monthly payments of \$55,536 which includes principal and interest @ 4.795%. The lease is for 126 months and expires in September 2021. Future minimum lease payments under all of the leases are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 550,283	\$ 263,434	\$ 813,717
2013	529,784	237,964	767,748
2014	530,153	213,349	743,502
2015	521,192	185,868	707,060
2016	505,163	161,272	666,435
2017-2021	2,922,430	409,746	3,332,176
2022	165,285	1,323	166,609
Total	<u>\$ 5,724,290</u>	<u>\$ 1,472,957</u>	<u>\$ 7,197,247</u>
Governmental activities	\$ 3,407,341	\$ 852,594	\$ 4,259,934
Business type activities	<u>2,316,949</u>	<u>620,364</u>	<u>2,937,313</u>
	<u>\$ 5,724,290</u>	<u>\$ 1,472,957</u>	<u>\$ 7,197,247</u>

Compensated Absences

The City's policy relating to compensated absences is described in Note 1. Compensated absences are liquidated primarily by the General Fund and the Enterprise Funds. The total amount outstanding at June 30, 2011, was \$1,345,689 for governmental activities and \$31,717 for business-type activities.

Certificates of Participation

The California Statewide Communities Development Authority issued its Water and Wastewater Revenue Bonds, Series 2004B bonds in the amount of \$7,850,000 in September 2004. The City of Barstow received \$3,850,000 of the proceeds to defease and repay in full the Barstow Public Facilities Corporation 1994 Certificates of Participation and for certain improvements to wastewater facilities. Installment payments are made which correspond to the debt service payments on the bonds. The City's installment payments vary from \$230,000 to \$340,000 with payments due semiannually starting on October 1, 2005. Interest on installment payments varies from 2.00% to 4.05%. The certificates of participation are secured and to be serviced from all gross income and revenue received from the ownership or operation of the wastewater facilities less operation and maintenance costs excluding depreciation, through the fiscal year 2019. Net revenue recognized during the year was \$496,076 against the total principal and interest payment of \$346,815. The outstanding balance at June 30, 2011 is \$2,395,000.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

Annual debt service requirements to maturity for Certificates of Participation are as follows:

<u>Fiscal Year Ending</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 265,000	\$ 83,944	\$ 348,944
2013	275,000	75,164	350,164
2014	280,000	65,658	345,658
2015	290,000	55,465	345,465
2016	305,000	44,454	349,454
2017-2019	980,000	59,745	1,039,745
Total	<u>\$ 2,395,000</u>	<u>\$ 384,430</u>	<u>\$ 2,779,430</u>

Pollution Remediation Liability

See Note 5 Commitments and Contingencies for additional information.

(h) Risk Management

The City is exposed to various risks of loss related to workers' compensation, torts, theft of, damage to and destruction of assets, errors, omissions, injuries to employees, employment-related lawsuits, and natural disasters.

The City participates in the General Liability Program and the Workers' Compensation Liability Program of the Public Entity Risk Management Authority (PERMA). The PERMA is composed of twenty-four member entities located throughout Southern California. The PERMA is governed by a Board of Directors consisting of those members participating in the Liability Program. The Board of Directors controls the operations of the PERMA (including the approval of operating and capital budgets) independent of any influence by the member agencies beyond their representation on the Board.

Each member agency pays a premium commensurate with its level of coverage and self-insured retention (SIR) and shares surpluses and deficits proportionate to its participation in Workers' Compensation and General Liability pools of PERMA. PERMA retains the risk between agency SIR and \$1,000,000 for liability claims and participates in excess pools for a maximum coverage of \$50 million. For the Workers' Compensation program PERMA retains the risk for exposures between \$250,000 and \$500,000 and participates in excess pools for coverage up to \$5 million. The agencies have the option to either administer claims within their SIR themselves or allow PERMA to do so. The City allows PERMA to administer its General Liability claims and uses a third party administrator to administer its workers' compensation claims. All participating agencies are required to report all claims to PERMA. Claims in excess of individual SIR's are administered by PERMA. The City is self-insured for the first \$250,000 per occurrence for Workers' Compensation Claims and \$125,000 per occurrence for General Liability claims. Excess insurance through the PERMA provides coverage to a maximum of \$50,000,000 per occurrence. The claims liability is estimated based on an actuarial study. The actuary used a 55% confidence level and

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

discounted liabilities using a 2.5% rate. During the year no claims exceeded a City's SIR. There have been no reductions in coverage from the prior year.

Each member agency within PERMA pays a premium commensurate with its level of coverage and self-insured retention and shares surpluses and deficits proportionate to its participation in the PERMA. The City paid premiums in the amount of \$543,505 for the year ended June 30, 2011.

Changes in aggregate claims liability (discounted) during the past two years are as follows:

<u>Workers' Compensation</u>	<u>2011</u>	<u>2010</u>
Liability, July 1	\$ 762,656	\$ 1,401,950
Incurred claims and changes in estimates	167,718	65,269
Claim payments	(397,086)	(704,563)
Liability, June 30	<u>\$ 533,288</u>	<u>\$ 762,656</u>
Due within one year	\$ 79,993	\$ 114,398
Due in more than one year	453,295	648,258
	<u>\$ 533,288</u>	<u>\$ 762,656</u>
<u>General Liability</u>		
Liability, July 1	\$ 40,087	\$ 180,448
Incurred claims and changes in estimates	228,356	(96,333)
Claim payments	(8,229)	(44,028)
Liability, June 30	<u>\$ 260,214</u>	<u>\$ 40,087</u>
Due within one year	\$ 39,032	\$ 6,013
Due in more than one year	221,182	34,074
	<u>\$ 260,214</u>	<u>\$ 40,087</u>

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year. General fund resources would be typically used to liquidate the claims liability, should the need arise.

(i) Fund Balances for Governmental Funds

Effective July 1, 2010, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City has evaluated the use of the Special Revenue, Debt Service and Capital Projects Funds under the criteria set forth in GASB Statement No. 54 and has determined that the Hospital Special Revenue Fund, Harvey House Special Revenue Fund, Odessa Water District Special Revenue

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

Fund, and the LTF Streets Special Revenue Fund do not meet the definition of a special revenue fund under GASB 54 and have been reclassified to the General Fund.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances at June 30, 2011, for the governmental funds are nonspendable, restricted, assigned, and unassigned for the following purposes:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. At June 30, 2011 the City had nonspendable fund balance of inventories of \$83,611, prepaid amount of \$30,000, advances to other funds of \$8,072,397, and deposits of \$ 1,120,102.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. At June 30, 2011 the City had restricted fund balances of: \$680,268 for public safety, \$4,989,694 for streets and highways, \$27,018 for transit, \$1,058,343 for low and moderate income housing, \$1,481,958 for hospital site improvements, \$1,072,751 for debt service reserve, \$667,098 for future capital projects, \$4,393,652 for property held for resale, and \$15,417 for other purpose.

Assigned Fund Balance – includes amounts that are constrained by the City’s intent by its Council itself or a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes that are neither restricted nor committed. The City Council has delegated this authority to the City Manager. In June 2010 the City Council adopted Resolution No. 4548-2010 approving Policy Memorandum No 2010-15 - Fund Balance Policy. The policy aims to help reduce the negative impact on the City in times of economic uncertainty and potential losses of funding from other governmental agencies. County reserves are restricted for one-time purposes. The policy establishes minimum requirements for General Fund nondepartmental reserves, and provides guidelines for the use of these funds. Appropriation for contingencies is maintained at twenty percent of total General Fund net appropriations for one-time emergencies and economic uncertainties. Excess fund balance at year-end must first be used to replenish the reserve amount at the 20% level. Accordingly, at June 30, 2011, the City has assigned fund balance of \$885,000 for emergency contingency and \$3,540,000 for working capital reserve, which are 25% of the general fund operating expenditures for the year, and \$5,977,305 for working capital requirements in the City’s capital projects fund. The Fund Balance Policy can be changed only by a resolution of the City Council.

Unassigned Fund Balance – the residual classification for the General Fund and includes all amounts not contained in the other classifications. Governmental funds report residual negative balances as unassigned fund balance. At June 30, 2011, the City General Fund had an unassigned fund balance of \$18,745,130.

Encumbrances

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted fund balance. At June 30, 2011, encumbrances recorded in the General Fund and Measure I Special Revenue Fund were \$1,550,304 and \$4,271,093, respectively.

(4) OTHER INFORMATION

(a) Pension

1. Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, 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. Benefit provisions and all other requirements are established by state statute and Council resolution. Copies of PERS' annual financial report may be obtained from their executive office: 400 Q Street, Sacramento, CA 95811. A separate report for the City's plan is not prepared.

2. Funding Policy

The City pays the contributions required of all miscellaneous employees and for all police safety employees. The rates are set by statute and therefore remain unchanged from year to year.

<u>Category</u>	<u>Member Rates as a Percentage of Wages</u>	<u>2010-2011 Amount Paid</u>
Local miscellaneous members	7%	\$ 421,014
Local police safety members	9%	308,038
Total Member Portion Paid		<u>\$ 729,052</u>

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefit for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 0% for miscellaneous employees and 19.094% for the police safety group. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS. At the time of joining the risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan. The side fund is credited, on an annual basis, with the actuarial investment return assumption, currently 7.75%. The miscellaneous plan actuarial assets are greater than the present value of benefits; therefore, the plan is superfunded. When a plan is superfunded, if assumptions are met after the valuation date, then the plan does not need any additional (City or

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

Employee) contributions. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the 15 year amortization period.

The Police Safety pension plan, which has less than 100 active members, was required to enroll in a CalPERS risk-sharing pool in 2003. As part of the enrollment process, CalPERS calculated the funded status of the Plan and compared that amount to the funded status of the risk pool at inception. The difference was being financed by CalPERS over an 8 year period at the assumed rate of return of the CalPERS pooled investment fund (7.75%). On June 7, 2010, via City Council action, the City elected to prepay the full amount of \$3,582,139. This amount has been capitalized as Prepaid Pension Asset, and is being amortized over a 9 year period. At June 30, 2011, the unamortized portion of the Prepaid Pension Asset was \$2,786,109 and amortization expense for the fiscal year was \$398,015.

3. Annual Pension Cost

For fiscal year 2010-2011, the City's annual pension costs of \$0 for miscellaneous and \$653,521 for police safety for PERS was equal to the City's required and actual contributions. The following is a schedule of employer contributions which provides the annual pension cost (APC), percentage of APC contributed and the net pension obligation for the last three fiscal years:

Three-Year Trend Information for PERS			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Safety Plan</u>			
6/30/2009	\$ 892,396	100%	\$ -
6/30/2010	964,427	100%	-
6/30/2011	653,521	100%	-
<u>Miscellaneous Plan</u>			
6/30/2009	\$ -	N/A	\$ -
6/30/2010	-	N/A	-
6/30/2011	-	N/A	-

(b) Pension Plan - Barstow Fire Protection District

The District became a component of the City from November 17, 2010 and effective that date all of the employees of the District have become employees of the City. The District employees were covered under the pension plan of the San Bernardino County Employees' Retirement Association (SBCERA). Subsequent to the merger, the members of Barstow Professional Firefighters Association are enrolled in the City's retirement program through the SBCERA.

1. Plan Description

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

The SBCERA is a cost-sharing multiple- employer defined benefit pension plan (the Plan) operating under the California County Employees' Retirement Act of 1937 (1937 Act). It provides retirement, death and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, California State Association of Counties, South Coast Air Quality Management District (SCAQMD), San Bernardino Associated Governments (SANBAG), Local Agency Formation Commission (LAFCO), San Bernardino County Law Library, Barstow Fire Protection District, Hesperia Recreation and Parks District, SBCERA, City of Chino Hills, Crest Forest Fire District, Mojave Desert Air Quality Management District (MDAQMD), California Electronic Recording Transaction Network Authority (CERTNA), Inland Valley Development Agency (IVDA), San Bernardino International Airport Authority (SBIAA), the San Bernardino County Superior Court Inland Library system (ILS) and Rim of the World Recreation and Parks District (RIM-REC) were later included, along with the County, and are collectively referred to as the "Participating Members." The plan is governed by the SBCERA Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd Floor, San Bernardino, California 92415-0014.

2. Funding Policy

Participating members are required by statute (Sections 31621, 31621.6 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). General members are required to contribute 7.42% - 13.26% and safety members 10.37% - 15.68% of their annual covered salaries, of which the District pays approximately 50% for safety employees and 100% for general employees. The District is required to contribute 44.70% for safety employees and 20.39% for general employees of the current year covered payroll. For 2011, the District's pension cost of \$868,363 was equal to the District's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

The following table shows the District's required contributions and percentage contributed for the current year and two preceding years:

Year ended June 30,	District Amount	Percentage Contributed
2011	\$ 868,363	100%
2010	778,255	100%
2009	718,307	100%

(c) Post-Employment Health Care Benefits

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

1. Plan description

The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The Barstow Fire Protection District is not covered under the City provided post-employment health care benefits plan. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

2. Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2011:

	Police	Miscellaneous	Total
Eligible active employees	38	89	127
Enrolled eligible retirees	26	85	111
Total	64	174	238

The above table does not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

3. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected prefunding financing requirements. Effective January 1, 2009, the City's contribution rate consists of a dollar amount up to but not exceeding the actual premium, resulting in specific contributions ranging from \$409 to \$514 per month for each retiree. For the year ended June 30, 2011, the City contributed \$729,052 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The City's OPEB actuarial accrued liability obligation as of July 1, 2010, the most recent actuarial valuation, was \$7,399,279. This results in an ARC of \$606,944. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

	<u>Police</u>	<u>Miscellaneous</u>	<u>Total June 30, 2011</u>
Annual required contribution	\$ 162,309	\$ 444,635	\$ 606,944
Contributions made	<u>(162,309)</u>	<u>(444,635)</u>	<u>(606,944)</u>
Increase (decrease) in net OPEB obligation	-	-	-
Net OPEB Obligation, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Obligation, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the last three years is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation(Asset)</u>
6/30/09	\$ 633,848	101.0%	\$ (5,849)
6/30/10	653,193	99.1%	-
6/30/11	606,944	100.0%	-

4. Funding Status and Progress

As of July 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$7.4 million, and the actuarial value of assets was \$187,715, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.2 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 2.5%. Covered payroll for the year was \$9,121,093 and the UAAL as a percentage of covered payroll was 79.1%. As of June 30, 2009, the City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multi-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

5. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method, with a level percent of pay. The actuarial assumptions included a 7.75 percent investment rate of return, which is based on assumed long-term investment returns on plan assets, as provided by CalPERS, and an annual healthcare cost trend rate which varies from 4.5 to 10 percent annually. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3.25% per year.

(5) COMMITMENTS AND CONTINGENCIES

Pollution Remediation Obligation

On August 2, 2006, the California Regional Water Quality Board issued an order requiring the City of Barstow to take remediation action for wastewater discharges resulting in alleged increases in the nitrate levels in the water supply resulting from the City's wastewater plant. Major long-term costs associated with the project include: quarterly well sampling and reporting; operation and maintenance of a groundwater remediation system; and replacement drinking water to select residents. To date approximately \$1,919,468 has been spent.

The City anticipates spending approximately \$500,000 annually for environmental mitigation and monitoring obligations. Environmental monitoring costs relating to legal mandates such as regulatory agency orders, court orders or other affirmative legal obligations are included in the anticipated spending.

A summary of the components of the pollution remediation liability at June 30, 2011 is as follows:

<u>Obligating Event</u>	<u>Liability</u>
Pollution poses an imminent danger to the public or environment:	
Quarterly groundwater sampling	\$ 3,908,630
Operation and maintenance of groundwater	3,471,794
Replacement drinking water	<u>220,950</u>
Total by obligating event	<u>\$ 7,601,374</u>

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

Methods and Assumptions

With the adoption of GASB 49, the pollution remediation sites on the property managed and operated by the City were evaluated. The City applied the requirements of GASB 49 and measured the environmental liabilities for pollution remediation sites using the expected cash flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include components which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants and City staff.

Changes to estimates will be made when new information becomes available, increases or reductions in price, changes in technology or changes in applicable laws or regulations. At a minimum, the City will evaluate the estimates for the pollution remediation sites when the following benchmarks occur.

- Receipt of an administrative order
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and postremediation monitoring.

Barstow Community Hospital

Barstow Community Hospital (Hospital) was leased to Community Health Systems on January 13, 1993. The lease expires in 2013; annual rental is \$1,200,000. Effective December 1, 2005, all rental payments were abated subject to construction of a replacement hospital. The present lease will be terminated upon completion of the replacement hospital.

Pending Litigation

The City is a defendant in a number of lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions, when finally adjudicated, will not have any material adverse effect in the financial position of the City.

Proposition 62

Proposition 62, a 1986 voter initiative required that all general taxes be approved by simple majority vote of the electorate. In 1991, Proposition 62 was suspended as unconstitutional by the California Supreme Court. In 1992, the City Council increased the City's Transient Occupancy Tax rate from 6% to 10%. The Supreme Court provided very little detail on a number of issues surrounding their decision. In November 2002, Barstow voters approved an increase in Transient Occupancy Tax to 12.5%. It is not clear if the City has any exposure as a result of reversal of the appeals court decision.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

(6) CONDUIT DEBT OBLIGATIONS

Not included in the accompanying financial statements are various conduit debt obligations issued under the name of the City and/or the Redevelopment Agency. The bonds are not secured by or payable from revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal of and interest on the bonds, nor is the City or the Agency in any manner obligated to make any appropriations for payments on these bonds. At June 30, 2011, the aggregate principal amount of conduit debt obligations outstanding totaled \$380,000.

(7) SUBSEQUENT EVENTS

RDA Dissolution

Legislation Dissolving California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate by means of a voluntary alternative redevelopment program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court (Court) to overturn Assembly Bills 1X 26 and 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court ruled that Assembly Bill 1X 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. A different conclusion was rendered with respect to Assembly Bill 1X 27, which was invalidated in its entirety by the California Supreme Court. Accordingly, the Agency is dissolved on February 1, 2012 per the guidelines for dissolution as set forth in Assembly Bill 1X 26. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

The following is a summary of the significant provisions of Assembly Bill 1X 26:

Assembly Bill 1X 26

Suspends Redevelopment Activity - As of June 29, 2011, the Agency cannot incur new obligations and debt. More specifically, the Agency cannot enter into or amend contracts, renew or extend leases or other agreements, and dispose of or transfer real property or other assets. Agencies are required to continue to make scheduled payments on bonds and other legally binding agreements, and to manage existing contracts, projects, and other agreements.

CITY OF BARSTOW
Notes to Financial Statements (Continued)
June 30, 2011

Dissolves Redevelopment Agencies - Assembly Bill 1X 26 dissolves all redevelopment agencies and community development agencies. All assets and responsibilities for closing out the activities of the former agency are transferred to a "Successor Agency."

Creates Successor Agencies - The Successor Agency is presumed to be the sponsoring community of the redevelopment agency (i.e. the City). The responsibility of a Successor Agency includes making payments and performing obligations of the former redevelopment agency in accordance with a schedule of enforceable obligations. Enforceable obligations include; bonds, loans, legally required payments, including payments for pension obligations, judgments or settlements, and other legally binding and enforceable agreements. A Successor Agency is required to dispose of the former agency's assets in an expeditious fashion, to transfer the housing functions to its sponsoring community, to wind down the affairs of the former agency (including the payment of debt and completion of obligated projects), to prepare administrative budgets, and to provide support to the "Oversight Board." The City of Barstow adopted Resolution No. 4653-2012 on January 17, 2012 electing to serve as the Successor Agency.

Transfer of Housing Functions--The sponsoring community may choose to assume the housing functions and the housing assets of the dissolved agency. Should the sponsoring community choose not to assume these responsibilities, all assets and functions would be transferred to the local housing authority. The City of Barstow adopted Resolution No. 4653-2012 on January 17, 2012 electing to retain the assets and responsibilities for performing the housing functions.

Creation of Oversight Boards --The Oversight Board, which is comprised of seven member representatives from local government bodies, is tasked with reviewing and approving the actions of the Successor Agency. Two of the seven members would be City representatives appointed by the Mayor--one of which must be an employee from the recognized employee organization representing the largest number of employees working for the redevelopment agency as of the date of dissolution. The remaining members are appointed by the County (2), the County Superintendent of Education (1), the Chancellor of California Community Colleges (1), and the largest special district taxing entity in the territorial jurisdiction of the former redevelopment agency which is eligible to receive property tax revenues pursuant to Section 34188.

S&P Downgrade of U. S. Government

In August 2011, Standard & Poor's lowered its long-term credit rating from AAA to AA+ on debt of the U.S. Government, U.S government-sponsored enterprises, and public debt issues that have credit enhancement guarantees by U.S. government sponsored enterprises. These credit downgrades relate to the credit risk associated with the City's investments in federal agency securities.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BARSTOW
Schedule of Funding Progress – Other Postemployment Benefits
June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (C)	Percentage of Covered Payroll ([b-a]/c)
7/1/2008	\$ -	\$ 7,836,111	\$ 7,836,111	-	\$ 6,861,045	114.2%
7/1/2009	-	7,947,457	7,947,457	-	9,082,254	87.5%
7/1/2010	187,715	7,399,279	7,211,964	2.54%	9,121,093	81.1%

CITY OF BARSTOW
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
Revenues:				
Property taxes	\$ 3,363,000	\$ 3,276,758	\$ 3,406,243	\$ 129,485
Sales and use taxes	5,617,000	6,003,000	6,589,010	586,010
Transient occupancy tax	2,635,750	2,501,000	2,541,970	40,970
Motor vehicle fees, in lieu, unrestricted	86,000	103,000	110,786	7,786
Franchise taxes	926,600	898,000	855,516	(42,484)
Business license taxes	198,000	191,000	184,846	(6,154)
Other taxes	90,000	80,000	67,056	(12,944)
Licenses and permits	397,250	132,700	129,664	(3,036)
Fines and penalties	130,000	139,000	129,349	(9,651)
From other agencies	191,000	114,000	145,414	31,414
Charges for current services	1,231,950	1,282,950	1,156,934	(126,016)
Other	294,000	381,500	308,579	(72,921)
Use of money and property	638,900	804,900	488,139	(316,761)
Total revenues	<u>15,799,450</u>	<u>15,907,808</u>	<u>16,113,506</u>	<u>205,698</u>
Expenditures:				
Current:				
General government	2,793,916	5,288,224	3,723,968	1,564,256
Public safety	8,236,233	8,070,573	8,374,856	(304,283)
Recreation	1,960,167	1,252,973	1,300,759	(47,786)
Community development	1,475,017	1,603,474	1,531,445	72,029
Public works	1,841,635	2,904,897	2,505,479	399,418
Capital Outay	3,500	117,750	264,040	(146,290)
Total expenditures	<u>16,310,468</u>	<u>19,237,891</u>	<u>17,700,547</u>	<u>1,537,344</u>
Excess of revenues over (under) expenditures	<u>(511,018)</u>	<u>(3,330,083)</u>	<u>(1,587,041)</u>	<u>1,743,042</u>
Other financing sources (uses):				
Transfers in	1,720,900	1,720,900	3,670,858	1,949,958
Capital lease financing	-	-	3,128,993	3,128,993
Proceeds from sale of assets	-	-	23,107	23,107
Total other financing sources (uses)	<u>1,720,900</u>	<u>1,720,900</u>	<u>6,822,958</u>	<u>5,102,058</u>
Net change in fund balance	1,209,882	(1,609,183)	5,235,917	6,845,100
Fund balance, beginning of year	<u>28,045,047</u>	<u>28,045,047</u>	<u>28,045,047</u>	<u>-</u>
Fund balance, end of year	<u>\$ 29,254,929</u>	<u>\$ 26,435,864</u>	<u>\$ 33,280,964</u>	<u>\$ 6,845,100</u>

See Accompanying Note to Required Supplementary Information.

CITY OF BARSTOW
Budgetary Comparison Schedule
Measure I Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
From other agencies	\$ 1,653,114	\$ 1,515,225	\$ 1,488,242	\$ (26,983)
Use of money and property	103,500	10,500	84,834	74,334
Total revenues	<u>1,756,614</u>	<u>1,525,725</u>	<u>1,573,076</u>	<u>47,351</u>
Expenditures:				
Current:				
Public safety	63,114	-	-	-
Capital outlay	558,713	1,790,366	1,339,065	451,301
Total expenditures	<u>621,827</u>	<u>1,790,366</u>	<u>1,339,065</u>	<u>451,301</u>
Excess of revenues over (under) expenditures	1,134,787	(264,641)	234,011	498,652
Other financing sources (uses):				
Transfers out	<u>(810,610)</u>	<u>(4,447,463)</u>	<u>(650,333)</u>	<u>3,797,130</u>
Total other financing sources (uses)	<u>(810,610)</u>	<u>(4,447,463)</u>	<u>(650,333)</u>	<u>3,797,130</u>
Net change in fund balance	324,177	(4,712,104)	(416,322)	4,295,782
Fund balance, beginning of year	<u>4,687,415</u>	<u>4,687,415</u>	<u>4,687,415</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,011,592</u>	<u>\$ (24,689)</u>	<u>\$ 4,271,093</u>	<u>\$ 4,295,782</u>

See Accompanying Note to Required Supplementary Information.

CITY OF BARSTOW
Note to Required Supplementary Information
June 30, 2011

(1) BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgets.

- (a) The annual budget is adopted by the City Council after the holding of a hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
- (b) The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year.

The City Manager is authorized to transfer budgeted amounts between departments. Actual expenditures may not exceed budgeted appropriations at the fund level.

- (c) Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Capital projects appropriations are an automatic supplemental appropriation for the next year. All others lapse unless they are encumbered at year end or re-appropriated through the formal budget process. There were no outstanding encumbrances at year end.
- (c) Annual budgets are adopted for the General fund and special revenue funds on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

In fiscal year 2011, the City adopted a budget for its governmental funds with the exception of the Barstow Fire Protection District Fund and the Barstow Harvey House Foundation Fund.

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SUPPLEMENTARY INFORMATION

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CITY OF BARSTOW
Budgetary Comparison Schedule
Redevelopment Area I Debt Service Fund
For the Year Ended June 30, 2011

	Final Amounts Budgeted	Actual Amounts	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 2,993,200	\$ 3,127,870	\$ 134,670
Use of money and property	100,000	88,870	(11,130)
	<u>3,093,200</u>	<u>3,216,740</u>	<u>123,540</u>
Expenditures:			
Current:			
General government	1,338,602	795,512	543,090
Debt service:			
Principal retirement	590,000	490,000	100,000
Interest and fiscal charges	576,969	576,041	928
	<u>2,505,571</u>	<u>1,861,553</u>	<u>644,018</u>
Excess of revenues over expenditures	<u>587,629</u>	<u>1,355,187</u>	<u>767,558</u>
Other financing sources (uses):			
Transfers in	394,000	-	(394,000)
Transfers out	(2,221,000)	(1,669,285)	551,715
	<u>(1,827,000)</u>	<u>(1,669,285)</u>	<u>157,715</u>
Net change in fund balance	(1,239,371)	(314,098)	925,273
Fund balance, beginning of year	<u>1,386,849</u>	<u>1,386,849</u>	<u>-</u>
Fund balance, end of year	<u>\$ 147,478</u>	<u>\$ 1,072,751</u>	<u>\$ 925,273</u>

CITY OF BARSTOW
Budgetary Comparison Schedule
City Capital Projects Fund
For the Year Ended June 30, 2011

	Final Amounts Budgeted	Actual Amounts	Variance Positive (Negative)
Revenues:			
From other agencies	\$ 1,761,001	\$ 51,883	\$ (1,709,118)
Use of money and property	1,783,925	1,203,185	(580,740)
	<u>3,544,926</u>	<u>1,255,068</u>	<u>(2,289,858)</u>
Expenditures:			
Current:			
Capital outlay	12,286,359	5,215,928	7,070,431
Interest and fiscal charges	-	2,854	(2,854)
	<u>12,286,359</u>	<u>5,218,782</u>	<u>7,067,577</u>
Excess of revenues over (under) expenditures	(8,741,433)	(3,963,714)	4,777,719
Other financing sources:			
Transfers in	4,769,067	3,988,871	(780,196)
Transfers (out)	-	(2,191,345)	(2,191,345)
	<u>4,769,067</u>	<u>1,797,526</u>	<u>(2,971,541)</u>
Net change in fund balance	(3,972,366)	(2,166,188)	1,806,178
Fund balance, beginning of year	<u>11,361,514</u>	<u>11,361,514</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 7,389,148</u></u>	<u><u>\$ 9,195,326</u></u>	<u><u>\$ 1,806,178</u></u>

CITY OF BARSTOW
Nonmajor Governmental Funds
June 30, 2011

Gas Tax Special Revenue Fund is used to account for receipts and expenditures of money apportioned under Street and Highway Code Sections 2105, 2106, 2107 and 2107.5 of the State of California.

Redevelopment Low and Moderate Income Housing Special Revenue Fund is used to account for tax increment monies that are set aside to provide housing assistance to low and moderate income families in Barstow.

Grants Special Revenue Fund is used to account for receipts and expenditures of money received from various governmental grants.

Asset Seizure Special Revenue Fund is used to account for asset seizure and forfeitures resulting from police investigations and court decisions.

Barstow Harvey House Foundation Special Revenue Fund is used to account for the operations of the Harvey House facility. The City rents portions of the premises to various organizations.

Barstow Fire Protection District (BFPD) Special Revenue Fund is used to account for operations of the BFPD which was annexed to the City effective November 17, 2010.

Redevelopment Area II Debt Service Fund is used to account for tax increment revenue for the Project Area II to be used for redevelopment activities within that Project Area.

Redevelopment Capital Projects Fund is used to account for transactions related to proceeds from bonds and other resources and their use to perform redevelopment activities within specific project areas.

CITY OF BARSTOW
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds		
	Gas Tax	Redevelopment Low and Moderate Income Housing	
		Grants	
Assets:			
Cash and investments	\$ 642,404	\$ 1,068,742	\$ 444,778
Accounts receivable, net	-	-	38,310
Accrued interest	3,116	4,703	2,279
Taxes receivable	74,468	11,524	-
Due from other funds	-	-	-
Advances to other funds	-	1,513,231	-
Notes and loans receivable	-	-	-
Deposits	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 719,988</u>	<u>\$ 2,598,200</u>	<u>\$ 485,367</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 42,715	\$ 26,626	\$ 8,688
Due to other funds	-	-	23,906
Deferred revenue	-	-	464,109
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>42,715</u>	<u>26,626</u>	<u>496,703</u>
Fund balances (deficits):			
Nonspendable:			
Advances to other funds	-	1,513,231	-
Deposits	-	-	-
Restricted:			
Public safety/fire protection	-	-	-
Streets and highways	677,273	-	-
Low and moderate income housing	-	1,058,343	-
Future capital projects	-	-	-
Other purpose	-	-	-
Unassigned	-	-	(11,336)
	<hr/>	<hr/>	<hr/>
Total fund balances (deficits)	<u>677,273</u>	<u>2,571,574</u>	<u>(11,336)</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 719,988</u>	<u>\$ 2,598,200</u>	<u>\$ 485,367</u>

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Asset Seizure	Barstow Harvey House Foundation	Barstow Fire Protection District	Redevelopment Area II Debt Service	Redevelopment Capital Projects	
\$ 106,671	\$ 15,417	\$ 741,086	\$ 507,528	\$ 28,492	\$ 3,555,118
-	-	104,445	-	3,705	146,460
517	-	2,735	-	4,798	18,148
-	-	-	-	430	86,422
-	-	-	-	45,461	45,461
-	-	-	-	-	1,513,231
-	-	-	-	125,000	125,000
-	-	419,316	-	-	419,316
<u>\$ 107,188</u>	<u>\$ 15,417</u>	<u>\$ 1,267,582</u>	<u>\$ 507,528</u>	<u>\$ 207,886</u>	<u>\$ 5,909,156</u>
\$ 31,927	\$ -	\$ 243,259	\$ 20,006	\$ 24,605	\$ 397,826
-	-	-	-	-	23,906
-	-	-	-	3,705	467,814
<u>31,927</u>	<u>-</u>	<u>243,259</u>	<u>20,006</u>	<u>28,310</u>	<u>889,546</u>
-	-	-	-	-	1,513,231
-	-	419,316	-	-	419,316
75,261	-	605,007	-	-	680,268
-	-	-	-	-	677,273
-	-	-	-	-	1,058,343
-	-	-	487,522	179,576	667,098
-	15,417	-	-	-	15,417
-	-	-	-	-	(11,336)
<u>75,261</u>	<u>15,417</u>	<u>1,024,323</u>	<u>487,522</u>	<u>179,576</u>	<u>5,019,610</u>
<u>\$ 107,188</u>	<u>\$ 15,417</u>	<u>\$ 1,267,582</u>	<u>\$ 507,528</u>	<u>\$ 207,886</u>	<u>\$ 5,909,156</u>

CITY OF BARSTOW
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue Funds		
	Gas Tax	Redevelopment Low and Moderate Income Housing	Grants
Revenues:			
Property taxes	\$ -	\$ 880,508	\$ -
From other agencies	607,270	663	326,143
Licenses and permits	-	-	-
Other	-	-	-
Use of money and property	7,129	16,549	223
Total revenues	<u>614,399</u>	<u>897,720</u>	<u>326,366</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	1,106,631	335,795
Capital outlay	1,140,099	-	-
Total expenditures	<u>1,140,099</u>	<u>1,106,631</u>	<u>335,795</u>
Excess of revenues over (under) expenditures	(525,700)	(208,911)	(9,429)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers (out)	(607,878)	-	-
Total other financing sources (uses)	<u>(607,878)</u>	<u>-</u>	<u>-</u>
Special item:			
Merger of fire district	-	-	-
	<u>(607,878)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,133,578)	(208,911)	(9,429)
Fund balances (deficits), beginning of year	<u>1,810,851</u>	<u>2,780,485</u>	<u>(1,907)</u>
Fund balances (deficits), end of year	<u>\$ 677,273</u>	<u>\$ 2,571,574</u>	<u>\$ (11,336)</u>

Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Asset Seizure	Barstow Harvey House Foundation	Barstow Fire Protection District	Redevelopment Area II Debt Service	Redevelopment Capital Projects	
\$ -	\$ -	\$ 2,297,448	\$ 394,162	\$ -	\$ 3,572,118
4,615	-	350,212	-	3,057	1,291,960
-	-	30,747	-	-	30,747
-	15,117	8,533	-	-	23,650
1,305	300	7,749	-	5,464	38,719
5,920	15,417	2,694,689	394,162	8,521	4,957,194
17,424	-	-	115,131	470,671	603,226
-	-	2,323,936	-	-	2,323,936
-	-	-	-	304,393	1,746,819
-	-	-	-	131,614	1,271,713
17,424	-	2,323,936	115,131	906,678	5,945,694
(11,504)	15,417	370,753	279,031	(898,157)	(988,500)
-	-	-	112,024	1,669,285	1,781,309
-	-	-	-	(4,505,676)	(5,113,554)
-	-	-	112,024	(2,836,391)	(3,332,245)
-	-	653,570	-	-	653,570
-	-	653,570	112,024	(2,836,391)	(2,678,675)
(11,504)	15,417	1,024,323	391,055	(3,734,548)	(3,667,175)
86,765	-	-	96,467	3,914,124	8,686,785
<u>\$ 75,261</u>	<u>\$ 15,417</u>	<u>\$ 1,024,323</u>	<u>\$ 487,522</u>	<u>\$ 179,576</u>	<u>\$ 5,019,610</u>

CITY OF BARSTOW
Budgetary Comparison Schedule
Gas Tax Fund
For the Year Ended June 30, 2011

	Final Amounts Budgeted	Actual Amounts	Variance Positive (Negative)
Revenues:			
From other agencies	\$ 622,805	\$ 607,270	\$ (15,535)
Use of money and property	45,500	7,129	(38,371)
Total revenues	<u>668,305</u>	<u>614,399</u>	<u>(53,906)</u>
Expenditures:			
Capital outlay	<u>1,221,831</u>	<u>1,140,099</u>	<u>81,732</u>
Total expenditures	<u>1,221,831</u>	<u>1,140,099</u>	<u>81,732</u>
Excess of revenues (under) expenditures	(553,526)	(525,700)	27,826
Other financing sources (uses):			
Transfers (out)	<u>-</u>	<u>(607,878)</u>	<u>(607,878)</u>
Net change in fund balance	(553,526)	(1,133,578)	(580,052)
Fund balance, beginning of year	<u>1,810,851</u>	<u>1,810,851</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,257,325</u></u>	<u><u>\$ 677,273</u></u>	<u><u>\$ (580,052)</u></u>

CITY OF BARSTOW
Budgetary Comparison Schedule
Redevelopment Low and Moderate Income Housing Fund
For the Year Ended June 30, 2011

	Final Amounts Budgeted	Actual Amounts	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 937,200	\$ 880,508	\$ (56,692)
From other agencies	3,500	663	(2,837)
Use of money and property	13,500	16,549	3,049
 Total revenues	 954,200	 897,720	 (56,480)
Expenditures:			
Current:			
Community development	1,654,647	1,106,631	548,016
 Net change in fund balance	 (700,447)	 (208,911)	 491,536
 Fund balance, beginning of year	 2,780,485	 2,780,485	 -
 Fund balance, end of year	 \$ 2,080,038	 \$ 2,571,574	 \$ 491,536

CITY OF BARSTOW
Budgetary Comparison Schedule
Grants Fund
For the Year Ended June 30, 2011

	Final Amounts Budgeted	Actual Amounts	Variance Positive (Negative)
Revenues:			
From other agencies	\$ 1,370,052	\$ 326,143	\$ (1,043,909)
Use of money and property	7,000	223	(6,777)
	<u>1,377,052</u>	<u>326,366</u>	<u>(1,050,686)</u>
Expenditures:			
Current:			
Community development	1,370,052	335,795	1,034,257
	<u>1,370,052</u>	<u>335,795</u>	<u>1,034,257</u>
Net change in fund balance	7,000	(9,429)	(16,429)
Fund balance (deficit), beginning of year	<u>(1,907)</u>	<u>(1,907)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 5,093</u>	<u>\$ (11,336)</u>	<u>\$ (16,429)</u>

CITY OF BARSTOW
Budgetary Comparison Schedule
Asset Seizure Fund
For the Year Ended June 30, 2011

	Final Amounts Budgeted	Actual Amounts	Variance Positive (Negative)
Revenues:			
From other agencies	\$ 72,259	\$ 4,615	\$ (67,644)
Use of money and property	1,800	1,305	(495)
	<u>74,059</u>	<u>5,920</u>	<u>(68,139)</u>
Expenditures:			
Current:			
General government	72,259	17,424	54,835
	<u>1,800</u>	<u>(11,504)</u>	<u>(13,304)</u>
Fund balance, beginning of year	86,765	86,765	-
Fund balance, end of year	<u>\$ 88,565</u>	<u>\$ 75,261</u>	<u>\$ (13,304)</u>

CITY OF BARSTOW
Budgetary Comparison Schedule
Barstow Harvey House Foundation Fund
For the Year Ended June 30, 2011

	Final Amounts Budgeted	Actual Amounts	Variance Positive (Negative)
Revenues:			
Other	\$ -	\$ 15,117	\$ 15,117
Use of money and property	-	300	300
	<u>-</u>	<u>300</u>	<u>300</u>
Total revenues	<u>-</u>	<u>15,417</u>	<u>15,417</u>
Excess of revenues over expenditures	<u>-</u>	<u>15,417</u>	<u>15,417</u>
Net change in fund balance	-	15,417	15,417
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 15,417</u></u>	<u><u>\$ 15,417</u></u>

CITY OF BARSTOW
Budgetary Comparison Schedule
Barstow Fire Protection District Fund
For the Year Ended June 30, 2011

	Final Amounts Budgeted	Actual Amounts	Variance Positive (Negative)
Revenues:			
Property taxes	\$ -	\$ 2,297,448	\$ 2,297,448
From other agencies	-	350,212	350,212
Licenses and permits	-	30,747	30,747
Other	-	8,533	8,533
Use of money and property	-	7,749	7,749
	<hr/>	<hr/>	<hr/>
Total revenues	-	2,694,689	2,694,689
Expenditures:			
Current:			
Public safety	-	2,323,936	(2,323,936)
	<hr/>	<hr/>	<hr/>
Total expenditures	-	2,323,936	(2,323,936)
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures	-	370,753	370,753
Other financing sources (uses):			
Special item - merger of fire district	-	653,570	653,570
	<hr/>	<hr/>	<hr/>
Net change in fund balance	-	1,024,323	1,024,323
Fund balance, beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ -	\$ 1,024,323	\$ 1,024,323
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF BARSTOW
Budgetary Comparison Schedule
Redevelopment Area II Debt Service Fund
For the Year Ended June 30, 2011

	<u>Final Amounts Budgeted</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property taxes	\$ 355,500	\$ 394,162	\$ 38,662
Total revenues	<u>355,500</u>	<u>394,162</u>	<u>38,662</u>
Expenditures:			
Current:			
General government	<u>147,100</u>	<u>115,131</u>	<u>31,969</u>
Total expenditures	<u>147,100</u>	<u>115,131</u>	<u>31,969</u>
Excess of revenues over expenditures	<u>208,400</u>	<u>279,031</u>	<u>70,631</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>112,024</u>	<u>112,024</u>
Total other financing sources (uses)	<u>-</u>	<u>112,024</u>	<u>112,024</u>
Net change in fund balance	208,400	391,055	182,655
Fund balance, beginning of year	<u>96,467</u>	<u>96,467</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 304,867</u></u>	<u><u>\$ 487,522</u></u>	<u><u>\$ 182,655</u></u>

CITY OF BARSTOW
Budgetary Comparison Schedule
Redevelopment Capital Projects Fund
For the Year Ended June 30, 2011

	Final Amounts Budgeted	Actual Amounts	Variance Positive (Negative)
Revenues:			
From other agencies	\$ 3,060	\$ 3,057	\$ (3)
Use of money and property	13,200	5,464	(7,736)
Total revenues	<u>16,260</u>	<u>8,521</u>	<u>(7,739)</u>
Expenditures:			
Current:			
General government	761,089	470,671	290,418
Community development	695,393	304,393	391,000
Capital outlay	207,387	131,614	75,773
Total expenditures	<u>1,663,870</u>	<u>906,678</u>	<u>757,192</u>
Excess of revenues over (under) expenditures	<u>(1,647,610)</u>	<u>(898,157)</u>	<u>749,453</u>
Other financing sources (uses):			
Transfers in	2,221,000	1,669,285	(551,715)
Transfers out	(394,000)	(4,505,676)	(4,111,676)
Total other financing sources (uses)	<u>1,827,000</u>	<u>(2,836,391)</u>	<u>(4,663,391)</u>
Net change in fund balance	179,390	(3,734,548)	(3,913,938)
Fund balance, beginning of year	<u>3,914,124</u>	<u>3,914,124</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,093,514</u></u>	<u><u>\$ 179,576</u></u>	<u><u>\$ (3,913,938)</u></u>

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CITY OF BARSTOW
Fiduciary Funds
June 30, 2011

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

AGENCY FUNDS

Public Improvement District 91-1 - Accounts for the receipt of assessments relating to Public Improvement District 91-1 and the disposition of the assessments under the terms of the agreement.

Landscape Assessment District - Accounts for the receipt of assessment relating to the Landscape District and the disposition of the assessments under the terms of the agreements.

Other Agency – Accounts for the receipt of funds from other agencies and the disposition of the funds under the terms of the agreements.

Transit Big River – Accounts for the receipt of funds relating to the management of the County of San Bernardino Big River transit program.

Transit Trona – Accounts for the receipt of funds relating to the management of the County of San Bernardino Trona transit program.

CITY OF BARSTOW
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2011

	Public Improvement District 91-1	Landscape Assessment District	Other Agency	Transit Big River
Assets:				
Cash and investments	\$ 211,376	\$ 20,338	\$ 21,947	\$ 16,806
Cash and investments with fiscal agent	498,148	-	-	-
Taxes and liens receivable	1,418	-	-	-
Interest receivable	-	179	212	99
	<u>710,942</u>	<u>20,517</u>	<u>22,159</u>	<u>16,905</u>
Total assets	<u>\$ 710,942</u>	<u>\$ 20,517</u>	<u>\$ 22,159</u>	<u>\$ 16,905</u>
Liabilities:				
Accounts payable	\$ 7,250	\$ 2,111	\$ 78	\$ 3,294
Deposits	-	18,406	-	13,611
Due to bondholders	703,692	-	-	-
Due to other agencies	-	-	22,081	-
Total liabilities	<u>\$ 710,942</u>	<u>\$ 20,517</u>	<u>\$ 22,159</u>	<u>\$ 16,905</u>

Transit Trona	Total
\$ 34,152	\$ 304,619
-	498,148
-	1,418
<u>178</u>	<u>668</u>
<u><u>\$ 34,330</u></u>	<u><u>\$ 804,853</u></u>
\$ 5,533	\$ 18,266
28,797	60,814
-	703,692
-	22,081
<u><u>\$ 34,330</u></u>	<u><u>\$ 804,853</u></u>

CITY OF BARSTOW
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2011

Public Improvement District 91-1	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets:				
Cash and investments	\$ 213,944	\$ 311,885	\$ (314,453)	\$ 211,376
Cash and investments with fiscal agent	492,261	120,005	(114,118)	498,148
Taxes and liens receivable	1,182	1,418	(1,182)	1,418
Total assets	<u>\$ 707,387</u>	<u>\$ 433,308</u>	<u>\$ (429,753)</u>	<u>\$ 710,942</u>
Liabilities:				
Due to bondholders	\$ 707,387	\$ 772,760	\$ (776,455)	\$ 703,692
Accounts payable	-	292,800	(285,550)	7,250
Total liabilities	<u>\$ 707,387</u>	<u>\$ 1,065,560</u>	<u>\$ (1,062,005)</u>	<u>\$ 710,942</u>
Landscape Assessment District				
Assets:				
Cash and investments	\$ 26,539	\$ 22,278	\$ (28,479)	\$ 20,338
Interest receivable	247	179	(247)	179
Total assets	<u>\$ 26,786</u>	<u>\$ 22,457</u>	<u>\$ (28,726)</u>	<u>\$ 20,517</u>
Liabilities:				
Accounts payable	\$ 7,013	\$ 20,251	\$ (25,153)	\$ 2,111
Deposits	19,773	61,467	(62,834)	18,406
Total liabilities	<u>\$ 26,786</u>	<u>\$ 81,718</u>	<u>\$ (87,987)</u>	<u>\$ 20,517</u>
Other Agency				
Assets:				
Cash and investments	\$ -	\$ 24,583	\$ (2,636)	\$ 21,947
Interest receivable	210	212	(210)	212
Due from other governments	39,539	-	(39,539)	-
Total assets	<u>\$ 39,749</u>	<u>\$ 24,795</u>	<u>\$ (42,385)</u>	<u>\$ 22,159</u>
Liabilities:				
Accounts payable	\$ -	\$ 1,972	\$ (1,894)	78
Due to other agencies	39,749	12,496	(30,164)	22,081
Total liabilities	<u>\$ 39,749</u>	<u>\$ 14,468</u>	<u>\$ (32,058)</u>	<u>\$ 22,159</u>

(Continued)

CITY OF BARSTOW
Combining Statement of Changes in Assets and Liabilities - Agency Funds (Continued)
For the Year Ended June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Transit - Big River				
Assets:				
Cash and investments	\$ 22,128	\$ 92,433	\$ (97,755)	\$ 16,806
Interest receivable	144	99	(144)	99
Total assets	<u>\$ 22,272</u>	<u>\$ 92,532</u>	<u>\$ (97,899)</u>	<u>\$ 16,905</u>
Liabilities:				
Accounts payable	\$ 2,630	\$ 19,047	\$ (18,383)	\$ 3,294
Deposits	19,642	419,714	(425,745)	13,611
Total liabilities	<u>\$ 22,272</u>	<u>\$ 438,761</u>	<u>\$ (444,128)</u>	<u>\$ 16,905</u>
Transit - Trona				
Assets:				
Cash and investments	\$ 32,927	\$ 43,943	\$ (42,718)	\$ 34,152
Interest receivable	207	178	(207)	178
Total assets	<u>\$ 33,134</u>	<u>\$ 44,121</u>	<u>\$ (42,925)</u>	<u>\$ 34,330</u>
Liabilities:				
Accounts payable	\$ 3,636	\$ 38,031	\$ (36,134)	\$ 5,533
Deposits	29,498	118,587	(119,288)	28,797
Total liabilities	<u>\$ 33,134</u>	<u>\$ 156,618</u>	<u>\$ (155,422)</u>	<u>\$ 34,330</u>

(Continued)

CITY OF BARSTOW
Combining Statement of Changes in Assets and Liabilities - Agency Funds (Continued)
For the Year Ended June 30, 2011

Total Agency	Restated Beginning Balance	Additions	Deletions	Ending Balance
Assets:				
Cash and investments	\$ 295,538	\$ 495,122	\$ (486,041)	\$ 304,619
Cash and investments with fiscal agent	492,261	120,005	(114,118)	498,148
Taxes and liens receivable	1,182	1,418	(1,182)	1,418
Due from other governments	39,539	-	(39,539)	-
Interest receivable	808	668	(808)	668
Total assets	<u>\$ 829,328</u>	<u>\$ 617,213</u>	<u>\$ (641,688)</u>	<u>\$ 804,853</u>
Liabilities:				
Accounts payable	\$ 13,279	\$ 372,101	\$ (367,114)	\$ 18,266
Deposits	68,913	599,768	(607,867)	60,814
Due to bondholders	707,387	772,760	(776,455)	703,692
Due to other agencies	39,749	12,496	(30,164)	22,081
Total liabilities	<u>\$ 829,328</u>	<u>\$ 1,757,125</u>	<u>\$ (1,781,600)</u>	<u>\$ 804,853</u>

STATISTICAL SECTION

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CITY OF BARSTOW
Comprehensive Annual Financial Report
Year Ended June 30, 2011

Statistical Section

This part of the City of Barstow comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

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Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time</i>	106
Revenue Capacity	
<i>These schedules contain trend information to help the reader assess the government’s most significant current local revenue source, the property tax</i>	116
Debt Capacity	
<i>These schedules contain present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.....</i>	128
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place</i>	135
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs</i>	138

CITY OF BARSTOW
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
Governmental Activities:			
Invested in capital assets, net of related debt	\$ 3,154,343	\$ 11,779,469	\$ 27,704,096
Restricted	14,057,930	13,516,589	15,656,211
Unrestricted	21,693,217	25,190,652	26,233,234
Total Governmental Activities Net Assets	<u>\$ 38,905,490</u>	<u>\$ 50,486,710</u>	<u>\$ 69,593,541</u>
Business-type Activities:			
Invested in capital assets, net of related debt	\$ 5,612,500	\$ 5,612,500	\$ 5,365,622
Restricted		298,915	598,449
Unrestricted	5,498,328	7,198,612	8,887,135
Total Business-type Activities Net Assets	<u>\$ 11,110,828</u>	<u>\$ 13,110,027</u>	<u>\$ 14,851,206</u>
Primary Government:			
Invested in capital assets, net of related debt	\$ 8,766,843	\$ 17,391,969	\$ 33,069,718
Restricted	14,057,930	13,815,504	16,254,660
Unrestricted	27,191,545	32,389,264	35,120,369
Total Primary Government Net Assets	<u>\$ 50,016,318</u>	<u>\$ 63,596,737</u>	<u>\$ 84,444,747</u>

Source: Barstow Department of Finance

The City has elected to show eight years of data for this schedule.

The City of Barstow implemented GASB 34 for the fiscal year ended June 30, 2004. Information prior to the implementation of GASB 34 is not available.

The FY07 net assets reflect a change in accounting policy for the capitalization threshold for capital assets and the affect of a capital asset inventory conducted at June 30, 2006. Therefore, the FY03 to FY06 net asset are not comparable.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 75,092,771	\$ 63,939,275	\$ 58,651,372	\$ 65,754,048	\$ 68,836,403
10,536,166	19,980,860	23,996,154	7,467,900	13,313,448
25,416,537	30,585,194	32,172,987	39,910,774	32,818,270
<u>\$ 111,045,474</u>	<u>\$ 114,505,329</u>	<u>\$ 114,820,513</u>	<u>\$ 113,132,722</u>	<u>\$ 114,968,121</u>
\$ 13,069,478	\$ 13,296,278	\$ 16,080,466	\$ 14,309,391	\$ 11,609,403
8,376,130	(881,594)	(2,300,969)	(3,002,623)	(1,046,331)
<u>\$ 21,445,608</u>	<u>\$ 12,414,684</u>	<u>\$ 13,779,497</u>	<u>\$ 11,306,768</u>	<u>\$ 10,563,072</u>
\$ 88,162,249	\$ 77,235,553	\$ 74,731,838	\$ 80,063,439	\$ 80,445,806
10,536,166	19,980,860	23,996,154	7,467,900	13,313,448
33,792,667	29,703,600	29,872,018	36,908,151	31,771,939
<u>\$ 132,491,082</u>	<u>\$ 126,920,013</u>	<u>\$ 128,600,010</u>	<u>\$ 124,439,490</u>	<u>\$ 125,531,193</u>

CITY OF BARSTOW
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
Expenses:			
Governmental activities:			
General government	3,621,873	4,256,533	5,463,803
Public safety	5,067,546	5,256,515	6,476,180
Recreation			
Public works	1,687,319	1,525,840	2,700,343
Community development	1,216,896	1,222,092	1,866,271
Unallocated depreciation	931,785	1,589,710	1,356,124
Interest on long-term debt	1,410,528	1,128,425	933,682
Total Governmental Activities Expenses	<u>13,935,947</u>	<u>14,979,115</u>	<u>18,796,403</u>
Business-type Activities:			
Wastewater	2,465,828	2,423,874	2,150,916
Solid Waste	2,563,280	2,765,613	4,061,999
Transit Services	1,967,581	2,192,166	2,800,343
Interest on long-term debt	190,720	-	-
Other Enterprise Funds	87,386	98,251	234,587
Total Business-type Activities Expenses	<u>7,274,795</u>	<u>7,479,904</u>	<u>9,247,845</u>
Total Primary Government Expenses	<u>21,210,742</u>	<u>22,459,019</u>	<u>28,044,248</u>
Program revenues:			
Governmental activities:			
Charges for services:			
General government	2,962,745	2,987,527	2,153,127
Operating grants and contributions		174,484	213,243
Capital grants and contributions	2,743,541	7,844,489	3,294,159
Total governmental activities program revenues	<u>5,706,286</u>	<u>11,006,500</u>	<u>5,660,529</u>
Business-type activities:			
Charges for services:			
Wastewater	2,547,894	3,829,426	2,788,820
Solid Waste	2,753,456	2,709,042	3,157,778
Transit Services	238,304	287,901	258,622
Other business-type activities	100,642	495,637	97,004
Operating grants and contributions	1,521,529	1,379,080	1,956,188
Capital grants and contributions	487,661	1,048,702	258,989
Total business-type activities program revenues	<u>7,649,486</u>	<u>9,749,788</u>	<u>8,517,401</u>
Total primary government program revenues	<u>13,355,772</u>	<u>20,756,288</u>	<u>14,177,930</u>

Fiscal Year				
2007	2008	2009	2010	2011
2,852,043	5,186,329	7,328,056	6,094,918	5,419,817
6,971,475	7,169,661	7,755,294	8,431,831	11,379,248
	1,839,427	2,522,146	2,169,160	1,651,047
3,755,588	4,503,709	3,811,039	5,631,968	3,284,720
4,628,881	3,308,455	3,208,592	3,394,422	4,390,903
-	-	-	-	-
880,548	977,402	1,014,907	470,703	571,721
<u>19,088,535</u>	<u>22,984,983</u>	<u>25,640,034</u>	<u>26,193,002</u>	<u>26,697,456</u>
2,746,749	13,033,007	2,901,787	3,247,228	3,514,998
4,195,541	3,974,067	4,045,892	4,011,446	4,213,429
2,678,016	3,168,024	3,237,953	3,372,469	2,890,641
-	-	-	-	-
298,069	386,788	297,942	398,573	343,653
<u>9,918,375</u>	<u>20,561,886</u>	<u>10,483,574</u>	<u>11,029,716</u>	<u>10,962,721</u>
<u>29,006,910</u>	<u>43,546,869</u>	<u>36,123,608</u>	<u>37,222,718</u>	<u>37,660,177</u>
1,609,778	1,973,746	1,648,299	1,560,775	1,502,836
3,796,362	3,353,033	2,705,247	2,188,144	2,977,984
<u>2,217,854</u>	<u>1,001,826</u>	<u>903,617</u>	<u>950,770</u>	<u>54,290</u>
<u>7,623,994</u>	<u>6,328,605</u>	<u>5,257,163</u>	<u>4,699,689</u>	<u>4,535,110</u>
3,273,734	3,473,018	3,195,509	3,069,587	3,221,304
3,522,318	3,746,302	3,748,330	3,634,446	3,876,407
239,540	252,459	351,130	253,898	610,343
165,914	160,244	106,903	130,852	49,508
1,980,839	2,698,498	2,694,980	2,580,170	2,018,897
91,237	960,443	1,462,475	419,872	151,117
<u>9,273,582</u>	<u>11,290,964</u>	<u>11,559,327</u>	<u>10,088,825</u>	<u>9,927,576</u>
<u>16,897,576</u>	<u>17,619,569</u>	<u>16,816,490</u>	<u>14,788,514</u>	<u>14,462,686</u>
(Continued)	(Continued)	(Continued)	(Continued)	(Continued)

CITY OF BARSTOW
Changes in Net Assets (Continued)
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
Net revenues (expenses):			
Governmental activities	(8,229,661)	(3,972,615)	(13,135,874)
Business-type activities	374,691	2,269,884	(730,444)
Total net revenues (expenses)	<u>(7,854,970)</u>	<u>(1,702,731)</u>	<u>(13,866,318)</u>
General Revenues and Other Changes in Net Assets:			
Governmental activities:			
Taxes:			
Property taxes	2,772,537	2,765,138	3,852,670
Sales tax	4,660,782	4,772,730	6,025,029
Transient occupancy taxes	1,741,015	1,961,506	2,282,557
Other taxes	1,212,217	2,764,439	4,695,973
Motor vehicle in lieu, unrestricted	1,052,291	1,390,868	2,017,520
Investment income	387,716	1,368,810	974,002
Other general revenues	166,672	47,294	302,305
Gain (loss) on sale of assets	-	-	-
Transfers	46,096	(5,307)	(2,397,663)
Special item - merger of fire district			
Inventory Adjustment for Capital Assets	-	-	14,490,312
Total Governmental Activities	<u>12,039,326</u>	<u>15,065,478</u>	<u>32,242,705</u>
Business-type activities:			
Investment Income	56,973	127,315	73,960
Use of money and property	-	-	-
Other revenue	286,626	23,094	-
Special item-impairment loss	-	-	-
Transfers	(46,096)	113,750	2,397,663
Total Business-type Activities	<u>297,503</u>	<u>264,159</u>	<u>2,471,623</u>
Total Primary Government	<u>12,336,829</u>	<u>15,329,637</u>	<u>34,714,328</u>
Changes in Net Assets:			
Governmental activities	3,809,665	11,092,863	19,106,831
Business-type activities	672,194	2,534,043	1,741,179
Total Primary Government	<u>4,481,859</u>	<u>13,626,906</u>	<u>20,848,010</u>

Source: Barstow Department of Finance

The City has elected to show eight years of data for this schedule.

The City of Barstow implemented GASB 34 for the fiscal year ended June 30, 2004, Information prior to the implementation of GASB 34 is not available.

The FY07 net assets reflect a change in accounting policy for the capitalization threshold for capital assets and the affect of a capital asset inventory conducted at June 30, 2006. Therefore, the FY03 to FY06 net asset are not comparable.

Fiscal Year				
2007	2008	2009	2010	2011
(11,464,541)	(16,656,378)	(20,382,871)	(21,493,313)	(22,162,346)
(644,793)	(9,270,922)	1,075,753	(940,891)	(1,035,145)
(12,109,334)	(25,927,300)	(19,307,118)	(22,434,204)	(23,197,491)
5,129,433	5,734,799	7,894,148	8,359,770	10,106,231
6,662,596	5,925,848	6,084,702	5,802,928	6,589,010
2,281,494	2,455,043	2,484,223	2,392,610	2,541,970
1,181,430	1,153,309	1,150,982	1,110,266	1,107,418
1,651,504	1,889,772	63,143	110,643	110,786
2,396,289	2,483,993	2,537,309	1,775,846	1,903,747
770,348	419,527	483,548	253,459	334,103
80,768	-	-	-	-
-	-	-	-	(183,479)
-	-	-	-	1,487,959
-	-	-	-	-
20,153,862	20,062,291	20,698,055	19,805,522	23,997,745
-	-	-	-	-
368,282	293,548	289,060	177,265	105,720
-	392	-	-	2,250
-	-	-	(1,709,103)	-
-	-	-	-	183,479
368,282	293,940	289,060	(1,531,838)	291,449
20,522,144	20,356,231	20,987,115	18,273,684	24,289,194
8,689,321	3,405,913	315,184	(1,687,791)	1,835,399
(276,511)	(8,976,982)	1,364,813	(2,472,729)	(743,696)
8,412,810	(5,571,069)	1,679,997	(4,160,520)	1,091,703

CITY OF BARSTOW
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
General Fund:			
Reserved	\$ 531,731	\$ 1,672,386	\$ 3,249,760
Nonspendable*			
Restricted*			
Assigned*			
Unreserved/Unassigned*	<u>20,481,137</u>	<u>22,413,177</u>	<u>23,464,839</u>
Total General Fund	<u>\$ 21,012,868</u>	<u>\$ 24,085,563</u>	<u>\$ 26,714,599</u>
All Other Governmental Funds:			
Reserved	\$ 8,127,814	\$ 8,182,909	\$ 7,843,986
Nonspendable*			
Restricted*			
Assigned*			
Unreserved/Unassigned*, reported in:			
Special revenue funds	3,448,875	3,748,724	6,374,327
Debt Service	(5,026,356)	(4,715,218)	(4,052,881)
Capital projects funds	<u>7,507,597</u>	<u>5,745,800</u>	<u>4,972,571</u>
Total all other governmental funds	<u>\$ 14,057,930</u>	<u>\$ 12,962,215</u>	<u>\$ 15,138,003</u>

Source: Barstow Department of Finance

The City of Barstow has elected to show only eight years of data for this schedule.

* FY11 Implementation of GASB 54 Fund Balance Classifications.

**The Hospital Fund for FY08, FY09 & FY10 was not included with the General Fund balances but shown as a separate special revenue fund. For comparison purposes, the Hospital Fund is combined with the General Fund.

	Fiscal Year				
2007	2008**	2009**	2010**	2011	
\$ 218,659	\$ 1,623,614	\$ 1,075,061	\$ 3,119,315		\$ 4,155,542
					5,943,956
					4,425,000
29,774,340	13,397,822	14,077,368	7,403,967		18,756,466
<u>\$ 29,992,999</u>	<u>\$ 15,021,436</u>	<u>\$ 15,152,429</u>	<u>\$ 10,523,282</u>		<u>\$ 33,280,964</u>
\$ 7,216,481	\$ 11,147,285	\$ 10,903,385	\$ 9,678,496		\$ 5,150,568
					8,442,243
					5,977,305
6,449,950	24,704,172	24,494,870	25,272,143		(11,336)
(2,375,041)	(1,078,693)	(26,730)	1,483,316		-
7,412,771	8,918,847	9,037,542	7,210,373		-
<u>\$ 18,704,161</u>	<u>\$ 43,691,611</u>	<u>\$ 44,409,067</u>	<u>\$ 43,644,328</u>		<u>\$ 19,558,780</u>

CITY OF BARSTOW
Changes in Fund Balances of Governmental Funds
Last Eight Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
Revenues:				
Taxes	\$ 9,971,562	\$ 10,906,444	\$ 13,099,367	\$ 16,906,457
Licenses and permits	309,026	470,044	538,809	467,676
Fines and forfeitures	105,964	150,520	214,193	210,687
Rental income	1,200,771	1,232,691	537,621	-
Intergovernmental	3,897,055	5,045,547	5,838,577	6,000,893
Charges for services	745,935	723,770	793,375	901,135
Use of Money and Property	932,719	2,186,727	3,915,201	2,396,287
Other	932,719	2,186,727	3,915,201	813,953
Total Revenues	<u>18,095,751</u>	<u>22,902,470</u>	<u>28,852,344</u>	<u>27,697,088</u>
Expenditures				
Current:				
General government	4,102,546	5,548,356	5,201,272	3,111,934
Public safety	5,374,822	5,629,391	6,384,530	6,971,475
Public works	3,980,678	5,027,348	2,540,937	3,755,588
Recreation	-	-	-	1,400,592
Community development	1,041,137	923,715	1,244,735	3,228,289
Debt service:	-	-	-	-
Principal retirement	939,272	8,734,376	748,232	825,349
Interest and fiscal charges	1,136,312	1,894,142	1,210,527	887,647
Capital Outlay				754,602
Total Expenditures	<u>16,574,767</u>	<u>27,757,328</u>	<u>17,330,233</u>	<u>20,935,476</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,520,984</u>	<u>(4,854,858)</u>	<u>11,522,111</u>	<u>6,761,612</u>
Other financing sources (uses):				
Transfers in	1,886,696	1,535,412	1,494,000	1,534,800
Transfers out	(1,897,113)	(1,955,366)	(4,660,129)	(1,534,800)
Proceeds from sale of assets	13,701	47,294	3,000	128,704
Capital grants and contributions	25,532	4,515,731	8,944	-
Capital leases	-	-	-	-
Issuance of bonds		8,860,000		
Special item - merger of fire district	-		-	-
Total Other Financing Sources (Uses)	<u>28,816</u>	<u>13,003,071</u>	<u>(3,154,185)</u>	<u>128,704</u>
Net Change in Fund Balances	<u>\$ 1,549,800</u>	<u>\$ 8,148,213</u>	<u>\$ 8,367,926</u>	<u>\$ 6,890,316</u>
Debt service as a percentage of noncapital expenditures	12.5%	38.3%	11.3%	8.6%

Source: Barstow Department of Finance

The City has elected to show only eight years of data for this schedule.

The FY07 fund balances reflect changes in accounting policy for the capitalization threshold for capital assets, accounting treatment of long-term debt and deferred revenues, and the affect of a capital asset inventory conducted at June 30, 2006; therefore, the FY03 to FY06 net asset are not comparable. See Note IV.F. in the Notes to Financial Statement for further details.

2008	2009	2010	2011
\$ 17,158,769	\$ 17,677,199	\$ 17,776,217	\$ 20,455,415
330,523	157,319	131,610	160,411
189,967	111,180	131,389	129,349
-	-	-	-
8,970,828	3,131,095	3,141,460	2,977,499
1,416,576	1,261,364	1,232,865	1,156,934
2,484,002	2,537,309	1,775,849	1,903,747
463,290	593,469	326,843	332,229
<u>31,013,955</u>	<u>25,468,935</u>	<u>24,516,233</u>	<u>27,115,584</u>
4,438,516	6,360,460	6,398,855	5,122,706
7,169,661	7,693,503	11,504,311	10,698,792
1,643,649	1,670,133	1,929,250	2,505,479
1,839,427	1,877,647	1,816,436	1,300,759
3,308,455	3,207,583	3,391,348	3,278,264
-	-	-	-
870,210	1,103,698	1,190,588	490,000
858,029	870,144	656,716	578,895
2,230,093	2,010,835	3,437,099	8,090,746
<u>22,358,040</u>	<u>24,794,003</u>	<u>30,324,603</u>	<u>32,065,641</u>
8,655,915	674,932	(5,808,370)	(4,950,057)
1,592,942	1,849,139	1,500,963	10,988,832
(1,539,000)	(1,849,139)	(1,500,963)	(11,172,311)
13,597	-	-	23,107
-	-	-	-
-	173,517	414,484	3,128,993
-	-	-	653,570
<u>67,539</u>	<u>173,517</u>	<u>414,484</u>	<u>3,622,191</u>
<u>\$ 8,723,454</u>	<u>\$ 848,449</u>	<u>\$ (5,393,886)</u>	<u>\$ (1,327,866)</u>
8.6%	8.7%	6.4%	4.5%

CITY OF BARSTOW
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	City			Taxable Assessed Value
	Secured	Unsecured	Less: Exemptions	
2002	731,568,704	70,385,504	(21,142,999)	780,811,209
2003	741,247,052	77,468,045	(20,928,852)	797,786,245
2004	762,648,942	79,034,569	(21,463,216)	820,220,295
2005	795,592,436	77,850,700	(21,165,153)	852,277,983
2006	837,740,919	80,494,969	(20,767,499)	897,468,389
2007	959,554,040	74,295,326	(20,094,320)	1,013,755,046
2008	1,122,604,895	87,277,286	(29,130,144)	1,180,752,037
2009	1,224,192,728	98,225,038	(36,864,443)	1,285,553,323
2010	1,231,087,544	109,660,938	(38,009,761)	1,302,738,721
2011	1,177,308,298	108,355,771	(40,286,184)	1,245,377,885

Source:

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: County Assessor's Office

Redevelopment Agency

Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
216,851,738	24,242,543	-	241,094,281	1.000%
219,996,747	26,281,443	-	246,278,190	1.000%
219,768,741	23,995,779	-	243,764,520	1.000%
234,762,492	22,406,250	-	257,168,742	1.000%
243,370,721	24,198,061	-	267,568,782	1.000%
290,448,593	17,437,771	-	307,886,364	1.000%
292,024,759	23,575,111	-	315,599,870	1.000%
396,775,797	30,032,632	-	426,808,429	1.000%
414,820,330	36,887,692	-	451,708,022	1.000%
403,089,459	39,215,581	-	442,305,040	1.000%

CITY OF BARSTOW
Assessed Value and Estimated Actual Value of Taxable Property by Class
Last Ten Fiscal Years

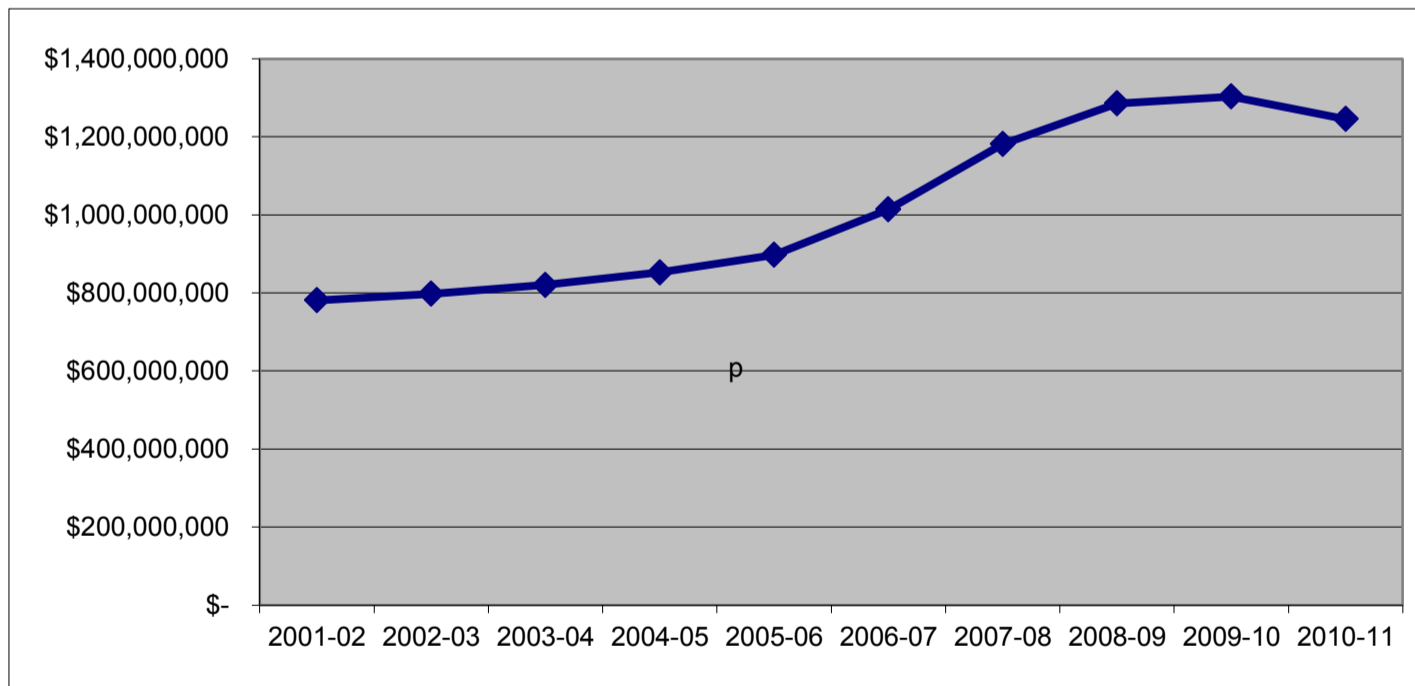
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Vacant Land	Other	Unsecured	Less Exemptions	Total Taxable Assessed Value (a)	Total Direct TaxRate (b)
2001-02	n/a	n/a	n/a	n/a	n/a	n/a	n/a	780,811,209	1%
2002-03	n/a	n/a	n/a	n/a	n/a	n/a	n/a	797,786,245	1%
2003-04	n/a	n/a	n/a	n/a	n/a	n/a	n/a	820,220,905	1%
2004-05	n/a	n/a	n/a	n/a	n/a	n/a	n/a	852,277,983	1%
2005-06	n/a	n/a	n/a	n/a	n/a	n/a	n/a	897,468,389	1%
2006-07	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,013,755,046	1%
2007-08	618,172,366	290,059,230	32,602,508	137,339,682	44,431,109	87,277,286	(29,130,144)	1,180,752,037	1%
2008-09	672,834,912	318,713,676	30,413,319	156,741,116	45,489,705	98,225,038	(36,864,443)	1,285,553,323	1%
2009-10	649,811,369	339,330,203	33,850,382	156,757,040	51,338,550	109,660,938	(38,009,761)	1,302,738,721	1%
2010-11	590,432,903	348,653,069	33,307,174	156,187,749	48,727,403	108,355,771	(40,286,184)	1,245,377,885	1%

Source: HdL Coren & Cone

Notes:

(a) The State Constituion requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more t annually, plus any local overrides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by calculation, to all taxing entities within a tax rate area.



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CITY OF BARSTOW
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>
City Direct Rates:			
City basic rate	\$ 0.0932	\$ 0.0932	\$ 0.0932
Redevelopment agency	<u>0.9068</u>	<u>0.9068</u>	<u>0.9068</u>
Total City Direct Rate	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
Overlapping Rates:			
Barstow Unified School Bond	-	0.0831	0.0579
Mojave Water Agency Land Only	0.1125	0.1125	0.1125
Mojave Water Agency	<u>0.0550</u>	<u>0.0550</u>	<u>0.0550</u>
Total Direct Rate	<u>\$ 1.1675</u>	<u>\$ 1.2506</u>	<u>\$ 1.2254</u>

Source: San Bernardino County Assessor/Hdl, Coren & Cone

:NOTE

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the Barstow Unified School District bonds

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 0.0932	\$ 0.0932	\$ 0.0932	\$ 0.0932	\$ 0.0904	\$ 0.0904	\$ 0.0904
<u>0.9068</u>	<u>0.9068</u>	<u>0.9068</u>	<u>0.9068</u>	<u>0.9096</u>	<u>0.9096</u>	<u>0.9096</u>
<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
0.0518	0.0489	0.0392	0.0378	0.0352	0.0312	0.0370
0.1125	0.1125	0.1125	0.1125	0.1125	0.1125	0.1125
<u>0.0550</u>	<u>0.0550</u>	<u>0.0550</u>	<u>0.0550</u>	<u>0.0550</u>	<u>0.0550</u>	<u>0.0550</u>
<u>\$ 1.2193</u>	<u>\$ 1.2164</u>	<u>\$ 1.2067</u>	<u>\$ 1.2053</u>	<u>\$ 1.2027</u>	<u>\$ 1.1987</u>	<u>\$ 1.2045</u>

CITY OF BARSTOW
Principal Property Tax Payers
Current Year and Nine Years Ago

Owner	2010/11		2001/02	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
New Plan Factory Malls			\$ 36,614,972	4.57%
Burlington Northern & Santa Fe Railway			\$ 35,887,772	4.48%
Tanger Properties LP	\$ 24,279,963	1.95%	\$ 17,969,402	2.24%
Compass Bank	\$ 15,856,957	1.27%		
Meruelo Maddux Properties	\$ 13,287,994	1.07%		
Fred and Robin Rosenberg Family Limited	\$ 13,042,909	1.05%	\$ 12,567,241	1.57%
Barstow Outlet	\$ 13,024,348	1.05%		
Desert Heights LLC	\$ 11,406,951	0.92%		
Suk Hee Suh	\$ 10,742,620	0.86%		
Home Depot United States	\$ 10,529,448	0.85%		
Service Rock	\$ 10,444,186	0.84%		
Hospitality Express	\$ 10,440,421	0.84%		
Yellow Freight System			\$ 10,252,094	1.28%
Rip Griffin Truck Service Center			\$ 9,699,955	1.21%
Daniel L Plies			\$ 8,279,518	1.03%
Fee II LLC			\$ 7,368,888	0.92%
Wilmington Trust			\$ 6,899,959	0.86%
Ki Hong Kwong			\$ 6,189,592	0.77%
	\$ 133,055,797	10.70%	\$ 151,729,393	18.93%

Source: Hdl Coren & Cone-San Bernardino County Assessor

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Meruelo Maddux Properties	\$ 13,287,994	1.07%		
Fred and Robin Rosenberg Family Limited	\$ 13,042,909	1.05%	\$ 12,567,241	1.57%

City of Barstow
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2002	3,582,029	3,395,445	95%	79,085	3,474,888	97%
2003	3,651,734	3,337,218	91%	45,831	3,383,414	93%
2004	3,667,674	3,456,179	94%	46,269	3,503,548	95%
2005	3,828,327	3,626,365	95%	93,454	3,731,304	97%
2006	3,996,336	3,825,721	96%	52,095	3,905,643	97%
2007	4,514,703	4,304,168	95%	69,430	4,418,745	97%
2008	5,214,288	4,905,218	94%	144,324	5,101,685	97%
2009	5,917,020	5,252,306	89%	265,829	5,725,231	93%
2010	6,140,577	5,576,366	91%	214,920	5,576,366	91%
2011	6,880,058	6,260,853	91%		6,260,853	91%

Source: San Bernardino Auditor-Controller Recorder

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

CITY OF BARSTOW
Taxable Sales by Category
Last Ten Calendar Years (in thousands of dollars)

	Fiscal Year			
	2001	2002	2003	2004
Apparel Stores	\$ 66,180	\$ 57,888	\$ 51,276	\$ 49,495
General Merchandise	\$ 39,990	\$ 43,108	\$ 44,029	\$ 46,693
Food Stores	\$ 12,685	\$ 13,369	\$ 12,853	\$ 12,388
Eating & Drinking Places	\$ 52,057	\$ 54,595	\$ 56,440	\$ 61,491
Building Materials	\$ 12,841	\$ 15,297	\$ 18,872	\$ 26,207
Auto Dealers & Supplies	\$ 36,251	\$ 38,872	\$ 43,774	\$ 49,791
Service Stations	\$ 138,671	\$ 131,708	\$ 140,711	\$ 154,312
Other Retail Stores	\$ 24,021	\$ 22,559	\$ 21,143	\$ 22,610
All Other Outlets	\$ 64,231	\$ 64,919	\$ 64,337	\$ 67,842
Total	\$ 446,927	\$ 442,315	\$ 453,435	\$ 490,829

Source: State of California Board of Equalization and The HdI Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternate information regarding the sources of the City's revenues.

Fiscal Year						
2005	2006	2007	2008	2009	2010	
\$ 55,578	\$ 60,464	\$ 71,099	\$ 83,779	\$ 82,695	\$ 103,014	
\$ 49,075	\$ 49,944	\$ 48,492	\$ 47,568	\$ 45,837	\$ 44,005	
\$ 12,938	\$ 13,934	\$ 14,464	\$ 14,357	\$ 14,433	\$ 14,195	
\$ 66,068	\$ 69,507	\$ 70,673	\$ 69,897	\$ 69,268	\$ 69,192	
\$ 26,329	\$ 27,133	\$ 32,428	\$ 23,838	\$ 20,336	\$ 18,524	
\$ 52,093	\$ 54,010	\$ 49,027	\$ 34,866	\$ 24,525	\$ 25,130	
\$ 208,009	\$ 249,663	\$ 247,044	\$ 254,503	\$ 206,895	\$ 243,760	
\$ 23,882	\$ 24,303	\$ 24,004	\$ 23,229	\$ 19,983	\$ 20,908	
\$ 80,297	\$ 91,925	\$ 87,597	\$ 82,871	\$ 84,103	\$ 93,722	
<u>\$ 574,269</u>	<u>\$ 640,883</u>	<u>\$ 644,828</u>	<u>\$ 634,908</u>	<u>\$ 568,075</u>	<u>\$ 632,450</u>	

CITY OF BARSTOW
Top 25 Sales Tax Producers (Alphabetically)
For the Fiscal Year 2010/2011

<u>Business Name</u>	<u>Business Category</u>
Arco	Service Stations
Arco AM PM Mini Mart	Service Stations
Barstow Chevron Foodmart	Service Stations
Barstow Shell	Service Stations
Chevron	Service Stations
Circle K	Service Stations
Coach	Family Apparel
Del Taco	Restaurants No Alcohol
Flying J Travel Plaza	Service Stations
Home Depot	Lumber/Building Materials
In N Out Burgers	Restaurants No Alcohol
Loves Gas Station	Service Stations
McDonalds	Restaurants No Alcohol
Pilot Travel Center	Service Stations
Ralph Lauren	Family Apparel
Soutar Auto Mart	New Motor Vehicle Dealers
Soutars Dodge	New Motor Vehicle Dealers
TA Operating	Service Stations
Terrible Herbst	Service Stations
Tommy Hilfiger	Men's Apparel
Union 76	Service Stations
Valero Corner Store	Service Stations
Valmont Newmark International	Contractors
Walmart	Discount Dept Stores
West Coast Petroleum Services	Service Stations

Percent of Fiscal Year Total Paid by Top 25 Accounts = 69.51

Period: April 2010 thru March 2011

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

CITY OF BARSTOW
Top 25 Sales Tax Producers (Alphabetically)
For the Fiscal Year 2001/2002

<u>Business Name</u>	<u>Business Category</u>
AM PM Mini Marts	Service Stations
Chevron	Service Stations
Circle K	Service Stations
Del Taco	Restaurants No Alcohol
Flying J Travel Plaza	Service Stations
Gap	Family Apparel
H & E Home Builders City	Lumber/Building Materials
Ideal Chevrolet Pontiac Buick	New Motor Vehicle Dealers
Imperial Valley Lumber	Lumber/Building Materials
In N Out Burgers	Restaurants No Alcohol
McDonalds	Restaurants No Alcohol
Pilot Oil	Service Stations
Pilot Travel Center	Service Stations
Polo Ralph Lauren	Family Apparel
Rip Griffin Truck Service	Service Stations
Rosanos Dry Gulch Shell	Service Stations
Service Rock Products	Contractors
Soutar Auto Mart	New Motor Vehicle Dealers
Soutars Dodge	New Motor Vehicle Dealers
Stater Bros	Grocery Stores Liquor
Terrible Herbst	Service Stations
Truck Stops of America	Service Stations
Valero Corner Store	Service Stations
Vons	Grocery Stores Liquor
Walmart	Discount Dept Stores

Percent of Fiscal Year Total Paid by Top 25 Accounts = 59.06%

Period: April 2001 thru March 2002

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

CITY OF BARSTOW
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities		
	Tax Allocation		Total Governmental
	Bonds	Loans	Activities
2002	\$ 10,225,623	\$ 4,388,082	\$ 14,613,705
2003	10,017,340	4,518,367	14,535,707
2004	9,807,629	4,518,449	14,326,078
2005	10,486,631	4,589,505	15,076,136
2006	10,325,349	4,392,929	14,718,278
2007	10,125,210	4,184,505	14,309,715
2008	10,610,209	3,963,575	14,573,784
2009	9,525,588	5,442,620	14,968,208
2010	8,335,000	5,094,383	13,429,383
2011	7,845,000	4,731,252	12,576,252

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ These ratios are calculated using personal income and population for the prior calendar year

Business-type Activities		Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
Wastewater Certificates of Participation				
\$	3,945,000	\$ 18,558,705	116.57%	874
	3,790,000	18,325,707	114.84%	810
	3,630,000	17,956,078	110.74%	777
	3,850,000	18,926,136	113.01%	813
	3,620,000	18,338,278	106.25%	776
	3,380,000	17,689,715	98.15%	748
	3,140,000	17,713,784	95.59%	744
	2,900,000	17,868,208	95.82%	751
	2,650,000	16,079,383	87.96%	665
	2,395,000	14,971,252	79.79%	617

CITY OF BARSTOW
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds	Percent of Assessed Value ¹	Per Capita
2002	\$ 10,225,623	0.98%	482
2003	10,017,340	0.94%	443
2004	9,807,629	0.88%	424
2005	10,486,631	0.90%	451
2006	10,325,349	0.78%	437
2007	10,125,210	0.68%	428
2008	10,610,209	0.62%	445
2009	9,525,588	0.54%	400
2010	8,335,000	0.49%	345
2011	7,845,000	0.46%	323

Source: Barstow Department of Finance

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF BARSTOW
Direct & Overlapping Governmental Activities Debt
As of June 30, 2011

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt <u>6/30/2011</u>	Percentage <u>Applicable (1)</u>	<u>Net Bonded Debt</u>
Barstow Unified School District	11,319,849	51.91%	5,875,681
Mojave Water Agency	17,945,000	3.90%	699,676
City of Barstow 1915 Act Bonds	380,000	100%	380,000
Total Overlapping Tax and Assessment Debt			<u>\$ 6,955,357</u>
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
San Bernardino County General Fund Obligations	649,325,000	0.705%	4,577,741
San Bernardino County Pension Obligations	601,765,591	0.705%	4,242,447
San Bernardino County Flood Control District Certificates of Participation	111,555,000	0.705%	786,463
			<u>9,606,651</u>
 COMBINED TOTAL DEBT			 <u>\$ 16,562,008</u> (2)

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

2010-11 City's Assessed Valuation :	\$ 1,245,377,885
Redevelopment Incremental Valuation:	442,305,040
Adjusted Assessed Valuation:	<u>\$ 803,072,845</u>
 Less Home Owners Exemption	 \$ (20,144,454)
Tax Roll Value	<u>\$ 782,928,391</u>

<u>Ratios to 2010-11 Assessed Valuation:</u>	
Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.56%
 <u>Ratios to Adjusted Assessed Valuation</u>	
Combined Total Debt	2.06%

CITY OF BARSTOW
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
Assessed valuation	\$ 801,954,208	\$ 818,715,097	\$ 841,683,511	\$ 873,443,136
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	200,488,552	204,678,774	210,420,878	218,360,784
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	30,073,283	30,701,816	31,563,132	32,754,118
Total net debt applicable to limit:	<hr/>	<hr/>	<hr/>	<hr/>
Legal debt margin	<u>\$ 30,073,283</u>	<u>\$ 30,701,816</u>	<u>\$ 31,563,132</u>	<u>\$ 32,754,118</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: Barstow Department of Finance
County Tax Assessor's Office

Fiscal Year

2006	2007	2008	2009	2010	2011
\$ 918,235,888	\$ 1,033,849,366	\$ 1,180,752,037	\$ 1,285,553,323	\$ 1,302,738,721	\$ 1,245,377,885
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
229,558,972	258,462,342	295,188,009	321,388,331	325,684,680	311,344,471
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
34,433,846	38,769,351	44,278,201	48,208,250	48,852,702	46,701,671
<u>\$ 34,433,846</u>	<u>\$ 38,769,351</u>	<u>\$ 44,278,201</u>	<u>\$ 48,208,250</u>	<u>\$ 48,852,702</u>	<u>\$ 46,701,671</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF BARSTOW
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended	Tax Allocation Bonds		
	Tax	Debt Service (1)	
		Principal and Interest	Coverage
June 30	Increment (1)		
2002	3,853,000	1,606,000	2.40
2003	3,948,000	1,605,000	2.46
2004	4,003,000	1,603,000	2.50
2005	4,420,000	1,560,000	2.83
2006	4,916,000	1,381,000	3.56
2007	5,568,000	1,411,000	3.95
2008	6,046,000	1,409,000	4.29
2009	5,924,000	1,888,000	3.14
2010	4,998,000	1,616,000	3.09
2011	3,522,000	849,000	4.15

Source: Barstow Department of Finance

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

(1) Amounts have been rounded to the nearest thousand.

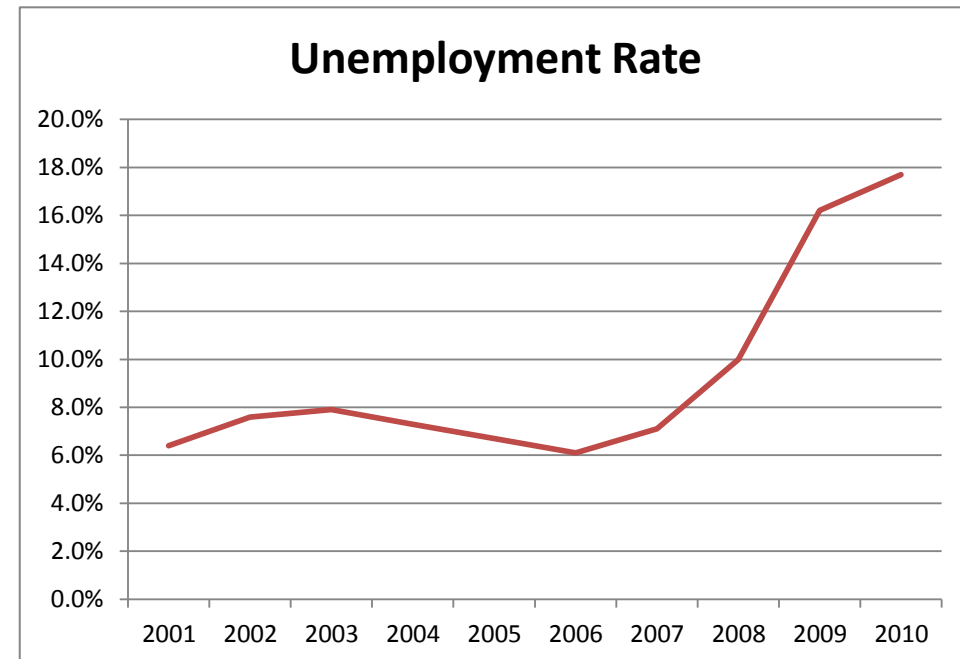
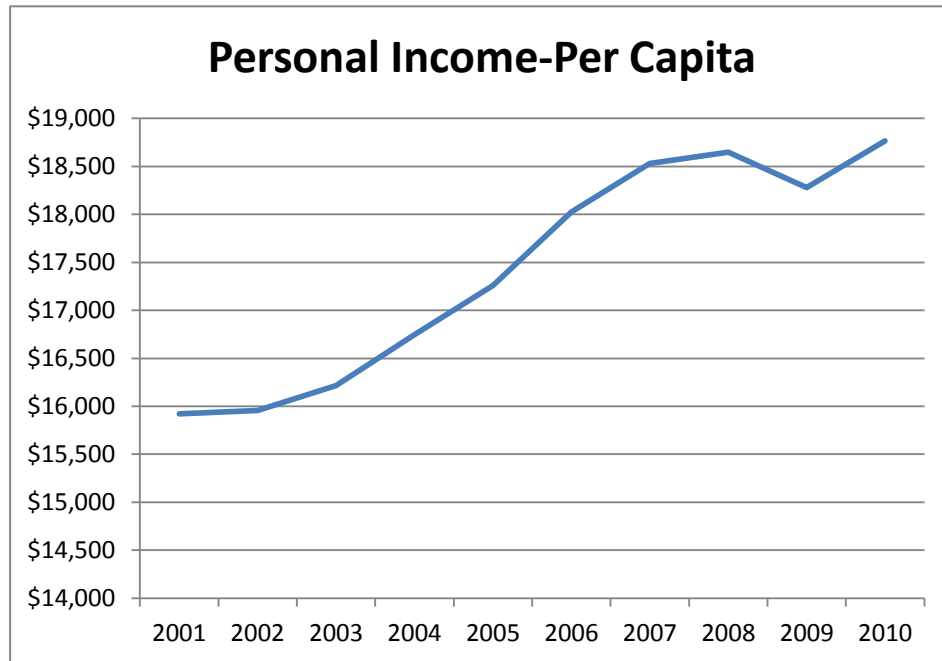
CITY OF BARSTOW
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands)	Per Capita Income	Unemployment Rate (2)	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2001	21,223	337,863	15,920	6.4%			
2002	22,634	361,191	15,958	7.6%			
2003	23,104	374,601	16,214	7.9%			
2004	23,273	389,742	16,747	7.3%			
2005	23,646	408,138	17,260	6.7%			
2006	23,643	426,137	18,024	6.1%			
2007	23,822	441,450	18,531	7.1%			
2008	23,795	443,741	18,648	10.0%			
2009	24,174	441,931	18,281	16.2%	32.4	78.8%	9.3%
2010	24,281	455,609	18,764	17.7%	31.5	78.2%	9.8%

Sources: HdL Coren & Cone

(1) Population: California State Department of Finance

(2) Unemployment Data: California Employment Development Department



CITY OF BARSTOW
Principal Employers
2010 and Nine Years Ago***

Employer	2010		2001	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ft. Irwin National Training Center*	5,665	27.3%	3,000	20.1%
Marine Corps Logistics Base*	1,845	8.9%	1,300	8.7%
Northrup Grunman (Vernell till 2002)*	1,152	5.6%	720	4.8%
BNSF Railroad	1,000	4.8%	820	5.5%
Barstow Unified School District	617	3.0%	700	4.7%
Raytheon Technical Services Co, LLC*	498	2.4%	500	3.4%
IAP World Services*	412	2.0%	**	N/A
Tanger Outlet Stores	400	1.9%	400	2.7%
San Bernardino County	300	1.4%	200	1.3%
Barstow Community Hospital	290	1.4%	486	3.3%
Silver Valley School District*	287	1.4%	100	0.7%
Wal-Mart	230	1.1%	250	1.7%
Barstow Community College	200	1.0%	240	1.6%
ITT Industries-Goldstone NASA*	165	0.8%	700	4.7%
City of Barstow	129	0.6%	**	N/A

Source: City of Barstow Economic Development Department

***Employers outside of City Limits**

** Data not available due to obsolete records.

***City of Barstow compiles data on employers periodically and has elected to show FY10 employers.

"Total Employment" as used above represents the total employment of all employers located within City limits plus the employers totals outside of the City limits. Total employed in 2009 was 10,700. Total employed in 2001 is 8,600.

CITY OF BARSTOW
Full-time and Part-time City Employees
by Function
Last Ten Fiscal Years

Function	Full-Time and Part-time Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
General government	21	21	22.5	19.5	19.5	20	21	21	19	22
Public Safety										
Sworn	38	38	38	35	35	37	38	40	40	58
Non-Sworn	19	19	21	19	19	16	18	18	18	19
Recreation							15	15	15	16
Community Service	25	25	23	20	20	25	18	18	19	18
Community Development	12	12	12	9.5	9.5	12	12	12	12	7
Redevelopment	1	1	1	1	1	2	4	4	3	4
Solid Waste	1	1	1	1	1	1	1	1	2	2
Wastewater	1	1	1	1	1	1	1	1	1	1
Total	118	118	119.5	106	106	114	128	130	129	147

Source: City of Barstow Budget

* Includes addition of Barstow Fire Protection District as of November 17, 2010

CITY OF BARSTOW
Operating Indicators
by Function
Last Seven Fiscal Years

	Fiscal Year		
	2005	2006	2007
Police:			
Arrests	2,320	2,394	2,703
Parking citations issued	710	1,039	995
Parks and recreation:			
Number of recreation classes	34	34	34
Number of facility rentals	27	26	40
Sewer:			
New connections	56	75	103
Average/Millions of Gallons Sewage Treatment	2.71	2.65	2.57
Building Department:			
Permits	*	*	392

Source: City of Barstow

* Data not available

Notes: The City of Barstow has elected to show only seven years of data for this schedule.

2008	2009	2010	2011
2,907	2,915	3,223	2,766
431	366	666	313
34	18	19	14
39	52	60	68
103	12	9	9
2.56	2.40	2.70	2.20
301	402	555	558

CITY OF BARSTOW
Capital Asset Statistics
by Function
Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
Police:				
Stations	1	1	2	2
Fire District **				
Stations	1	1	2	2
Public Works:				
Streets (miles)	88	88	88	88
Streetlights	*	*	*	*
Traffic signals	19	19	19	19
Parks and Recreation:				
Parks	1	1	10	10
Community pools			2	2
Community centers	1	1	3	3
Wastewater:				
Sanitary sewers (miles)	68	80	80	80
Storm sewers (miles)	2	2	2	2
Maximum daily treatment capacity (millions of gallons per day)	4.5	4.5	4.5	4.5

Source: City of Barstow

* Data not available

**Fire District added November 17, 2010

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
	2	2	2	2	2	2
	2	2	2	2	2	3
	88	88	88	88	89	89
	*	*	*	1,001	1,001	1,001
	19	19	19	19	20	20
	10	10	10	10	10	10
	2	2	2	1	1	1
	3	3	3	3	3	3
	80	80	80	113	113	113
	2	2	2	2	2	2
	4.5	4.5	4.5	4.5	4.5	4.5

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