



Comprehensive Annual Financial Report

City of Barstow, California
for Fiscal Year Ended June 30, 2012

Prepared by the Finance Department

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CITY OF BARSTOW

CALIFORNIA



Julie Hackbarth-McIntyre, Mayor
Tim Silva, Mayor Pro Tem
Rich Harpole, Councilmember
Carmen Hernandez, Councilmember
Merrill Gracey, 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
For the year ended June 30, 2012

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June 3, 2013

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. 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, 2012.

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.

Badawi & Associates, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Barstow's financial statements for the year ended June 30, 2012. 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 and fire protection services; 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.

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, department (e.g., police), and division (e.g., police uniform division). 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. The most current population figures show San Bernardino County has increased its population by .85% from January 1, 2012 to January 1, 2013. Coincidentally, the population for the City of Barstow increased .85% also during the same timeframe. The unemployment rate as of April 2013 for this City is 12% and has continued to decline each month. Staff continues to pursue development opportunities in the area that will provide job opportunities for citizens.

Property tax revenue increased 8% and sales tax increased 5% from fiscal year 2010/2011. 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. City management is cautiously optimistic the economy is improving.

The dissolution of redevelopment agencies by the State of California has impacted the City of Barstow. The City is working with the State to wind down operations and close out the remaining redevelopment activities in accordance with law.

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 2012/13 Capital Budget includes \$24.9 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 retail and industrial developers for new projects; and development of the Walmart Supercenter.

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 2012-13 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 trends, thus reducing impact on City service levels. 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, 2011. This was the fifth 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, Badawi & Associates, CPAs.

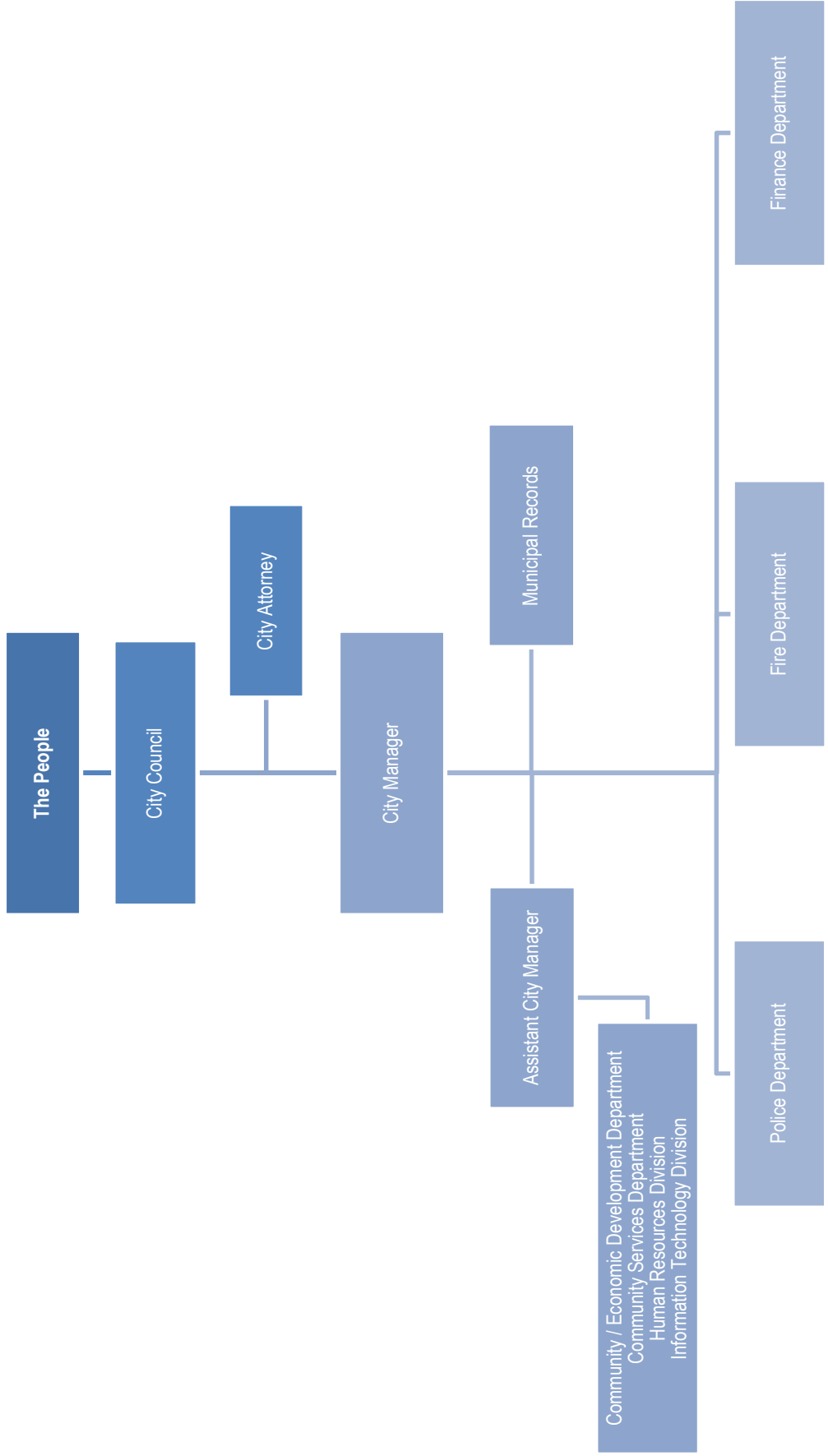
Respectfully submitted,

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, 2012

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

*DURING AUDIT PERIOD OF JULY 1, 2011 TO JUNE 30, 2012

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, 2011

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.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Barstow
Barstow, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Barstow, California (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

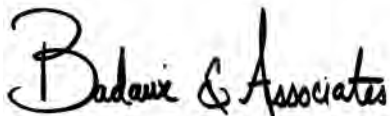
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and Members of City Council
of the City of Barstow
Barstow, California
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and schedule of funding progress on pages 3 through 18 and 88 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, other budgetary comparison information on page 96 and pages 102 through 108, and 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 other budgetary comparison information 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 procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Badawi & Associates, CPAs.
Oakland, California
June 3, 2013

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2012

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, 2012. 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 \$27,697,456.
- The cost of governmental activities was \$29,092,805
- The business-type activities program and general revenues were \$10,855,664.
- The cost of business-type activities was \$11,668,230.
- The General Fund reported expenditures in excess of revenues, or net changes in fund balance of \$894,188.
- For the General Fund, actual budgeted revenues were less than budget estimates by \$199,105, and actual expenditures were less than final budget by \$1,875,379.
- The Barstow Fire Protection District was added as of November 17, 2010; for fiscal year 2011/2012, it is a major governmental fund. The district ended the fiscal year with \$785,408 in fund balance. The fund balance was classified as restricted.

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.

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).

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2012

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 Redevelopment Agency of the City of Barstow, the Barstow Public Financing Authority, and the Barstow Public Facilities Corporation 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.

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 ten 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, Barstow Fire Protection District special revenue, and City capital projects funds, which are considered to be major funds. Data from the other nine 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.

The City adopted an annual appropriated budget for its governmental funds in fiscal year 2012.

The basic governmental fund financial statements can be found on pages 30-35 of this report.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2012

Proprietary funds

The City maintains four proprietary funds. *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 38-43 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. The City maintains five fiduciary funds to account for the receipts and disbursements of special assessments. Fiduciary fund statements are located on page 46-47 of this report.

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 50-86 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, Measure I special revenue fund and the Barstow Fire Protection District 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 on page 88-92 of this report.

Supplementary information for the major government Capital Projects fund and non-major governmental funds, such as gas tax special revenue fund, Redevelopment low and moderate income housing fund, grants, asset seizure, Barstow Harvey House Foundation and Redevelopment Housing Successor special revenue funds are located on page 93-115 of this report.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2012

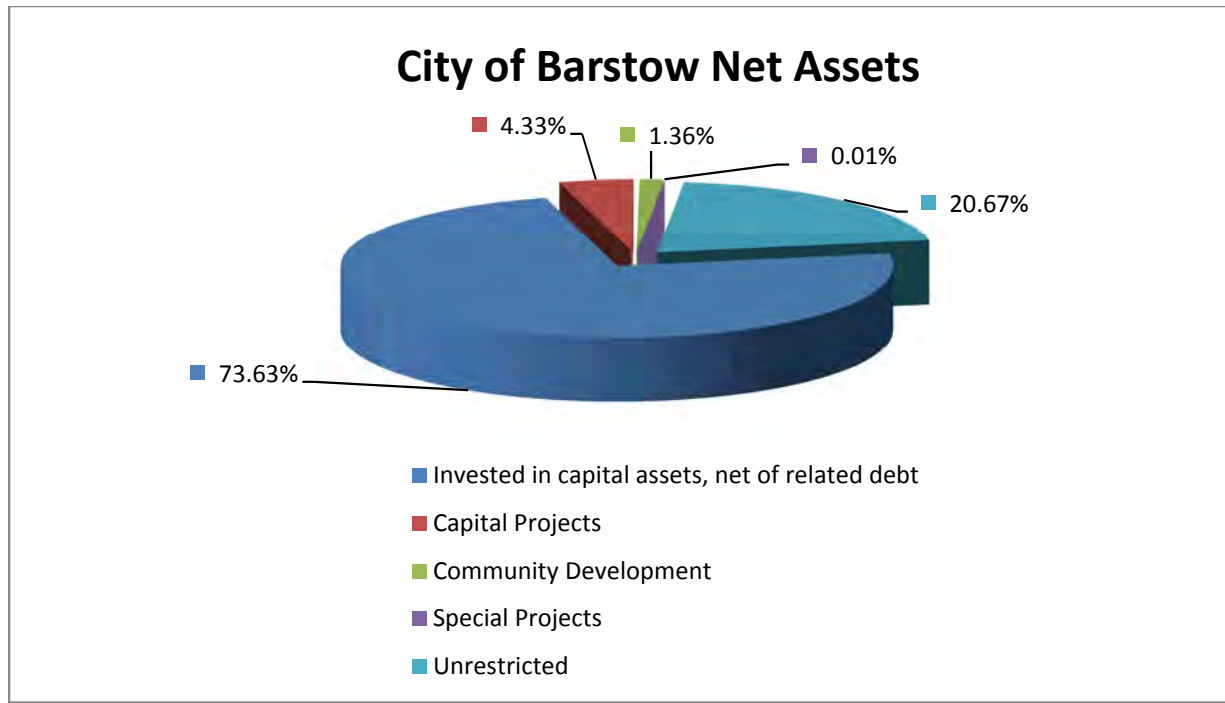
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$119,608,816 at the close of the most recent fiscal year, a decrease of 4.7% over the previous year.

The largest portion (74%), \$88,225,956, 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 (21%), \$24,773,185, is available to be spent at the discretion of the City Council. The remaining balances are restricted for capital projects (\$5,187,270), community development (\$1,413,231) and special projects (\$9,174).

As shown in the total column for 2012 in the following chart, an additional portion of the City's net assets, \$6,609,675 (6%), represents resources that are subject to restrictions in how they may be used. Of this, \$5,187,270 is restricted for capital projects, \$1,413,231 is restricted for community development and \$9,174 is restricted for special projects.



CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2012

CITY OF BARSTOW NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 43,861,669	\$ 59,429,886	\$ 3,409,596	\$ 6,480,421	\$ 47,271,265	\$ 65,910,307
Capital assets	76,892,920	72,243,744	18,696,016	17,692,624	95,588,936	89,936,368
Total assets	120,754,589	131,673,630	22,105,612	24,173,045	142,860,201	155,846,675
Long-term liabilities	6,570,592	13,391,532	11,459,243	12,345,040	18,029,835	25,736,572
Other liabilities	4,325,687	3,313,977	895,863	1,264,933	5,221,550	4,578,910
Total liabilities	10,896,279	16,705,509	12,355,106	13,609,973	23,251,385	30,315,482
Net assets:						
Invested in capital assets	73,695,670	68,836,403	14,530,286	12,980,675	88,225,956	81,817,078
Restricted	6,609,675	13,313,448			6,609,675	13,313,448
Unrestricted	29,552,965	32,818,270	(4,779,780)	(2,417,603)	24,773,185	30,400,667
Total Net Assets:	\$ 109,858,310	\$ 114,968,121	\$ 9,750,506	\$ 10,563,072	\$ 119,608,816	\$ 125,531,193

City of Barstow Changes in Net Assets

Governmental Activities

Governmental activities decreased net assets by \$1,109,152 for fiscal year 2012 as shown in the chart on the following page when adjusted for prior period adjustments. Key variances of this year's activity in relation to the prior year are:

- Program revenues increased by \$1,360,993 or 30%, from the previous year due primarily to the Fire Protection District addition. The revenues reflect a full year of increased property tax revenue for fire services.
- The increase in the public and fire safety category for \$2.5 million can be attributed to the reporting of fire services for a full fiscal year. In fiscal year 2010/2011, the financials only reflected seven months of activity; the fire district was absorbed by the City in November of 2010.
- Total transfers and special items decreased due to the booking of a special merger item for the fire district for fiscal year 2010/2011 for \$1.5 million. In fiscal year 2011/2012 an extraordinary item gain was recorded due to the dissolution of the redevelopment agency for a net decrease of \$311,238.

More information about governmental activities can be found on the following pages.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2012

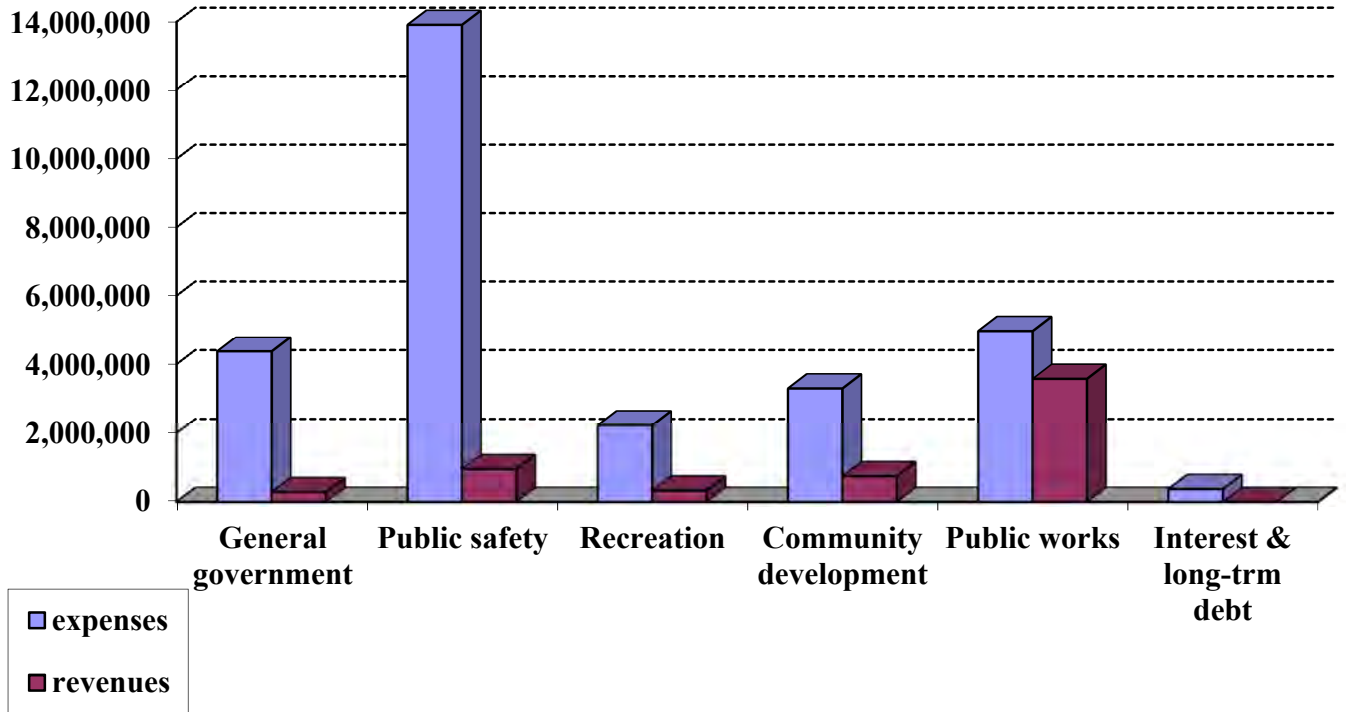
Governmental & Business-Type Activities Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for service	\$ 1,200,799	\$ 1,502,836	\$ 8,811,146	\$ 7,757,562	\$ 10,011,945	\$ 9,260,398
Operating contributions and grants	595,522	2,977,984	2,044,518	2,018,897	2,640,040	4,996,881
Capital contributions and grants	4,099,782	54,290	-	151,117	4,099,782	205,407
Total Program Revenues	5,896,103	4,535,110	10,855,664	9,927,576	16,751,767	14,462,686
General Revenues						
Property taxes	9,581,086	10,106,231	-	-	9,581,086	10,106,231
Other taxes	3,864,111	3,760,174	-	-	3,864,111	3,760,174
Sales & use tax	6,942,387	6,589,010	-	-	6,942,387	6,589,010
Other revenues	1,388,728	2,237,850	-	107,970	1,388,728	2,345,820
Total General Revenues	21,776,312	22,693,265	-	107,970	21,776,312	22,801,235
Total Revenues	27,672,415	27,228,375	10,855,664	10,035,546	38,528,079	37,263,921
Expenses						
General government	4,372,577	5,419,817	-	-	4,372,577	5,419,817
Public & fire safety	13,910,834	11,379,248	-	-	13,910,834	11,379,248
Recreation	2,226,201	1,651,047	-	-	2,226,201	1,651,047
Community development	3,233,598	3,284,720	-	-	3,233,598	3,284,720
Public works	4,976,071	4,390,903	-	-	4,976,071	4,390,903
Interest on long-term debt	373,524	571,721	-	-	373,524	571,721
Wastewater	-	-	4,398,844	3,514,998	4,398,844	3,514,998
Solid waste	-	-	3,989,240	4,213,429	3,989,240	4,213,429
Transit	-	-	2,943,943	2,890,641	2,943,943	2,890,641
CNG/LNG fueling station	-	-	336,203	343,653	336,203	343,653
Total expenses	29,092,805	26,697,456	11,668,230	10,962,721	40,761,035	37,660,177
Excess (Deficiency) of Revenues over (under) Expenses	(1,420,390)	530,919	(812,566)	(927,175)	(2,232,956)	(396,256)
	(1,420,390)	530,919	(812,566)	(927,175)	(2,232,956)	(396,256)
Transfers and Special Item:						
Transfers in/(out)	-	(183,479)	-	183,479	-	-
Special item-merger of fire district	-	1,487,959	-	-	-	1,487,959
Extraordinary item-gain dissolution of RDA	311,238	-	-	-	311,238	-
Total Transfers and Special Item:	311,238	1,304,480	-	183,479	311,238	1,487,959
Changes in Net Assets	(1,109,152)	1,835,399	(812,566)	(743,696)	(1,921,718)	1,091,703
Net assets beginning of year (restated)	110,967,462	113,132,722	10,563,072	11,306,768	121,530,534	124,439,490
Net assets June 30	\$ 109,858,310	\$ 114,968,121	\$ 9,750,506	\$ 10,563,072	\$ 119,608,816	\$ 125,531,193

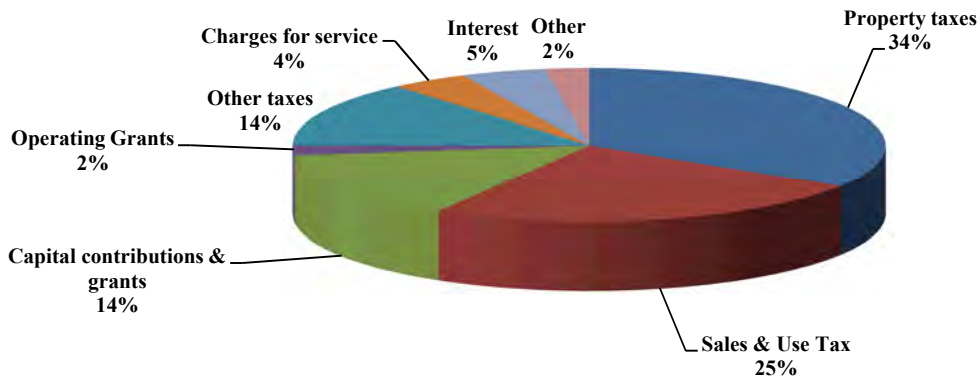
CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2012

Governmental activities

Governmental Activities - Expenses and Program Revenues for FY 2011/12



Governmental Activities - Revenues by Source



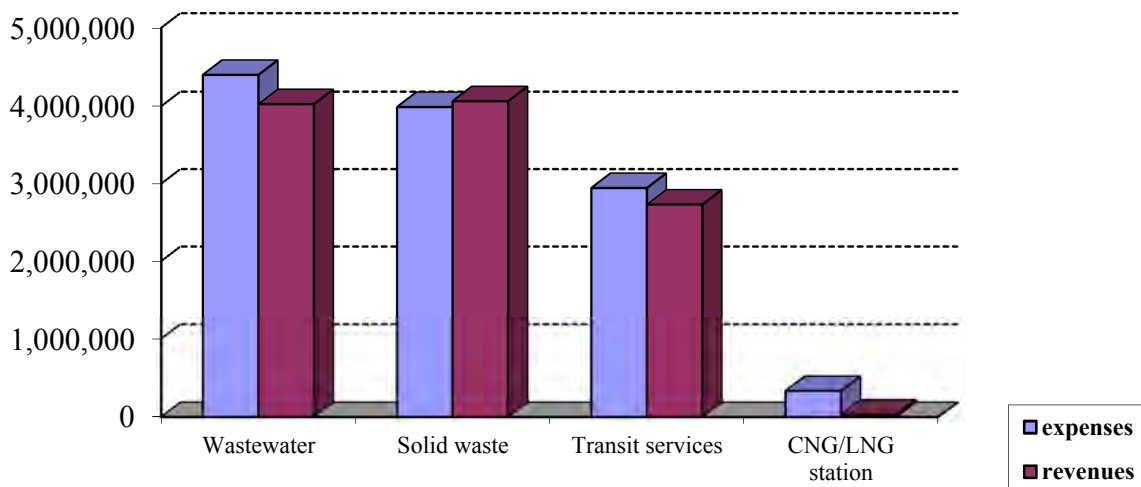
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Business-type Activities As shown in the chart on page 8 business-type activities decreased the City of Barstow net assets by \$812,566. Key elements of this decrease are as follows and are reflected on page 24 and 25 of this report in the Statement of Activities:

- The Wastewater fund recorded a decrease in net assets of \$373,116. Service charge revenue was up by \$747,000 when compared with the previous year. This was offset by an increase in expenses, mainly cost of services due to the Council approving a refund for customers in the amount of \$907,000. The refund came as a result of management analysis showing an uneven application of sewer rate increases. Wastewater plant general administration costs also increased due to the addition of personnel since the contract with the former facility management company was not renewed. Finally, new equipment and upgrades to the plant also increased the costs for fiscal year 2011/2012.
- The Solid Waste fund recorded an increase in net assets of \$73,668 due to a marginal increase in activity.
- Transit services recorded a decrease in net assets of \$211,051 for this fiscal year. In fiscal year 2010/2011 the transit fund received monies from the local transportation fund, but this fund was closed and funding ceased. These funds were subsequently returned to San Bernardino Associated Governments.
- The CNG/LNG fueling station fund recorded a decrease in net assets of \$302,067. The CNG/LNG fueling station service and costs have been analyzed due to the on-going losses. The Council is considering all options available to determine the best course of action for the facility.

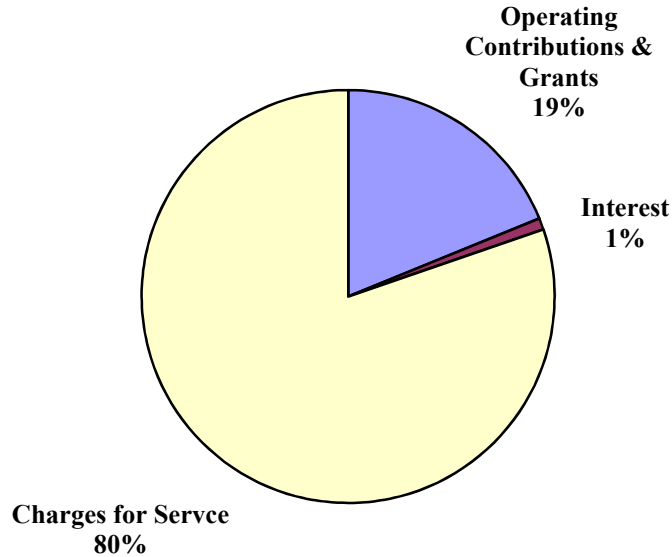
The chart below illustrates Business-type expenses and revenues.

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* 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 \$38,410,528, a decrease of \$14,429,216 when compared to the restated fund balances of the prior year. Approximately 66%, or \$25,449,432, constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The *non-spendable* portion of fund balance is 16% or \$6,025,426. The City's non-spendable fund balances are prepaid amounts that pertain to another accounting period, inventories, that are not in cash form and deposits that are liabilities. As of June 30, 2012, the City also classifies \$2,839,102, which is due from the Successor Agency for the pool loan as non-spendable, the advance to the CNG/LNG fuel station fund for \$1,065,902 and the Wastewater Reclamation fund loans for \$1,878,781 as non-spendable.

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Restricted funds constitute 18% or \$6,935,670 of fund balance. The largest classification of restricted funds is in the Streets & Highway category (\$4,641,818). Of the \$4.6 million, the City plans to use Measure I funds for approved capital street and road projects (\$3,660,574). The City's Capital Project fund has development fees accumulated in the amount of \$896,977 and \$84,267 is available in the special revenue fund Gas Tax. The second largest category of restricted funds for low and moderate income housing needs in the amount of \$1,413,232.

Unassigned fund balance is 66% or \$25,449,432 of the overall fund balance. The City adopted Council Fund Balance Policy #4548-2010, and has reserved \$3,549,882 of fund balance for Working Capital and \$887,471 for emergency contingency in compliance with its guidelines. The remaining \$21,012,079 is not assigned for a specific purpose.

More details about the fund balance for governmental funds can be found on page 82.

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 \$9,750,506 or a decrease of 8% over the previous fiscal year fund balance. The Wastewater fund, transit services and the CNG/LNG fueling station recorded a combined loss of \$886,234. This was offset by a marginal increase in net assets for the solid waste fund in the amount of \$73,668 resulting in the net decrease for proprietary funds of \$812,566.

Operating revenue for all proprietary funds, with the exception of the CNG/LNG fueling station were higher than the previous fiscal year but expenses to run operations also increased by \$705,509. This is mainly due to the Council approved sewer refund expense for \$900,000 for residential and some commercial customers. The CNG/LNG fueling station revenues continue to lag but staff is reviewing ways to alleviate this problem. The solid waste fund actually reduced its expenses from the previous year due to continued contract and cost review.

Detailed information can be found on pages 37 - 44.

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GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule below summarizes the general fund budgetary highlights and actual amounts for fiscal year 2011/2012.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Total Revenues	<u>\$15,994,572</u>	<u>\$16,841,935</u>	<u>\$16,642,830</u>	<u>(\$199,105)</u>
Expenditures:				
General Government	2,155,759	3,670,669	2,208,111	1,462,558
Public Safety	9,253,440	9,187,440	9,302,733	(115,293)
Recreation	1,377,879	1,611,815	1,547,172	64,643
Community Development	2,349,990	1,979,990	1,847,687	132,303
Public Works	2,684,233	2,841,273	2,740,482	100,791
Capital Outlay	146,041	1,081,428	843,632	237,796
Interest & Fiscal Charges	-	-	7,419	(7,419)
Total Expenditures	<u>17,967,342</u>	<u>20,372,615</u>	<u>18,497,236</u>	<u>1,875,379</u>
Revenues Over (Under) Expenditures	(1,972,770)	(3,530,680)	(1,854,406)	(1,676,274)
Other Financing Sources (Uses)	<u>1,170,000</u>	<u>(4,785,756)</u>	<u>960,218</u>	<u>5,745,974</u>
Net Change in Fund Balance	<u>(802,770)</u>	<u>(8,316,436)</u>	<u>(894,188)</u>	<u>7,422,248</u>
Fund balance, beginning of the year, as restated			<u>32,369,046</u>	
Fund balance, end of year			<u>\$31,474,858</u>	

The difference between the original revenue budget and the final amended revenue budget was an increase of \$847,363. The difference in the original expenditure budget and the final amended expenditure budget was an increase in appropriations of \$9,943,264. Both variances are briefly summarized below:

- **REVENUE BUDGET** Revenue adjustments to increase the budget in the amount of \$847,000 were posted. Property tax revenue was adjusted by \$155,000 and sales and use taxes by \$670,000 due to positive trends reflected in the economy and figures. Charges for current services were increased by \$25,000 and the category, and amounts from other agencies also increased by \$35,000 because of a noted positive change in economic conditions. This was offset by a decrease in the budget for motor vehicle fees revenue (\$38,000) because of changes in payment methods from the State of California.

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- **EXPENDITURE BUDGET** The original expenditure budget of \$18 million was increased to \$20 million, or an increase of approximately \$2 million. The majority of this can be attributed to the General Government category variance of \$1.5 million. A budget line item was added to account for California Redevelopment dissolution costs under separate Council action.

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

- Actual revenues were less than anticipated, or under budget by \$200,000. As noted above, City staff tracked increasing sales tax due to positive economic indicators and adjusted the budget mid-year. Sales did increase from the original budget projection but eventually came in slightly less than the adjusted budget estimate.
- Capital outlay costs were under budget by \$237,796 when compared with the final budget figure. While this appears to be a significant amount, this is due to the fact that capital projects are budgeted for full project cost, regardless if the project spans several years.
- Actual general government costs were less than expected by \$1.5 million. The budget was adjusted to add \$1.5 million for monies due the State of California under AB1X-27 but the State of California Supreme Court rules AB1X-27 unconstitutional, therefore the payment was not made from General Fund monies.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$95,588,936 (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 6%. The City of Barstow's Capital Assets chart is shown on page 16.

Executive management reviewed projects and capital expenditures in-line with Council priorities. Further analysis indicates the major variances are due to multi-year infrastructure projects that commenced in fiscal year 2011 and were completed in fiscal year 2012, increasing governmental activities infrastructure. The information is detailed below:

Increases in Capital Assets:

- Additions to infrastructure were \$5.2 million, net of depreciation
 - Governmental Activities increase was \$4.9 million.
 - Road construction and infrastructure has been a top priority for executive staff. The major projects completed for fiscal year 2012 were:
 - Main Street reconstruction project for \$2.1 million
 - The 10-Street reconstruction project when consisted of ten streets targeted for complete road reconstruction in the amount of \$1.6 million.
 - Armory to Barstow Road, another major reconstruction project, completed for \$900,000.

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Management's Discussion and Analysis
June 30, 2012

- Other smaller road reconstruction projects, as well as drainage upgrades were completed that upgraded the City's infrastructure.

In addition, smaller but important infrastructure projects that enhanced the community were the reconstruction of the Dana Park lower parking lot for \$105,000, the Sturnacle Park basketball court was completely overhauled and rebuilt for \$60,000 and ADA compliant curbs, gutters and sidewalks were improved throughout the City for \$84,000.

The City also has implemented a vehicle lease program with Enterprise Fleet Services to ensure its fleet is maintained to ensure maximum efficiency through a multi-year vehicle schedule. Police units are also on maintenance and replacement schedule, to ensure the City's police department can function in an efficient environment and provide high quality protection to its citizens.

- Added eight new police units for \$227,000
 - Added twelve fleet units for various departments through-out the City, \$303,000
 - Removed ten fleet units for an original cost decrease of \$209,000
- Business-type activities net increase was approximately \$1 million for fiscal year 2012.

WORK-IN-PROGRESS

- In the Wastewater Fund \$1.5 million was added to work-in-progress for sewer line upgrades for street projects. This is also in conjunction to our executive management focus on improving our street and road infrastructure. When roads are scheduled for reconstruction, the sewer lines are also assessed. This project is expected to be completed during fiscal year 2013.
- The addition of new sewer lines as discussed in the bullet above, this amount was offset by the reclassification of \$685,000 for sewer line projects completed for the 10-Street project and Main Street road reconstruction project to completed infrastructure. (Road projects and reconstruction are part of governmental activities but sewer lines are a function of the Sewer Fund and therefore, classified under business-type activities.)

INFRASTRUCTURE & EQUIPMENT ADDITIONS/DELETIONS

- For fiscal year 2012, \$824,000 was added for the 10-Street project and Main Street road reconstruction project for the sewer lines. \$685,000 was transferred for work-in-project costs completed in previous fiscal years and the remaining \$139,000 was added during fiscal year 2012.
- Transit purchased three new buses at a total cost of \$470,000. This was offset when one 2008 bus for \$90,000 was retired.
- A jet-rodder was purchased for \$55,000 by the Solid Waste enterprise fund. This piece of equipment uses water pressure to clean out trash and other solid waste from sewer lines and will assist in maintaining the City's sewer lines.
- Another minor but important expense was the addition of a new HVAC unit for the Wastewater plant for \$6,200.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2012

The increases in business-type capital assets for fiscal year 2012 are offset by depreciation expense in the amount of \$1.2 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land & Intangible Assets	\$ 9,511,209	\$ 9,511,209	\$ 1,733,787	\$ 1,733,787	\$ 11,244,996	\$ 11,244,996
Work in progress	7,385,667	7,232,510	2,526,896	1,672,057	9,912,563	8,904,567
Buildings & Structures	13,847,794	14,205,739	1,804,226	1,882,949	15,652,020	16,088,688
Machinery and equipment	2,612,676	2,661,445	2,650,925	2,784,214	5,263,601	5,445,659
Infrastructure	43,535,574	38,632,841	9,980,182	9,619,618	53,515,756	48,252,459
Total	\$ 76,892,920	\$ 72,243,744	\$ 18,696,016	\$ 17,692,625	\$ 95,588,936	\$ 89,936,369

Additional information on the City's capital assets can be found in Note 6 of Notes to Financial Statements on page 65 & 66 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 \$18,029,835. Of this amount of debt, governmental activities accounts for \$6,570,592 and \$11,459,243, is related to business-type activities. As shown in the chart below, the City has no general obligation bond debt or tax allocation bond debt.

Further analysis indicates the City's total debt decreased by \$7.6 million or 29%. This majority of this reduction can be attributed to the dissolution of redevelopment agencies by the State of California. The tax allocation bonds in the amount of \$7,355,000 were reclassified as part of the fiduciary Redevelopment Dissolution Trust Fund and no longer reported as governmental activities debt. Further detail is located in the Notes to Basic Financial Statements beginning on page 67. Capital leases decreased from last year by \$389,000. Further details are provided below:

- Previous years capital lease agreements were paid for the wheel-loader, five pickup trucks, the Xerox copies and the energy efficiency project for a total of (\$654,000) in fiscal year 2012.
- This was offset by the addition of the new Enterprise Fleet Services lease for \$264,000 for replacement of fleet vehicles.
- Certificates of Participation decreased by (\$252,000) due to scheduled payments made
- The pollution remediation liability decreased by (\$345,000) due to fiscal year 2012 expenses incurred.
- Claims and judgments payable increased by \$635,000. This was primarily due to the transition of the Barstow Fire Protection District into the City's workers compensation and liability insurance risk management pool for fiscal year 2011/2012. After further clarification, an accounting change was made to book the full impact of the workers' compensation member liability based on a more accurate calculation.

CITY OF BARSTOW
Management's Discussion and Analysis
June 30, 2012

- Compensated absences increased by \$604,000. This is due primarily to increasing leave balances for compensation time, sick and vacation as compared with fiscal year 2011. Increases also played a key factor as employees received a 2% increase in July 2011 and another in January 2012.

City of Barstow's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	Total 2012	Total 2011
Tax Allocation Bonds	\$ -	\$ 7,845,000	\$ -	\$ -	\$ -	\$ 7,845,000
Capital Lease Agreement	3,197,150	3,407,341	2,137,571	2,316,949	5,334,721	5,724,290
Certificates of Participation	-	-	2,028,159	2,279,943	2,028,159	2,279,943
Pollution Remediation Liab	-	-	7,256,767	7,601,374	7,256,767	7,601,374
Claims & Judgements Payable	1,428,959	793,502			1,428,959	793,502
Compensated Absences	1,944,483	1,345,689	36,746	31,717	1,981,229	1,377,406
Total	\$ 6,570,592	\$ 13,391,532	\$ 11,459,243	\$ 12,229,983	\$ 18,029,835	\$ 25,621,515

Additional information on the City's long-term debt can be found in Note 7 on page 67 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economy continues to be at the forefront of management's consideration in leading and providing services for the residents of the City of Barstow. The economy continues to improve at a very slow rate. City management continues to closely monitor economic indicators and make adjustments as needed. 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.

The City's management team met to develop revenue enhancements and cost reduction strategies wherever possible for the 2012/2013 fiscal year budget. In addition, the executive management team implemented a major capital infrastructure and equipment program in fiscal year 2012. Therefore, they wanted to ensure these important projects continued to be viable in the coming year. General fund revenues for the fiscal year 2012/2013 budget were projected at \$17.9 million and general fund expenditures at \$17.7 million.

- The City's executive management team implemented its capital project and outlay program and the effects can be seen as evidenced by the \$5.7 million increase in capital asset additions for fiscal year 2012. This trend will continue as since staff has secured bonded funding through California Communities, Local Measure I Sales, Tax Revenue, Total Road Improvement Program or TRIP in fiscal year 2013.

CITY OF BARSTOW
Management's Discussion and Analysis
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- Sales and use taxes are a major source of revenue for the City. In fiscal year 2010/11, actual sales tax revenue was \$6.6 million but increased to \$6.9 million for fiscal year 2011/2012. This increase reflects improvement in the economy. These trends will continue to be closely monitored.
- The unemployment rate for the City of Barstow as of April 2013 was 12%. This is an improvement from the 14.9% reported as of December 2011 in the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011. The City's Economic Division team continually explores ways to bring new businesses and subsequent employment opportunities to residents.
- 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 (\$2.6 million). Revenues as compared with fiscal year 2010/11 are up by 3%. Not only do the hotels and motels in the Barstow area support the needs of routine travelers, they also serve as temporary lodging by government contractors related to the surrounding military installations.

Financial activity is being 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 2012/13.

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.

**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Barstow
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 30,874,234	\$ 4,643,587	\$ 35,517,821
Cash and investments with fiscal agents	322,995	243,711	566,706
Accounts receivable, net	1,436,971	1,921,484	3,358,455
Accrued interest	118,575	19,860	138,435
Taxes receivable	70,533	-	70,533
Internal balances	3,429,352	(3,429,352)	-
Due from other governmental agencies	1,986,020	-	1,986,020
Inventories and prepayments	100,788	-	100,788
Total current assets	<u>38,339,468</u>	<u>3,399,290</u>	<u>41,738,758</u>
Noncurrent assets:			
Due from Successor Agency Trust Fund	4,252,333	-	4,252,333
Investment in joint venture	930,255	-	930,255
Deposits	339,613	10,306	349,919
Capital assets:			
Not being depreciated	16,896,876	4,260,683	21,157,559
Being depreciated, net	59,996,044	14,435,333	74,431,377
Total capital asset	<u>76,892,920</u>	<u>18,696,016</u>	<u>95,588,936</u>
Total noncurrent assets	<u>82,415,121</u>	<u>18,706,322</u>	<u>101,121,443</u>
Total assets	<u>120,754,589</u>	<u>22,105,612</u>	<u>142,860,201</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	3,895,794	820,243	4,716,037
Deposits	111,907	50,873	162,780
Unearned revenue	210,827	-	210,827
Interest payable	107,159	24,747	131,906
Long-term debt due within one year	1,433,962	746,868	2,180,830
Total current liabilities	<u>5,759,649</u>	<u>1,642,731</u>	<u>7,402,380</u>
Noncurrent liabilities:			
Long-term debt due in more than one year	5,136,630	10,712,375	15,849,005
Total noncurrent liabilities	<u>5,136,630</u>	<u>10,712,375</u>	<u>15,849,005</u>
Total liabilities	<u>10,896,279</u>	<u>12,355,106</u>	<u>23,251,385</u>
NET ASSETS			
Invested in capital assets, net of related debt	73,695,670	14,530,286	88,225,956
Restricted for:			
Capital projects	5,187,270	-	5,187,270
Community Development	1,413,231	-	1,413,231
Special projects	9,174	-	9,174
Total restricted	<u>6,609,675</u>	<u>-</u>	<u>6,609,675</u>
Unrestricted (deficit)	29,552,965	(4,779,780)	24,773,185
Total net assets	<u>\$ 109,858,310</u>	<u>\$ 9,750,506</u>	<u>\$ 119,608,816</u>

See accompanying Notes to Basic Financial Statements.

City of Barstow
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 4,372,577	\$ 197,520	\$ 72,833	\$ 15,331	\$ 285,684
Public safety	13,910,834	515,235	433,233	4,496	952,964
Recreation	2,226,201	290,022	-	42,373	332,395
Community development	3,233,598	198,022	87,186	463,123	748,331
Public works	4,976,071	-	2,270	3,574,459	3,576,729
Interest on long-term debt	373,524	-	-	-	-
Total governmental activities	29,092,805	1,200,799	595,522	4,099,782	5,896,103
Business-type activities:					
Wastewater	4,398,844	4,025,728	-	-	4,025,728
Solid waste disposal	3,989,240	4,062,908	-	-	4,062,908
Transit services	2,943,943	688,374	2,044,518	-	2,732,892
CNG/LNG fueling station	336,203	34,136	-	-	34,136
Total business-type activities	11,668,230	8,811,146	2,044,518	-	10,855,664
Total primary government	\$ 40,761,035	\$ 10,011,945	\$ 2,640,040	\$ 4,099,782	\$ 16,751,767

General Revenues:

Taxes:

- Property taxes
- Transient occupancy taxes
- Motor vehicle taxes
- Franchise taxes
- Business license taxes
- Other taxes
- Sales and use taxes

Total taxes

Use of money and property

Other revenue

Extraordinary item - Extraordinary gain due to dissolution of RDA (Note 14)

Total general revenues, transfers and extraordinary items

Change in net assets

Net assets - beginning of year (as restated)

Net assets - end of year

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,086,893)	\$ -	\$ (4,086,893)
(12,957,870)	-	(12,957,870)
(1,893,806)	-	(1,893,806)
(2,485,267)	-	(2,485,267)
(1,399,342)	-	(1,399,342)
(373,524)	-	(373,524)
<u>(23,196,702)</u>	<u>-</u>	<u>(23,196,702)</u>
-	(373,116)	(373,116)
-	73,668	73,668
-	(211,051)	(211,051)
-	(302,067)	(302,067)
<u>-</u>	<u>(812,566)</u>	<u>(812,566)</u>
<u>(23,196,702)</u>	<u>(812,566)</u>	<u>(24,009,268)</u>
9,581,086	-	9,581,086
2,626,389	-	2,626,389
24,459	-	24,459
875,862	-	875,862
187,350	-	187,350
150,051	-	150,051
6,942,387	-	6,942,387
<u>20,387,584</u>	<u>-</u>	<u>20,387,584</u>
1,297,074	-	1,297,074
91,654	-	91,654
311,238	-	311,238
<u>22,087,550</u>	<u>-</u>	<u>22,087,550</u>
(1,109,152)	(812,566)	(1,921,718)
<u>110,967,462</u>	<u>10,563,072</u>	<u>121,530,534</u>
<u>\$ 109,858,310</u>	<u>\$ 9,750,506</u>	<u>\$ 119,608,816</u>

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FUND FINANCIAL STATEMENTS

Governmental Funds Financial Statements

Enterprise Funds Financial Statements

Fiduciary Funds Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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 Barstow Fire Protection District Special Revenue Fund accounts for operations of the Barstow Fire Protection District.

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.

Non-Major Governmental Funds is the aggregate of all the non-major governmental funds.

City of Barstow
Balance Sheet
Governmental Funds
June 30, 2012

	Major Funds	
	General Fund	Measure I Special Revenue Fund
ASSETS		
Cash and investments	\$ 24,174,649	\$ 3,014,565
Cash and investments held by fiscal agents	322,995	-
Accounts receivable, net	287,584	659,539
Accrued interest	97,858	13,802
Taxes receivable	-	-
Due from other governmental agencies	1,986,020	-
Due from other funds	665,907	-
Advances to other funds	2,944,683	-
Due from Successor Agency Trust Fund	2,839,102	-
Deposits	140,853	-
Prepayments	18,193	-
Inventory	82,595	-
Total assets	\$ 33,560,439	\$ 3,687,906
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,690,951	\$ -
Deposits	111,907	-
Due to other funds	-	-
Deferred revenue	282,723	-
Total liabilities	2,085,581	-
Fund Balances: (Note 13)		
Nonspendable	6,025,426	-
Restricted	-	3,687,906
Unassigned	25,449,432	-
Total fund balances	31,474,858	3,687,906
Total liabilities and fund balances	\$ 33,560,439	\$ 3,687,906

Major Funds			
Barstow Fire Protection District Special Revenue Fund	City Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 525,598	\$ 2,773,282	\$ 386,140	\$ 30,874,234
-	-	-	322,995
292,102	-	197,746	1,436,971
590	2,774	3,551	118,575
-	-	70,533	70,533
-	-	-	1,986,020
-	-	-	665,907
-	-	-	2,944,683
-	-	1,413,231	4,252,333
198,760	-	-	339,613
-	-	-	18,193
-	-	-	82,595
<u>\$ 1,017,050</u>	<u>\$ 2,776,056</u>	<u>\$ 2,071,201</u>	<u>\$ 43,112,652</u>
\$ 231,642	\$ 1,879,079	\$ 94,122	\$ 3,895,794
-	-	-	111,907
-	-	181,238	181,238
-	-	230,462	513,185
<u>231,642</u>	<u>1,879,079</u>	<u>505,822</u>	<u>4,702,124</u>
-	-	-	6,025,426
785,408	896,977	1,565,379	6,935,670
-	-	-	25,449,432
<u>785,408</u>	<u>896,977</u>	<u>1,565,379</u>	<u>38,410,528</u>
<u>\$ 1,017,050</u>	<u>\$ 2,776,056</u>	<u>\$ 2,071,201</u>	<u>\$ 43,112,652</u>

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City of Barstow
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2012

Total Fund Balances - Total Governmental Funds \$ 38,410,528

Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets net of depreciation have not been included as financial resources in governmental fund activity. 76,892,920

Long-term debt and compensated absences have not been included in the governmental fund activity.

	Compensated absences	(1,944,483)	
	Capital leases	(3,197,150)	
	Claims and judgments payable	<u>(1,428,959)</u>	(6,570,592)

The City's portion of equity in relation to investments in a joint ventures are not reported on the governmental funds as they are not considered current and available for use. 930,255

Accrued interest payable for the current portion of interest due on debt service has not been reported in the governmental fund activity. (107,159)

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis in governmental funds. 302,358

Net Assets of Governmental Activities \$ 109,858,310

See accompanying Notes to Basic Financial Statements.

City of Barstow
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

	Major Funds	
	General Fund	Measure I Special Revenue Fund
REVENUES:		
Property taxes	\$ 3,558,708	\$ -
Sales and use taxes	6,942,387	-
Transient occupancy tax	2,626,389	-
Motor vehicle fees, in lieu, unrestricted	24,459	-
Franchise taxes	875,862	-
Business license taxes	187,350	-
Other taxes	150,051	-
Licenses and permits	165,905	-
Fines and penalties	106,341	-
From other agencies	390,036	2,305,791
Charges for current services	677,688	-
Other	66,799	-
Use of money and property	870,855	64,937
Total revenues	16,642,830	2,370,728
EXPENDITURES:		
Current:		
General government	2,208,111	-
Public safety	9,302,733	9,540
Recreation	1,547,172	-
Community development	1,847,687	-
Public works	2,740,482	-
Capital outlay	843,632	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	7,419	-
Total expenditures	18,497,236	9,540
REVENUES OVER (UNDER) EXPENDITURES	(1,854,406)	2,361,188
OTHER FINANCING SOURCES (USES):		
Transfers in	9,824,229	-
Transfers out	(9,170,254)	(3,190,748)
Capital lease financing	264,473	-
Proceeds from sale of assets	41,770	-
Total other financing sources (uses)	960,218	(3,190,748)
Extraordinary Items		
Extraordinary (loss) on Dissolution of RDA	-	-
Net change in fund balances	(894,188)	(829,560)
FUND BALANCES:		
Beginning of year (as restated)	32,369,046	4,517,466
End of year	\$ 31,474,858	\$ 3,687,906

See accompanying Notes to Basic Financial Statements.

Major Funds			
Barstow Fire Protection District Special Revenue Fund	City Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 3,655,191	\$ -	\$ 2,367,187	\$ 9,581,086
-	-	-	6,942,387
-	-	-	2,626,389
-	-	-	24,459
-	-	-	875,862
-	-	-	187,350
-	-	-	150,051
30,963	-	-	196,868
-	-	-	106,341
130,598	188,350	1,900,431	4,915,206
-	-	-	677,688
1,848	-	23,007	91,654
10,653	15,681	27,976	990,102
<u>3,829,253</u>	<u>204,031</u>	<u>4,318,601</u>	<u>27,365,443</u>
-	-	868,230	3,076,341
4,026,496	-	-	13,338,769
-	-	-	1,547,172
-	-	1,187,953	3,035,640
-	-	5,536	2,746,018
41,672	8,319,052	570,716	9,775,072
-	-	510,000	510,000
-	-	375,164	382,583
<u>4,068,168</u>	<u>8,319,052</u>	<u>3,517,599</u>	<u>34,411,595</u>
<u>(238,915)</u>	<u>(8,115,021)</u>	<u>801,002</u>	<u>(7,046,152)</u>
-	8,990,901	5,742,089	24,557,219
-	(9,174,229)	(3,021,988)	(24,557,219)
-	-	-	264,473
-	-	-	41,770
<u>-</u>	<u>(183,328)</u>	<u>2,720,101</u>	<u>306,243</u>
-	-	(7,023,762)	(7,023,762)
<u>(238,915)</u>	<u>(8,298,349)</u>	<u>(3,502,659)</u>	<u>(13,763,671)</u>
<u>1,024,323</u>	<u>9,195,326</u>	<u>5,068,038</u>	<u>52,174,199</u>
<u>\$ 785,408</u>	<u>\$ 896,977</u>	<u>\$ 1,565,379</u>	<u>\$ 38,410,528</u>

City of Barstow

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (13,763,671)

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:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. 9,245,019

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds. (3,293,520)

In the statement of activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds proceeds from sales increases financial resources:

Proceeds from sale of assets are not recorded on the Statement of Activities and Changes in Net Assets (41,770)

Loss on disposal of capital assets are not recorded on the Government Funds Statement of Revenues, Expenditures, and Changes in Fund Balance (88,265)

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. 9,059

The City's portion of equity in relation to investments in a joint ventures are not reported on the governmental funds as they are not considered current and available for use. This amount represents the change in equity in relation to the investment in joint ventures. 306,972

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. (303,916)

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:

Tax allocation bonds principal payments	510,000	
Increase in capital lease obligations	(264,473)	
Payments on capital lease obligations	474,664	
Net decrease in claims and judgments	(635,457)	
Net decrease in compensated absences	(598,794)	(514,060)

Extraordinary gains due to the removal of long term debt of the former RDA was not recorded in the governmental funds, however is recognized in the Government-Wide Financial Statements 7,335,000

Change in Net Assets of Governmental Activities \$ (1,109,152)

ENTERPRISE FUND FINANCIAL STATEMENTS

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).

The CNG/LNG Fund accounts for the operations of the City's CNG/LNG fueling station.

City of Barstow
Statement of Net Assets
Enterprise Funds
June 30, 2012

	Wastewater Reclamation	Solid Waste Disposal	Transit Services
ASSETS			
Current assets:			
Cash and investments	\$ 2,826,476	\$ 1,817,111	\$ -
Cash and investments with fiscal agents	243,711	-	-
Accounts receivable, net	595,325	579,646	746,513
Accrued interest	11,933	7,927	-
Total current assets	<u>3,677,445</u>	<u>2,404,684</u>	<u>746,513</u>
Noncurrent assets:			
Deposits	-	10,306	-
Capital assets:			
Not being depreciated	4,184,533	-	-
Being depreciated, net	11,288,227	74,324	840,118
Total capital assets	<u>15,472,760</u>	<u>74,324</u>	<u>840,118</u>
Total noncurrent assets	<u>15,472,760</u>	<u>84,630</u>	<u>840,118</u>
Total assets	<u>19,150,205</u>	<u>2,489,314</u>	<u>1,586,631</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	303,326	215,178	289,316
Unearned revenue	-	-	50,873
Due to other funds	-	-	484,669
Interest payable	19,943	-	979
Pollution remediation liability - due within one year	269,000	-	-
Compensated absences payable - due within one year	6,468	5,028	3,202
Capital lease payable - due within one year	188,170	-	-
Long-term debt - due within one year	275,000	-	-
Total current liabilities	<u>1,061,907</u>	<u>220,206</u>	<u>829,039</u>
Noncurrent liabilities:			
Advances from other funds	1,878,781	-	-
Pollution remediation liability	6,987,767	-	-
Compensated absences payable	9,701	7,543	4,804
Capital lease payable	1,949,401	-	-
Long-term debt	1,753,159	-	-
Total noncurrent liabilities	<u>12,578,809</u>	<u>7,543</u>	<u>4,804</u>
Total liabilities	<u>13,640,716</u>	<u>227,749</u>	<u>833,843</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,307,030	74,324	840,118
Unrestricted (deficit)	(5,797,541)	2,187,241	(87,330)
Total net assets	<u>\$ 5,509,489</u>	<u>\$ 2,261,565</u>	<u>\$ 752,788</u>

See accompanying Notes to Basic Financial Statements.

<u>Nonmajor</u>	
<u>CNG/LNG</u>	
<u>Fueling Station</u>	<u>Total</u>
\$ -	\$ 4,643,587
-	243,711
-	1,921,484
-	19,860
-	<u>6,828,642</u>
-	10,306
76,150	4,260,683
<u>2,232,664</u>	<u>14,435,333</u>
<u>2,308,814</u>	<u>18,696,016</u>
<u>2,308,814</u>	<u>18,706,322</u>
<u>2,308,814</u>	<u>25,534,964</u>
12,423	820,243
-	50,873
-	484,669
3,825	24,747
-	269,000
-	14,698
-	188,170
-	275,000
<u>16,248</u>	<u>2,127,400</u>
1,065,902	2,944,683
-	6,987,767
-	22,048
-	1,949,401
-	1,753,159
<u>1,065,902</u>	<u>13,657,058</u>
<u>1,082,150</u>	<u>15,784,458</u>
2,308,814	14,530,286
<u>(1,082,150)</u>	<u>(4,779,780)</u>
<u>\$ 1,226,664</u>	<u>\$ 9,750,506</u>

City of Barstow
Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Funds
For the year ended June 30, 2012

	Wastewater Reclamation	Solid Waste Disposal	Transit Services
OPERATING REVENUES:			
Services charges	\$ 3,968,657	\$ 4,022,431	\$ 688,374
Total operating revenues	3,968,657	4,022,431	688,374
OPERATING EXPENSES:			
General administration	473,744	380,286	122,648
Cost of services	2,977,545	3,605,578	2,399,294
Insurance expenses and claims	33,685	-	6,354
Depreciation	684,183	3,376	406,383
Total operating expenses	4,169,157	3,989,240	2,934,679
OPERATING INCOME	(200,500)	33,191	(2,246,305)
NONOPERATING REVENUES (EXPENSES):			
Interest income	57,071	40,477	-
Interest expense	(229,687)	-	(9,264)
Operating grants and contributions	-	-	2,044,518
Total nonoperating revenues (expenses)	(172,616)	40,477	2,035,254
Change in net assets	(373,116)	73,668	(211,051)
NET ASSETS:			
Beginning of year	5,882,605	2,187,897	963,839
End of year	\$ 5,509,489	\$ 2,261,565	\$ 752,788

See accompanying Notes to Basic Financial Statements.

<u>Nonmajor CNG/LNG Fueling Station</u>	<u>Total</u>
\$ 34,136	\$ 8,713,598
<u>34,136</u>	<u>8,713,598</u>
3,160	979,838
183,377	9,165,794
15,069	55,108
113,195	1,207,137
<u>314,801</u>	<u>11,407,877</u>
<u>(280,665)</u>	<u>(2,694,279)</u>
-	97,548
(21,402)	(260,353)
-	2,044,518
<u>(21,402)</u>	<u>1,881,713</u>
(302,067)	(812,566)
<u>1,528,731</u>	<u>10,563,072</u>
<u>\$ 1,226,664</u>	<u>\$ 9,750,506</u>

City of Barstow
Statement of Cash Flows
Enterprise Funds
For the year ended June 30, 2012

	Wastewater Reclamation	Solid Waste Disposal	Transit Services
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 3,918,290	\$ 3,977,177	\$ 163,818
Cash payments to suppliers of goods and services	(3,708,910)	(3,696,074)	(2,475,620)
Cash payments to employees for services	(290,158)	(386,155)	(114,712)
Net cash (used) in operating activities	(80,778)	(105,052)	(2,426,514)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants and contributions	-	-	2,044,518
Interfund borrowings	-	-	484,669
Payments on interfund borrowing	(194,699)	-	(3,111)
Net cash provided (used) in noncapital financing activities	(194,699)	-	2,526,076
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payments on long-term debt and capital lease	(444,378)	-	-
Interest paid on long-term debt and capital lease	(196,528)	-	(5,174)
Acquisition of capital assets	(1,874,189)	(53,677)	(282,662)
Net cash (used) by capital and related financing activities	(2,515,095)	(53,677)	(287,836)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	66,384	41,864	-
Net cash provided by investing activities	66,384	41,864	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,724,188)	(116,865)	(188,274)
CASH AND CASH EQUIVALENTS - Beginning of year	5,794,375	1,933,976	188,274
CASH AND CASH EQUIVALENTS - End of year	\$ 3,070,187	\$ 1,817,111	\$ -
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 2,826,476	\$ 1,817,111	\$ -
Restricted cash and investments with fiscal agents	243,711	-	-
Total	\$ 3,070,187	\$ 1,817,111	\$ -
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (200,500)	\$ 33,191	\$ (2,246,305)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	684,183	3,376	406,383
Changes in assets and liabilities:			
Accounts receivable	(50,367)	(34,948)	(467,472)
Deposits	-	(10,306)	-
Accounts payable and accrued liabilities	(184,552)	(86,979)	(61,386)
Unearned revenues	-	-	(57,084)
Pollution remediation liability	(344,607)	-	-
Compensated absences payable	15,065	(9,386)	(650)
Total adjustments	119,722	(138,243)	(180,209)
Net cash provided (used) in operating activities	\$ (80,778)	\$ (105,052)	\$ (2,426,514)

See accompanying Notes to Basic Financial Statements.

<u>Nonmajor</u>	
<u>CNG/LNG</u>	
<u>Fueling Station</u>	<u>Total</u>
\$ 34,136	\$ 8,093,421
(205,422)	(10,086,026)
-	(791,025)
<u>(171,286)</u>	<u>(2,783,630)</u>
-	2,044,518
188,864	673,533
(17,578)	(215,388)
<u>171,286</u>	<u>2,502,663</u>
-	(444,378)
-	(201,702)
-	(2,210,528)
<u>-</u>	<u>(2,856,608)</u>
-	108,248
-	108,248
-	(3,029,327)
-	7,916,625
<u>\$ -</u>	<u>\$ 4,887,298</u>
\$ -	\$ 4,643,587
-	243,711
<u>\$ -</u>	<u>\$ 4,887,298</u>
\$ (280,665)	\$ (2,694,279)
113,195	1,207,137
-	(552,787)
-	(10,306)
(3,816)	(336,733)
-	(57,084)
-	(344,607)
-	5,029
<u>109,379</u>	<u>(89,351)</u>
<u>\$ (171,286)</u>	<u>\$ (2,783,630)</u>

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FIDUCIARY FUND FINANCIAL STATEMENTS

City of Barstow
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds	Private Purpose Trust Fund Successor Agency Trust Fund
ASSETS		
Current assets:		
Cash and investments	\$ 216,163	\$ 6,688,588
Taxes and liens receivable	73	123,273
Interest receivable	903	24,137
Due from City of Barstow	-	45,461
Total current assets	<u>217,139</u>	<u>6,881,459</u>
Noncurrent assets:		
Property held for resale	-	4,393,652
Total assets	<u>217,139</u>	<u>11,275,111</u>
LIABILITIES		
Liabilities:		
Current liabilities:		
Accounts payable	17,901	19,054
Interest payable	-	107,159
Deposits	80,506	-
Unearned revenues	-	648
Due to bondholders	97,421	-
Payable to City of Barstow	-	4,252,333
Due to other agencies	21,311	801,926
Bonds Payable - due within one year	-	535,000
Total current liabilities	<u>217,139</u>	<u>5,716,120</u>
Noncurrent liabilities:		
Bonds Payable - due in more than one year	-	6,800,000
Total liabilities	<u>\$ 217,139</u>	<u>12,516,120</u>
NET ASSETS:		
Held in trust for dissolution of RDA		<u>(1,241,009)</u>
Total net assets		<u>\$ (1,241,009)</u>

See accompanying Notes to Basic Financial Statements.

City of Barstow
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2012

	Successor Agency Trust Fund
ADDITIONS:	
Investment income	\$ 106,227
From other agencies	263,054
Transfer from City of Barstow	64,795
Total additions	434,076
DEDUCTIONS:	
Administration	968,735
Interest expense	270,112
Transfer to City of Barstow	125,000
Total Deductions	1,363,847
EXTRAORDINARY ITEMS	
Extraordinary (loss) on dissolution of RDA	(311,238)
Change in net assets	(1,241,009)
NET ASSETS:	
Beginning of year	-
End of year	\$ (1,241,009)

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Barstow California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial 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:

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. As described in Note 14, the Agency was dissolved as of January 31, 2012. Separate financial statements for the seven month period ended January 31, 2012 for the Agency were not produced; however separate financial statements for prior fiscal years were produced and may be obtained from the City's Finance Administration Office

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. The City Council acts as the Authority's governing board and exerts significant influence over its operations. Separate financial statements are not produced for the Authority.

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. The City Council acts as the Corporation's governing board and exerts significant influence over its operations. Separate financial statements are not produced for the Facilities Corporation.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Financial Reporting Entity, Continued

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. The City Council acts as the District's governing board and exerts significant influence over its operations. 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, renovate, and maintain the historic significance of the site. The City Council acts as the Foundation's governing board and exerts significant influence over its operations. 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. The City Council acts as the District's governing board and exerts significant influence over its operations. Separate financial statements are produced for the District and may be obtained from the City's Finance Administration Office.

B. Basis of Accounting and 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 and changes in net assets. 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 and changes in net assets 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 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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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 Fund 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 *Barstow Fire Protection District Special Revenue fund* accounts for operations of the Barstow Fire Protection District which was annexed to the City effective November 17, 2010.
- 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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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 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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a statement of fiduciary assets and liabilities, and a statement of changes in fiduciary net assets. The City's fiduciary funds represent agency funds and a private-purpose trust fund. Agency funds are custodial in nature (statement of fiduciary assets and liabilities) and do not involve measurement of results of operations. Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary funds are accounted for on the accrual basis of accounting.

The City reports the following fiduciary funds:

- Agency Funds - account for receipt of special taxes and assessments used to pay principal and interest on related bonds with no direct City liability.
- Successor Agency Private Purpose Trust Fund - accounts for assets and liabilities transferred from the City to the Successor Agency Trust Fund.

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, 2012.

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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 1st Installment February 1, 2nd Installment
Delinquent Dates	December 11, 1st Installment April 11, 2nd Installment

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 and Prepayments

Inventory is valued at cost using the first in, first out method. The cost is recorded as an expense/expenditure 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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. Water rights, which are intangible assets are not amortized. 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

J. Compensated Absence 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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 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). The City at June 30, 2012 does not have any committed fund balances.

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 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. The City at June 30, 2012 does not have any assigned fund balances.

Unassigned Fund Balance - the residual classification for the General Fund and includes all 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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. CASH AND INVESTMENTS

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

	<u>Government-Wide Statement of Net Assets</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Deposits and investments	\$ 30,874,234	\$ 4,643,587	\$ 6,904,751	\$ 42,422,572
Restricted cash and investments	322,995	243,711	-	566,706
Total cash and investments	\$ 31,197,229	\$ 4,887,298	\$ 6,904,751	\$ 42,989,278

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

Deposits:	
Cash on hand	\$ 1,640
Deposits with financial institution	(151,584)
Total deposits	(149,944)
Investments:	
Local Agency Investment funds	8,210,001
Investments	34,362,515
Total investments	42,572,516
Total City Treasury	42,422,572
Restricted cash and investments	
Cash with fiscal agent	566,706
Total restricted cash and investments	566,706
Total cash and investments	\$ 42,989,278

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

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. The carrying amount of the City's cash deposit was (\$151,584) at June 30, 2012. Bank balances before reconciling items were \$636,816, the total amount of which was insured and/or collateralized with securities held by pledging financial institutions in the City's name as discussed on page 62.

A. 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 Basic Financial Statements
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

B. 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.

C. 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:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	2 years	3 years	4 years	5 years
Securities of U.S. Government						
Treasury and Agencies:						
Federal Farm Credit Bank Bonds (FFCB)	\$ 13,527,825	\$ -	\$ -	\$ -	\$ 4,014,580	\$ 9,513,245
Federal Home Loan Bank Bonds (FHLB)	5,508,430	-	-	1,040,420	1,011,350	3,456,660
Federal Home Loan Mortg. Corp. Notes (FHLMC)	2,013,070	-	-	-	-	2,013,070
Federal National Mortg. Assn. Notes (FNMA)	11,271,870	-	-	-	2,017,830	9,254,040
Medium Term Notes						
GE Capital Corporate	1,031,930	-	-	-	1,031,930	-
JP Morgan Chase & Co	1,009,390	-	-	-	1,009,390	-
Local Agency Investment Funds	8,210,001	8,210,001	-	-	-	-
Total	\$ 42,572,516	\$ 8,210,001	\$ -	\$ 1,040,420	\$ 9,085,080	\$ 24,237,015

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

D. 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.

Investment Type	Fair Value	Legal Minimum Rating	Rating as of Year End		
			Aaa	A1	Not Rated
Securities of U.S. Government					
Treasury and Agencies:					
Federal Farm Credit Bank Bonds (FFCB)	\$ 13,527,825	N/A	\$ 13,527,825	\$ -	\$ -
Federal Home Loan Bank Bonds (FHLB)	5,508,430	N/A	5,508,430	-	-
Federal Home Loan Mortg. Corp. Notes (FHLMC)	2,013,070	N/A	2,013,070	-	-
Federal National Mortg. Assn. Notes (FNMA)	11,271,870	N/A	11,271,870	-	-
Medium Term Notes					
GE Capital Corporate	1,031,930	A	-	1,031,930	-
JP Morgan Chase & Co	1,009,390	A	-	1,009,390	-
Local Agency Investment Funds	8,210,001	N/A	-	-	8,210,001
Total	\$ 42,572,516		\$ 32,321,195	\$ 2,041,320	\$ 8,210,001

E. 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:

Issuer Name	Investment Type	Reported Amount
Federal Farm Credit bank	Federal Agency Securities	\$ 13,527,825
Federal Home Loan Bank	Federal Agency Securities	5,508,430
Federal Home Loan Mortgage Corporation	Federal Agency Securities	2,013,070
Federal National Mortgage Association	Federal Agency Securities	11,271,870

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

F. 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 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, 2012, 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, 2012, no City investments were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

G. Local Agency Investment Fund

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 balance is available for withdrawal on demand. The City's investments with LAIF at June 30, 2012, include a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structures Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2012, the City had \$8,210,001 invested in LAIF, which had invested 3.47% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 1.001219643 to the total investments held by LAIF.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

3. ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowances for Uncollectibles</u>	<u>Accounts Receivable, Net</u>
Governmental Funds			
General Fund	\$ 580,307	\$ (292,723)	\$ 287,584
Measure I Special Revenue Fund	659,539	-	659,539
Barstow Fire Protection District Special Revenue Fund	292,102	-	292,102
Nonmajor Governmental Funds	197,746	-	197,746
Enterprise Funds			
Wastewater Reclamation	696,253	(100,928)	595,325
Solid Waste Disposal	751,496	(171,850)	579,646
Transit Services	746,513	-	746,513
	<u>\$ 3,923,956</u>	<u>\$ (565,501)</u>	<u>\$ 3,358,455</u>

4. INTERFUND BALANCES

The following table presents the interfund balances as of June 30, 2012:

<u>Due To General Fund</u>	<u>Due From Other Funds</u>
Non-Major Governmental Funds	\$ 181,238
Transit Services Enterprise Fund	484,669
Total	<u>\$ 665,907</u>

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

4. INTERFUND BALANCES, Continued

The following table presents advances as of June 30, 2012

	Advances from Other Funds		Total
	Wastewater Reclamation Enterprise Fund	CNG/LNG Fuel Station Enterprise Fund	
Advances to Other Funds			
General Fund	\$ 1,878,781	\$ 1,065,902	\$ 2,944,683
Total	\$ 1,878,781	\$ 1,065,902	\$ 2,944,683

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, 2012, the total amount owed to the General Fund from the Wastewater Fund is \$1,878,781. The advances made by the General Fund to the CNG/LNG Fueling Station non major 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.

5. 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.

In the governmental fund financial statements, total transfers were \$24,557,219 as follows:

Transfers Out	General Fund	City Capital Projects Fund	Nonmajor Gov't Funds	Total
Major Funds				
General Fund	\$ -	\$ 4,841,396	\$ 4,328,858	\$ 9,170,254
City Capital Projects Fund	9,174,229	-	-	9,174,229
Measure I Special Revenue Fund	-	3,190,748	-	3,190,748
Non-major Govtl Funds	650,000	958,757	1,413,231	3,021,988
Total	\$ 9,824,229	\$ 8,990,901	\$ 5,742,089	\$ 24,557,219

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

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

5. INTERFUND TRANSFERS, Continued

The transfer of \$4,328,858 from the General Fund is to return land held for resale to the Redevelopment Capital Projects Fund per the direction of the State of California.

The transfers of \$9,174,229 from the City Capital Projects Fund to the General Fund are related to the closing of the City's previously used Capital Projects Fund.

The transfer of \$650,000 is used to transfer Measure I revenues that were budgeted to cover street maintenance costs incurred by the General Fund.

The transfers of \$1,413,231 from the Redevelopment Low and Moderate Income Housing Fund to the Redevelopment Housing Successor are related to the dissolution of redevelopment agencies in California.

The transfers of \$4,146,498 from the General Fund, \$3,190,748 from the Measure I Fund, \$616,465 from the Gas Tax Fund, and \$342,292 from the Grants Fund to the City Capital Projects Fund were for capital project expenditures.

6. CAPITAL ASSETS

A summary of changes in the governmental activities capital assets at June 30, 2012 is as follows:

	Balance June 30, 2011	Prior Period Adjustment	Increases	Decreases	Balance June 30, 2012
Non-depreciable assets:					
Work in progress	\$ 7,232,511	\$ (1,172,288)	\$ 5,235,387	\$ (3,909,943)	\$ 7,385,667
Land	9,426,209		-	-	9,426,209
Intangible Asset-Water Rights	85,000	-	-	-	85,000
Total non-depreciable assets	<u>16,743,720</u>	<u>(1,172,288)</u>	<u>5,235,387</u>	<u>(3,909,943)</u>	<u>16,896,876</u>
Depreciable assets:					
Building and improvements	26,416,938	-	180,701	-	26,597,639
Machinery and equipment	4,453,884	-	379,694	(208,949)	4,624,629
Property under capital leases	586,918	-	240,069	(234,016)	592,971
Infrastructure	78,290,937	-	7,119,111	(52,012)	85,358,036
Total depreciable assets	<u>109,748,677</u>	<u>-</u>	<u>7,919,575</u>	<u>(494,977)</u>	<u>117,173,275</u>
Less accumulated depreciation:					
Building and improvements	(12,211,199)	-	(538,646)	-	(12,749,845)
Machinery and equipment	(2,183,626)	-	(522,300)	184,184	(2,521,742)
Property under capital leases	(195,731)	-	(16,197)	128,746	(83,182)
Infrastructure	(39,658,097)	-	(2,216,377)	52,012	(41,822,462)
Total accumulated depreciation	<u>(54,248,653)</u>	<u>-</u>	<u>(3,293,520)</u>	<u>364,942</u>	<u>(57,177,231)</u>
Total depreciable assets, net	55,500,024	-	4,626,055	(130,035)	59,996,044
Total capital assets	<u>\$ 72,243,744</u>	<u>\$ (1,172,288)</u>	<u>\$ 9,861,442</u>	<u>\$ (4,039,978)</u>	<u>\$ 76,892,920</u>

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

6. CAPITAL ASSETS, Continued

A summary of changes in the business-type activities capital assets at June 30, 2012 is as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Non-depreciable assets:				
Work in progress	\$ 1,672,057	\$ 1,540,214	\$ (685,375)	\$ 2,526,896
Land	1,733,787	-	-	1,733,787
Total non-depreciable assets	<u>3,405,844</u>	<u>1,540,214</u>	<u>(685,375)</u>	<u>4,260,683</u>
Depreciable assets:				
Buildings and improvements	2,432,120	-	-	2,432,120
Machinery and equipment	6,912,181	531,568	(89,572)	7,354,177
Infrastructure	17,042,260	824,121	-	17,866,381
Total depreciable assets	<u>26,386,561</u>	<u>1,355,689</u>	<u>(89,572)</u>	<u>27,652,678</u>
Less accumulated depreciation:				
Buildings and improvements	(549,171)	(78,723)	-	(627,894)
Machinery and equipment	(4,127,967)	(664,857)	89,572	(4,703,252)
Infrastructure	(7,422,642)	(463,557)	-	(7,886,199)
Total accumulated depreciation	<u>(12,099,780)</u>	<u>(1,207,137)</u>	<u>89,572</u>	<u>(13,217,345)</u>
Total depreciable assets, net	<u>14,286,781</u>	<u>148,552</u>	<u>-</u>	<u>14,435,333</u>
Total capital assets	<u>\$ 17,692,625</u>	<u>\$ 1,688,766</u>	<u>\$ (685,375)</u>	<u>\$ 18,696,016</u>

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

	Governmental Activities	Business-type Activities
General government	\$ 439,063	\$ -
Public Safety	338,365	-
Recreation	355,684	-
Community Development	12,394	-
Public Works	2,148,014	-
Wastewater Reclamation	-	684,183
Solid Waste Disposal	-	3,376
Transit	-	406,383
CNG/LNG Fueling Station	-	113,195
Total depreciation expense	<u>\$ 3,293,520</u>	<u>\$ 1,207,137</u>

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

7. LONG-TERM DEBT

During the year ended June 30, 2012, the following changes occurred in liabilities reported in long-term debt:

	Balance June 30, 2011	Additions	Deletions	Bond Discount/ Premium	Balance June 30, 2012	Due Within One Year
Governmental Activities:						
Redevelopment Tax Allocation Bonds:						
1994 Tax Allocation Bonds	610,000	-	(610,000)	-	-	-
2004 Tax Allocation Bonds	7,235,000	-	(7,235,000)	-	-	-
Capital lease agreements	3,407,341	264,473	(474,664)	-	3,197,150	357,474
Compensated absences	1,345,689	2,000,206	(1,401,412)	-	1,944,483	777,793
Claims and judgements payable	793,502	974,089	(338,632)	-	1,428,959	298,695
Total governmental activities	<u>\$ 13,391,532</u>	<u>\$ 3,238,768</u>	<u>\$ (10,059,708)</u>	<u>\$ -</u>	<u>\$ 6,570,592</u>	<u>\$ 1,433,962</u>
Business type Activities:						
Certificates of Participation	2,279,943		(265,000)	13,216	2,028,159	275,000
Pollution remediation liability	7,601,374		(344,607)	-	7,256,767	269,000
Capital lease agreement	2,316,949		(179,378)	-	2,137,571	188,170
Compensated absences	31,717	36,793	(31,764)	-	36,746	14,698
Total business-type activities	<u>\$ 12,229,983</u>	<u>\$ 36,793</u>	<u>\$ (820,749)</u>	<u>\$ 13,216</u>	<u>\$ 11,459,243</u>	<u>\$ 746,868</u>

A. 1994 Tax Allocation Bonds and 2004 Tax Allocation Bonds

See Note 7(G).

B. 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.

During the fiscal year ended June 30, 2011, 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.

During the current fiscal year, the City entered into a capital lease agreement for vehicle replacement. The City is required to make monthly payments of \$4,408. The lease is for 60 months and expires in August 2017.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

7. LONG-TERM DEBT, Continued

C. Capital Lease Agreements, Continued

Future minimum lease payments under all of the leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 545,645	\$ 234,407	\$ 780,052
2014	556,408	210,421	766,829
2015	565,475	185,521	750,996
2016	558,057	161,272	719,329
2017	551,346	136,510	687,856
2018-2022	2,557,790	274,559	2,832,349
Total	\$ 5,334,721	\$ 1,202,690	\$ 6,537,411
Governmental activities	3,197,150	689,516	3,886,666
Business type activities	2,137,571	513,174	2,650,745
Total	\$ 5,334,721	\$ 1,202,690	\$ 6,537,411

D. 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, 2012, was \$1,944,483 for governmental activities and \$36,746 for business-type activities.

E. 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 \$482,174 against the total principal and interest payment of \$348,944. The outstanding balance at June 30, 2012 is \$2,028,159.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

7. LONG-TERM DEBT, Continued

E. Certificates of Participation, Continued

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 275,000	\$ 538,831	\$ 813,831
2014	280,000	522,331	802,331
2015	290,000	504,868	794,868
2016	305,000	486,443	791,443
2017	315,000	466,918	781,918
2018-2019	665,000	355,781	1,020,781
Subtotal	2,130,000	\$ 2,875,172	\$ 5,005,172
Bond discount	(101,841)		
Total	\$ 2,028,159		

F. Pollution Remediation Liability

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, 2012 is as follows:

Obligating Event	Liability
Pollution poses an imminent danger to the public or environment:	
Quarterly groundwater sampling	\$ 3,754,183
Operation and maintenance of groundwater	3,298,392
Replacement drinking water	204,192
Total by obligating event	\$ 7,256,767

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

7. LONG-TERM DEBT, Continued

F. Pollution Remediation Liability, Continued

1. Method and Assumption

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 post remediation monitoring.

G. Fiduciary Funds - Successor Agency Private Purpose Trust Fund

During the year ended June 30, 2012, the following changes occurred in liabilities reported in long-term debt for Fiduciary Funds:

	Balance June 30, 2011	Additions	Deletions	Bond Discount/ Premium	Balance June 30, 2012	Due Within One Year
Fiduciary Funds: Successor Agency Private Purpose Trust						
Redevelopment Tax Allocation Bonds:						
1994 Tax Allocation Bonds	\$ -	\$ 470,000	\$ -	\$ -	\$ 470,000	\$ 145,000
2004 Tax Allocation Bonds	-	6,865,000	-	-	6,865,000	390,000
Total fiduciary funds	\$ -	\$ 7,335,000	\$ -	\$ -	\$ 7,335,000	\$ 535,000

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

7. LONG-TERM DEBT, Continued

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.

As of February 1, 2012, the future annual debt service requirements of the 1994 Tax Allocation Bonds were taken over by the Successor Agency to the Redevelopment Agency due to the dissolution of the Barstow Redevelopment Agency per Assembly Bill AB 1X 26 and Assembly Bill AB1484 (See Note 14).

The total principal and interest remaining to be paid on the bonds is \$520,750. Principal and interest paid for the year was \$177,800. The principal amount outstanding at June 30, 2012 is \$470,000.

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 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, 2012 is \$925,000.

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 semiannually at rates ranging from 3.00% to 4.70% per annum, with maturity dates until September 1, 2022.

As of February 1, 2012, the future annual debt service requirements of the 2004 Tax Allocation Bonds were taken over by the Successor Agency to the Redevelopment Agency due to the dissolution of the Barstow Redevelopment Agency per Assembly Bill AB 1X 26 and Assembly Bill AB1484 (See Note 14).

For the current year, principal and interest paid was \$669,480. The principal amount outstanding at June 30, 2012 is \$6,865,000.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

7. LONG-TERM DEBT, Continued

G. Fiduciary Funds – Successor Agency Private Purpose Trust Fund

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

Year Ending June 30,	Principal	Interest	Total
1994 Tax Allocation Bonds:			
2013	\$ 145,000	\$ 27,825	\$ 172,825
2014	160,000	17,150	177,150
2015	165,000	5,775	170,775
Total	470,000	50,750	520,750
2004 Tax Allocation Bonds:			
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	635,000	209,480	844,480
2018-2022	3,595,000	607,888	4,202,888
2023	815,000	19,153	834,153
Total	\$ 6,865,000	\$ 1,882,454	\$ 8,747,454

8. 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 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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

8. RISK MANAGEMENT, Continued

The claims liability is estimated based on an actuarial study. The actuary used a 55% confidence level and 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 \$673,301, which consist of the following; General Liability, \$57,000; Workers' Compensation, \$409,313; Crime Coverage, \$1,906; Employment Practices Liability, \$152,322; Property Insurance, \$52,760 for the year ended June 30, 2012.

	<u>2012</u>	<u>2011</u>
<u>Workers' Compensation</u>		
Liability, July 1	\$ 533,288	\$ 762,656
Incurred claims and changes in estimates	910,417	167,718
Claim payments	(272,813)	(397,086)
Liability, June 30	<u>\$ 1,170,892</u>	<u>\$ 533,288</u>
Due within one year	234,178	79,993
Due in more than one year	936,714	453,295
	<u>\$ 1,170,892</u>	<u>\$ 533,288</u>
<u>General Liability</u>		
Liability, July 1	\$ 260,214	\$ 40,087
Incurred claims and changes in estimates	63,672	228,356
Claim payments	(65,819)	(8,229)
Liability, June 30	<u>\$ 258,067</u>	<u>\$ 260,214</u>
Due within one year	\$ 64,517	\$ 39,032
Due in more than one year	193,550	221,182
	<u>\$ 258,067</u>	<u>\$ 260,214</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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. DEFINED BENEFIT PENSION PLAN

A. California Public Employees' Retirement Plan (PERS)

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>Member Rates as a Percentage of Wages</u>	<u>2011-2012 Amount Paid</u>
Local miscellaneous members	8%	\$ 415,392
Local police safety members	9%	388,614
Total Member Portion Paid		<u>\$ 804,006</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 2011-2012 was 0% for miscellaneous employees and 24.112% 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%. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the 15 year amortization period.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. DEFINED BENEFIT PENSION PLAN, Continued

A. California Public Employees' Retirement Plan (PERS), Continued

2. Funding Policy, Continued

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.

3. Annual Pension Cost

For fiscal year 2010-2012, the City's annual pension costs of \$0 for miscellaneous and \$777,477 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:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC	Net Pension
	Miscellaneous	Contributed	Obligation
6/30/2010	-	N/A	-
6/30/2011	-	N/A	-
6/30/2012	-	N/A	-

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC	Net Pension
	Safety	Contributed	Obligation
6/30/2010	964,427	100%	-
6/30/2011	653,521	100%	-
6/30/2012	777,477	100%	-

4. Funding Status as of the Most Recent Actuarial Date

The City retirement plans for police safety employees and miscellaneous employees are part of the CalPERS risk pool for cities and other governmental entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of funding progress for the City's police safety and miscellaneous employees are no longer available.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. DEFINED BENEFIT PENSION PLAN, Continued

B. Pension Plan – Bartow 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

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). Safety members contribute between 10.20% - 14.797% of their annual covered salaries based on age on entry into the retirement system, of which the District pays approximately 50% for safety employees. The District is required to contribute 46.91% for safety employees. For 2012, the District's pension cost of \$907,521 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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. DEFINED BENEFIT PENSION PLAN, Continued

B. Pension Plan – Bartow Fire Protection District, Continued

2. Funding Policy, Continued

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	778,255	100%	-
6/30/2011	868,363	100%	-
6/30/2012	907,521	100%	-

10. POST-EMPLOYMENT HEALTH CARE BENEFITS

A. Plan Description

The City provides retiree medical benefits under the CalPERS health plan which provide medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The Barstow Fire Protection District became part of the City of Barstow in November 2010 as a special revenue fund. The Barstow Fire Professional Fire Fighters Association participates in a different health insurance plan and does not have post-employment health coverage. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

B. 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, 2012:

	Police	Miscellaneous	Total
Eligible active employees	38	90	128
Retired employees	26	84	110
	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.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

10. POST-EMPLOYMENT HEALTH CARE BENEFITS, Continued

C. 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. For the year ended June 30, 2012, the City contributed \$627,375 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, 2011, the most recent actuarial valuation, was \$7,673,957. This results in an ARC of \$627,375. 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:

Annual required contribution	\$ 627,375
Interest on net OPEB obligation	-
Amortization of net OPEB obligation	-
Annual OPEB cost	<u>627,375</u>
Payments made	<u>(627,375)</u>
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of the year	-
Net OPEB obligation - ending of year	<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:

Fiscal Year	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation
6/30/2010	653,193	99.1%	-
6/30/2011	606,944	100%	-
6/30/2012	627,375	100%	-

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

10. POST-EMPLOYMENT HEALTH CARE BENEFITS, Continued

C. Funding Status and Progress

As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$7.7 million, and the actuarial value of assets was \$250,216, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.4 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 3.3%. Covered payroll for the year was \$8,723,959 and the UAAL as a percentage of covered payroll was 85.1%. 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.

D. 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, which includes an assumption of general inflation of 3%.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

11. COMMITMENTS AND CONTINGENCIES

A. 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. The new hospital was completed in the month of October 2012. The former hospital building has reverted back to the City.

B. 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.

12. CONDUIT DEBT OBLIGATION

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. All conduit debt that was previously outstanding was paid off completely during the fiscal year ended June 30, 2012.

13. FUND BALANCE FOR GOVERNMENTAL FUNDS

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, 2012, 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, 2012 the City had nonspendable fund balance of inventories and prepaid amount of \$100,788, advances to other funds of \$2,944,683, due from Successor Agency Trust Fund of \$2,839,102, and deposits of \$140,853.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

13. FUND BALANCE FOR GOVERNMENTAL FUNDS, Continued

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. At June 30, 2012 the City had restricted fund balances of: \$840,859 for public safety, \$4,641,818 for streets and highways, \$27,332 for transit, \$1,413,232 for low and moderate income housing, and \$12,429 for other purpose.

Unassigned 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. City 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, 2012, the City has assigned fund balance of \$887,471 for emergency contingency, and \$3,549,882 for working capital reserve, which are 25% of the general fund operating expenditures for the year. The Fund Balance Policy can be changed only by a resolution of the City Council. 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, 2012, the City General Fund had an unassigned fund balance of \$25,449,432.

The schedule on the following page illustrates the City's fund balances as of June 30, 2012 for its governmental funds:

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

13. FUND BALANCE FOR GOVERNMENTAL FUNDS, Continued

	Major Governmental Funds				Non Major Government Funds	Total Government
	General Fund	Measure I Special Revenue Fund	Barstow Fire Protection District Special Revenue Fund	City Capital Projects Fund		
Fund Balances						
Nonspendable fund balance:						
Prepays & Inventory	100,788	-	-	-	-	100,788
Deposits	140,853	-	-	-	-	140,853
Due from Successor Agency Trust Fund	2,839,102	-	-	-	-	2,839,102
Advances to other funds	2,944,683	-	-	-	-	2,944,683
	<u>6,025,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,025,426</u>
Restricted fund balance for:						
Public Safety/Fire Protection	-	-	785,408	-	55,451	840,859
Streets & Highway	-	3,660,574	-	896,977	84,267	4,641,818
Transit	-	27,332	-	-	-	27,332
Low & Moderate Income Housing	-	-	-	-	1,413,232	1,413,232
Other Purposes	-	-	-	-	12,429	12,429
	<u>-</u>	<u>3,687,906</u>	<u>785,408</u>	<u>896,977</u>	<u>1,565,379</u>	<u>6,935,670</u>
Unassigned fund balance						
Emergency Contingency Policy	887,471	-	-	-	-	887,471
Working Capital Reserve	3,549,882	-	-	-	-	3,549,882
Other	21,012,079	-	-	-	-	21,012,079
	<u>25,449,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,449,432</u>
Total Fund Balances	<u>31,474,858</u>	<u>3,687,906</u>	<u>785,408</u>	<u>896,977</u>	<u>1,565,379</u>	<u>38,410,528</u>

14. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 4653-2012.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

14. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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

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

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorable to the City.

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

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

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

**14. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY,
Continued**

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

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

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

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ (7,023,762)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>7,335,000</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initials transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ 311,238</u>

A. 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.

As of February 1, 2012, the land held for resale was taken over by the Successor Agency to the Redevelopment Agency due to the dissolution of the Barstow Redevelopment Agency per Assembly Bill AB 1X 26 and Assembly Bill AB1484

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

15. PRIOR PERIOD ADJUSTMENTS

The City recorded prior period adjustments for the following:

- To accrue Measure I revenues related to the prior fiscal year.
- To adjust deposits in the General Fund to exclude amounts that were related to the City's equity share in PERMA.
- To accrue prior year expenditures for pavement coating to the appropriate service period.
- To adjust capital assets to exclude repair and maintenance expense that was capitalized in error.
- To adjust the City's prepaid pension asset that resulted from a pay-off of the City's safety plan side fund for CalPERS.

Government-wide Statements

	Net Assets, as Previously Reported	Prior Period Adjustments			Net Assets, as Restated	
		Accounts Receivable	Capital assets	Prepaid Pension Asset		Accounts Payable
Government-Wide Statements						
Governmental Activities	\$ 114,968,121	\$ 246,373	\$ (1,172,288)	\$ (2,786,109)	\$ (288,635)	\$ 110,967,462

Fund Statements

	Fund Balance, as Previously Reported	Prior Period Adjustment			Fund Balance, as Restated
		Accounts Receivable	Deposits	Accounts Payable	
Fund Statements					
General Fund	\$ 33,280,964	\$ -	\$ (623,283)	\$ (288,635)	\$ 32,369,046
Measure I Special Revenue	\$ 4,271,093	\$ 246,373	\$ -	\$ -	\$ 4,517,466

16. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds have expenditures in excess of appropriations:

Measure I Special Revenue Fund \$ 1,048

- The expenditure in excess was minor when compared with final budget estimates.

Barstow Fire Protection District Special Revenue Fund \$ 171,391

- The City of Barstow absorbed the Barstow Fire Protection District in November 2010. The fiscal year 2011/2012 budget adopted in June 2011 and updated in February 2012 was prepared based upon the best available information at that time. Supplemental salary items and overtime were budgeted and accounted for differently by the City than the County of San Bernardino. Due to year-end payouts, the magnitude of this variance was not apparent until the close of the fiscal year.

City of Barstow
Notes to Basic Financial Statements
For the year ended June 30, 2012

16. EXCESS OF EXPENDITURES OVER APPROPRIATIONS, Continued

Barstow Harvey House Foundation \$ 410

- The City did not prepare a budget for the foundation for fiscal year 2011/12. This was the first year the foundation was classified as a special revenue fund and activity was very limited as reflected by the excess amount of \$410.

17. SUBSEQUENT EVENTS

In conjunction with the ongoing process for the dissolution of all redevelopment agencies in the State of California, the City of Barstow received a letter dated March 8, 2013, from the State of California Department of Finance (DOF). To summarize, the letter explained the DOF had completed their review of the Non-Housing Due Diligence Review or DDR that the City submitted on January 15, 2013. The review was to determine the amount of excess funds available for distribution to the taxing entities. The DOF requested the City return \$3,732,803. The City agreed with the determination and returned the funds via check on March 13, 2013.

18. INVESTMENT IN JOINT VENTURE

The City and Fire Protection District are members of the Public Entity Risk Management Authority (PERMA), a joint powers authority of 31 California cities and districts, for the purpose of pooling the City's risk for workers' compensation insurance with those of other member cities and districts. The Governing Board of PERMA is comprised of directors nominated and selected by each member city and district. Each governing board member has one vote regarding all financial and management issues coming before the Board.

Each member is billed annually, and premiums are paid quarterly. Estimated premiums for claims to be paid and a reserve are advanced upon joining PERMA. Each Year PERMA adjusts its premiums based on City payroll figures, claims paid, and claims incurred but not reported. PERMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process. Completed financial statements may be obtained from PERMA.

The City's equity in the joint venture is shown as an investment in joint venture in the City's government-wide statement of net assets in the amount of \$930,255 which represents a 5% equity interest. The City paid premiums in the amount of \$673,301, which consist of the following; General Liability, \$57,000; Workers' Compensation, \$409,313; Crime Coverage, \$1,906; Employment Practices Liability, \$152,322; Property Insurance, \$52,760 for the year ended June 30, 2012.

**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Barstow
Required Supplementary Information
For the year ended June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Control and Budgetary Accounting

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 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 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 revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

B. Encumbrances

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 balance since they do not constitute expenditures or liabilities and are added to the subsequent year’s adopted appropriations.

City of Barstow
Required Supplementary Information, Continued
For the year ended June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules

The following are the budget comparison schedules for the General Fund and all major special revenue funds.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 3,308,000	\$ 3,462,943	\$ 3,558,708	\$ 95,765
Sales and use taxes	6,469,000	7,139,442	6,942,387	(197,055)
Transient occupancy tax	2,562,000	2,562,000	2,626,389	64,389
Motor vehicle fees, in lieu, unrestricted	85,330	47,308	24,459	(22,849)
Franchise taxes	906,500	906,500	875,862	(30,638)
Business license taxes	190,500	190,500	187,350	(3,150)
Other taxes	75,000	75,000	150,051	75,051
Licenses and permits	129,700	129,700	165,905	36,205
Fines and penalties	135,000	135,000	106,341	(28,659)
From other agencies	304,005	339,005	390,036	51,031
Charges for current services	732,550	757,550	677,688	(79,862)
Other	248,987	248,987	66,799	(182,188)
Use of money and property	848,000	848,000	870,855	22,855
Total revenues	15,994,572	16,841,935	16,642,830	(199,105)
EXPENDITURES:				
Current:				
General government	2,155,759	3,670,669	2,208,111	1,462,558
Public safety	9,253,440	9,187,440	9,302,733	(115,293)
Recreation	1,377,879	1,611,815	1,547,172	64,643
Community development	2,349,990	1,979,990	1,847,687	132,303
Public works	2,684,233	2,841,273	2,740,482	100,791
Capital outlay	146,041	1,081,428	843,632	237,796
Debt service:				
Interest and fiscal charges	-	-	7,419	(7,419)
Total expenditures	17,967,342	20,372,615	18,497,236	1,875,379
REVENUES OVER (UNDER) EXPENDITURES	(1,972,770)	(3,530,680)	(1,854,406)	(1,676,274)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,150,000	2,732,235	9,824,229	7,091,994
Transfers out	-	(7,537,991)	(9,170,254)	(1,632,263)
Capital lease financing	-	-	264,473	264,473
Proceeds from sale of assets	20,000	20,000	41,770	21,770
Total other financing sources (uses)	1,170,000	(4,785,756)	960,218	5,745,974
Net change in fund balance	\$ (802,770)	\$ (8,316,436)	(894,188)	\$ 7,422,248
FUND BALANCE:				
Beginning of year (as restated)			32,369,046	
End of year			<u>\$ 31,474,858</u>	

City of Barstow
Required Supplementary Information, Continued
For the year ended June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules, Continued

Budgetary Comparison Schedule, Measure I Special Revenue Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
From other agencies	\$ 1,740,000	\$ 2,083,238	\$ 2,305,791	\$ 222,553
Use of money and property	71,000	71,000	64,937	(6,063)
Total revenues	<u>1,811,000</u>	<u>2,154,238</u>	<u>2,370,728</u>	<u>216,490</u>
EXPENDITURES:				
Current:				
Public safety	8,492	8,492	9,540	(1,048)
Total expenditures	<u>8,492</u>	<u>8,492</u>	<u>9,540</u>	<u>(1,048)</u>
REVENUES OVER (UNDER) EXPENDITURE	<u>1,802,508</u>	<u>2,145,746</u>	<u>2,361,188</u>	<u>215,442</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(30,580)	(5,771,259)	(3,190,748)	2,580,511
Total other financing sources (uses)	<u>(30,580)</u>	<u>(5,771,259)</u>	<u>(3,190,748)</u>	<u>(2,580,511)</u>
Net change in fund balance	<u>\$ 1,771,928</u>	<u>\$ (3,625,513)</u>	(829,560)	<u>\$ 2,795,953</u>
FUND BALANCE:				
Beginning of year (as restated)			<u>4,517,466</u>	
End of year			<u>\$ 3,687,906</u>	

City of Barstow
Required Supplementary Information, Continued
For the year ended June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules, Continued

Budgetary Comparison Schedule, Barstow Fire Protection District Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 3,630,000	\$ 3,630,000	\$ 3,655,191	\$ 25,191
Licenses and permits	21,385	21,385	30,963	9,578
From other agencies	120,350	120,350	130,598	10,248
Other	14,500	14,500	1,848	(12,652)
Use of money and property	8,000	8,000	10,653	2,653
Total revenues	<u>3,794,235</u>	<u>3,794,235</u>	<u>3,829,253</u>	<u>35,018</u>
EXPENDITURES:				
Current:				
Public safety	3,750,577	3,775,577	4,026,496	(250,919)
Community development	-	121,200	41,672	79,528
Total expenditures	<u>3,750,577</u>	<u>3,896,777</u>	<u>4,068,168</u>	<u>(171,391)</u>
Net change in fund balance	<u>\$ 43,658</u>	<u>\$ (102,542)</u>	(238,915)	<u>\$ (136,373)</u>
FUND BALANCE:				
Beginning of year			<u>1,024,323</u>	
End of year			<u>\$ 785,408</u>	

City of Barstow
Required Supplementary Information, Continued
For the year ended June 30, 2012

2. DEFINED BENEFIT PENSION PLAN

The City retirement plans for police safety employees and miscellaneous employees are part of the CalPERS risk pool for cities and other governmental entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of funding progress for the City's police safety and miscellaneous employees are no longer available.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A schedule of funding progress as of the most recent actuarial valuation is presented below.

Actuarial Valuation Date *	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll **	Unfunded Actuarial Liability as Percentage of Covered Payroll
7/1/2009	\$ -	\$ 7,947,457	\$ 7,947,457	0.00%	\$ 9,082,254	87.5%
7/1/2010	187,715	7,399,279	7,211,564	2.54%	9,121,093	79.1%
7/1/2011	250,216	7,673,957	7,423,741	3.26%	8,723,959	85.1%

* Based on the most recent actuarial valuation available

** Annual payroll of active employees covered by the plan

SUPPLEMENTARY INFORMATION

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**MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL
REVENUE FUNDS**

City Capital Projects Fund

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.

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

City Capital Projects Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
From other agencies	\$ 40,800	\$ 40,800	\$ 188,350	\$ 147,550
Use of money and property	12,000	12,000	15,681	3,681
Total revenues	52,800	52,800	204,031	151,231
EXPENDITURES:				
Current:				
Capital outlay	-	14,973,999	8,319,052	6,654,947
Total expenditures	-	14,973,999	8,319,052	6,654,947
REVENUES OVER (UNDER) EXPENDITURES	12,000	(14,961,999)	(8,115,021)	6,658,628
OTHER FINANCING SOURCES (USES):				
Transfers in	-	14,279,852	8,990,901	(5,288,951)
Transfers out	-	-	(9,174,229)	(9,174,229)
Total other financing sources (uses)	-	14,279,852	(183,328)	(14,463,180)
Net change in fund balance	\$ 12,000	\$ (682,147)	\$ (8,298,349)	\$ (7,804,552)
FUND BALANCE:				
Beginning of year			9,195,326	
End of year			\$ 896,977	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUES FUNDS

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.

Redevelopment Housing Successor 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.

DEBT SERVICE FUNDS

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

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.

CAPITAL PROJECTS FUNDS

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
Non-Major Governmental Funds
June 30, 2012

	Special Revenue			
	Gas Tax	Redevelopment		Assets Seizure
		Low and Moderate Income Housing		
ASSETS				
Cash and investments	\$ 55,218	\$ -	\$ 237,089	\$ 78,447
Accounts receivable, net	-	-	197,746	-
Accrued interest	153	-	2,983	356
Taxes receivable	70,533	-	-	-
Due from Successor Agency Trust Fund	-	-	-	-
Total assets	\$ 125,904	\$ -	\$ 437,818	\$ 78,803
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 41,636	\$ -	\$ 16,944	\$ 35,542
Due to other funds	-	-	181,238	-
Deferred revenue	-	-	230,462	-
Total liabilities	41,636	-	428,644	35,542
Fund Balances:				
Restricted	84,268	-	9,174	43,261
Total fund balances	84,268	-	9,174	43,261
Total liabilities and fund balances	\$ 125,904	\$ -	\$ 437,818	\$ 78,803

Special Revenue		Debt Service		Capital Projects	Total
Barstow Harvey House Foundation	Redevelopment Housing Successor	Redevelopment Area I Debt Service	Redevelopment Area II Debt Service	Redevelopment Capital Projects	Non Major Governmental Funds
\$ 15,386	\$ -	\$ -	\$ -	\$ -	\$ 386,140
-	-	-	-	-	197,746
59	-	-	-	-	3,551
-	-	-	-	-	70,533
-	1,413,231	-	-	-	1,413,231
<u>\$ 15,445</u>	<u>\$ 1,413,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,071,201</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,122
-	-	-	-	-	181,238
-	-	-	-	-	230,462
-	-	-	-	-	505,822
15,445	1,413,231	-	-	-	1,565,379
<u>15,445</u>	<u>1,413,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,565,379</u>
<u>\$ 15,445</u>	<u>\$ 1,413,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,071,201</u>

City of Barstow
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2012

	Special Revenue			
	Gas Tax	Redevelopment Low and Moderate Income Housing	Grants	Assets Seizure
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
From other agencies	679,977	-	1,215,633	4,821
Licenses and permits	-	-	-	-
Other	-	22,854	-	-
Use of money and property	-	-	2,541	994
Total revenues	679,977	22,854	1,218,174	5,815
EXPENDITURES:				
Current:				
General government	-	-	-	37,815
Community development	-	901,542	286,411	-
Public works	5,536	-	-	-
Capital outlay	981	-	568,961	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	6,517	901,542	855,372	37,815
REVENUES OVER (UNDER) EXPENDITURES	673,460	(878,688)	362,802	(32,000)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,266,465)	(1,413,231)	(342,292)	-
Total other financing sources (uses)	(1,266,465)	(1,413,231)	(342,292)	-
Extraordinary Items				
Extraordinary (loss) on Dissolution of RDA	-	(279,655)	-	-
Net change in fund balances	(593,005)	(2,571,574)	20,510	(32,000)
FUND BALANCES:				
Beginning of year	677,273	2,571,574	(11,336)	75,261
End of year	\$ 84,268	\$ -	\$ 9,174	\$ 43,261

Special Revenue		Debt Service		Capital Projects	Total Non-Major Governmental Funds
Barstow Harvey House Foundation	Redevelopment Housing Successor	Redevelopment Area I Debt Service	Redevelopment Area II Debt Service	Redevelopment Capital Projects	
\$ -	\$ -	\$ 2,096,493	\$ 270,694	\$ -	\$ 2,367,187
-	-	-	-	-	1,900,431
-	-	-	-	-	-
153	-	-	-	-	23,007
285	-	17,754	6,402	-	27,976
438	-	2,114,247	277,096	-	4,318,601
410	-	299,405	72,525	458,075	868,230
-	-	-	-	-	1,187,953
-	-	-	-	-	5,536
-	-	-	-	774	570,716
-	-	510,000	-	-	510,000
-	-	375,164	-	-	375,164
410	-	1,184,569	72,525	458,849	3,517,599
28	-	929,678	204,571	(458,849)	801,002
-	1,413,231	-	-	4,328,858	5,742,089
-	-	-	-	-	(3,021,988)
-	1,413,231	-	-	4,328,858	2,720,101
-	-	(2,002,429)	(692,093)	(4,049,585)	(7,023,762)
28	1,413,231	(1,072,751)	(487,522)	(179,576)	(3,502,659)
15,417	-	1,072,751	487,522	179,576	5,068,038
\$ 15,445	\$ 1,413,231	\$ -	\$ -	\$ -	\$ 1,565,379

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Gas Tax Fund

For the year ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
From other agencies	\$ 656,231	\$ 656,231	\$ 679,977	\$ 23,746
Use of money and property	10,000	10,000	-	(10,000)
Total revenues	666,231	666,231	679,977	13,746
EXPENDITURES:				
Current:				
Public works	7,628	7,628	5,536	2,092
Capital outlay	-	-	981	(981)
Total expenditures	7,628	7,628	6,517	1,111
REVENUES OVER (UNDER) EXPENDITURES	658,603	658,603	673,460	12,635
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(650,000)	(1,308,890)	(1,266,465)	42,425
Total other financing sources (uses)	(650,000)	(1,308,890)	(1,266,465)	42,425
Net change in fund balance	\$ 8,603	\$ (650,287)	(593,005)	\$ 55,060
FUND BALANCE:				
Beginning of year			677,273	
End of year			\$ 84,268	

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Redevelopment Low and Moderate Income Housing Fund

For the year ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ -	\$ 948,700	\$ -	\$ (948,700)
Other	-	3,000	22,854	19,854
Use of money and property	-	26,000	-	(26,000)
Total revenues	-	29,000	22,854	(6,146)
EXPENDITURES:				
Current:				
Community development	1,908,119	1,908,119	901,542	1,006,577
Total expenditures	1,908,119	1,908,119	901,542	1,006,577
REVENUES OVER (UNDER) EXPENDITURES	(1,908,119)	(1,879,119)	(878,688)	1,000,431
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(1,413,231)	(1,413,231)
Total other financing sources (uses)	-	-	(1,413,231)	(1,413,231)
EXTRAORDINARY ITEMS:				
Extraordinary (loss) on Dissolution of RDA	-	-	(279,655)	(279,655)
Net change in fund balance	\$ (1,908,119)	\$ (1,879,119)	(2,571,574)	\$ (692,455)
FUND BALANCE:				
Beginning of year			2,571,574	
End of year			\$ -	

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Grants Fund

For the year ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
From other agencies	\$ 808,728	\$ 1,858,145	\$ 1,215,633	\$ (642,512)
Use of money and property	-	-	2,541	2,541
Total revenues	808,728	1,858,145	1,218,174	(639,971)
EXPENDITURES:				
Current:				
Community development	-	632,809	286,411	346,398
Capital outlay	557,010	883,044	568,961	314,083
Total expenditures	557,010	1,515,853	855,372	660,481
REVENUES OVER (UNDER) EXPENDITURES	251,718	342,292	362,802	20,510
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(342,292)	(342,292)	-
Total other financing sources (uses)	-	(342,292)	(342,292)	-
Net change in fund balance	\$ 251,718	\$ -	20,510	\$ 20,510
FUND BALANCE:				
Beginning of year			(11,336)	
End of year			<u>\$ 9,174</u>	

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Assets Seizure Fund

For the year ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
From other agencies	\$ -	\$ -	\$ 4,821	\$ 4,821
Use of money and property	5,000	5,000	994	(4,006)
Total revenues	5,000	5,000	5,815	815
EXPENDITURES:				
Current:				
General government	-	74,884	37,815	37,069
Total expenditures	-	74,884	37,815	37,069
Net change in fund balance	\$ 5,000	\$ (69,884)	(32,000)	\$ (36,254)
FUND BALANCE:				
Beginning of year			75,261	
End of year			\$ 43,261	

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Barstow Harvey House Foundation Fund

For the year ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other	\$ -	\$ -	\$ 153	\$ 153
Use of money and property	-	-	285	285
Total revenues	-	-	438	438
EXPENDITURES:				
Current:				
General government	-	-	410	(410)
Total expenditures	-	-	410	(410)
Net change in fund balance	\$ -	\$ -	28	\$ 28
FUND BALANCE:				
Beginning of year			15,417	
End of year			\$ 15,445	

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Redevelopment Housing Successor

For the year ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,413,231	1,413,231
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,413,231</u>	<u>1,413,231</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,413,231</u>	<u>\$ 1,413,231</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ 1,413,231</u>	

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Redevelopment Area I Debt Service Fund

For the year ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ -	\$ 3,013,900	\$ 2,096,493	\$ (917,407)
Use of money and property	-	125,000	17,754	(107,246)
Total revenues	-	3,138,900	2,114,247	(1,024,653)
EXPENDITURES:				
Current:				
General government	1,221,927	1,221,927	299,405	922,522
Debt Service:				
Principal retirement	510,000	510,000	510,000	-
Interest and fiscal charges	538,681	538,681	375,164	163,517
Total expenditures	2,270,608	2,270,608	1,184,569	1,086,039
REVENUES OVER (UNDER) EXPENDITURES	(2,270,608)	868,292	929,678	61,386
OTHER FINANCING SOURCES (USES):				
Transfers out	(926,201)	(926,201)	-	926,201
Total other financing sources (uses)	(926,201)	(926,201)	-	926,201
EXTRAORDINARY ITEMS:				
Extraordinary (loss) on Dissolution of RDA	-	-	(2,002,429)	(2,002,429)
Net change in fund balance	\$ (3,196,809)	\$ (57,909)	(1,072,751)	\$ (1,014,842)
FUND BALANCE:				
Beginning of year			1,072,751	
End of year			\$ -	

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Redevelopment Area II Debt Service Fund

For the year ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ -	\$ 403,100	\$ 270,694	\$ (132,406)
Use of money and property	-	12,000	6,402	(5,598)
Total revenues	-	415,100	277,096	(138,004)
EXPENDITURES:				
Current:				
General government	-	127,600	72,525	55,075
Total expenditures	-	127,600	72,525	55,075
REVENUES OVER (UNDER) EXPENDITURES	-	287,500	204,571	(82,929)
OTHER FINANCING SOURCES (USES):				
Transfers out	(134,227)	(134,227)	-	134,227
Total other financing sources (uses)	(134,227)	(134,227)	-	134,227
EXTRAORDINARY ITEMS:				
Extraordinary (loss) on Dissolution of RDA	-	-	(692,093)	(692,093)
Net change in fund balance	\$ (134,227)	\$ 153,273	(487,522)	\$ (640,795)
FUND BALANCE:				
Beginning of year			487,522	
End of year			\$ -	

City of Barstow

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Redevelopment Capital Projects Fund

For the year ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
From other agencies	\$ -	\$ 3,000	\$ -	\$ (3,000)
Use of money and property	-	1,000	-	(1,000)
Total revenues	-	4,000	-	(4,000)
EXPENDITURES:				
Current:				
General government	760,428	632,828	458,075	174,753
Capital outlay	300,000	300,000	774	299,226
Total expenditures	1,060,428	932,828	458,849	473,979
REVENUES OVER (UNDER) EXPENDITURES	(1,060,428)	(928,828)	(458,849)	469,979
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,060,428	4,328,858	3,268,430
Total other financing sources (uses)	-	1,060,428	4,328,858	3,268,430
EXTRAORDINARY ITEMS:				
Extraordinary (loss) on Dissolution of RDA	-	-	(4,049,585)	(4,049,585)
Net change in fund balance	\$ (1,060,428)	\$ 131,600	(179,576)	\$ 3,738,409
FUND BALANCE:				
Beginning of year			179,576	
End of year			\$ -	

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, 2012

	Public Improvement District 91-1	Landscape Assessment District	Other Agency	Transit Big River
ASSETS				
Cash and investments	\$ 97,075	\$ 32,359	\$ 21,227	\$ 24,968
Taxes receivable	-	73	-	-
Interest receivable	346	81	84	180
Total assets	\$ 97,421	\$ 32,513	\$ 21,311	\$ 25,148
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 1,474	\$ -	\$ 10,194
Deposits	-	31,039	-	14,954
Due to bondholders	97,421	-	-	-
Due to other agencies	-	-	21,311	-
Total liabilities	\$ 97,421	\$ 32,513	\$ 21,311	\$ 25,148



Transit Trona	Total Agency Funds
\$ 40,534	\$ 216,163
-	73
212	903
<u>\$ 40,746</u>	<u>\$ 217,139</u>

\$ 6,233	\$ 17,901
34,513	80,506
-	97,421
-	21,311
<u>\$ 40,746</u>	<u>\$ 217,139</u>

City of Barstow
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Public Improvement District 91-1				
Assets:				
Cash and investments	\$ 211,376	\$ 1,437,043	\$ 1,551,344	\$ 97,075
Cash and investments with fiscal agent	498,148	-	498,148	-
Taxes and liens receivable	1,418	-	1,418	-
Interest receivable	-	346	-	346
Total assets	\$ 710,942	\$ 1,437,043	\$ 2,050,910	\$ 97,421
Liabilities:				
Accounts payable	7,250	1,944,259	1,951,509	-
Due to bondholders	703,692	346	606,617	97,421
Total liabilities	\$ 710,942	\$ 1,944,605	\$ 2,558,126	\$ 97,421
Landscape Assessment District				
Assets:				
Cash and investments	\$ 20,338	\$ 23,902	\$ 11,881	\$ 32,359
Taxes receivable	-	73	-	73
Interest receivable	179	81	179	81
Total assets	\$ 20,517	\$ 23,902	\$ 12,060	\$ 32,513
Liabilities:				
Accounts Payable	\$ 2,111	\$ 11,471	\$ 12,108	\$ 1,474
Deposits	18,406	12,633	-	31,039
Total liabilities	\$ 18,406	\$ 24,104	\$ 12,108	\$ 32,513
Other Agency				
Assets:				
Cash and investments	\$ 21,947	\$ 4,897	\$ 5,617	\$ 21,227
Interest receivable	212	84	212	84
Total assets	\$ 22,159	\$ 4,981	\$ 5,829	\$ 21,311
Liabilities:				
Accounts payable	\$ 78	\$ -	\$ 78	\$ -
Due to other agencies	22,081	4,981	5,751	21,311
Total liabilities	\$ 22,159	\$ 4,981	\$ 5,829	\$ 21,311

City of Barstow
Agency Funds
Combining Statement of Changes in Assets and Liabilities, Continued
For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Transit - Big River				
Assets:				
Cash and investments	\$ 16,806	\$ 117,730	\$ 109,568	\$ 24,968
Interest receivable	99	180	99	180
Total assets	\$ 16,905	\$ 117,910	\$ 109,667	\$ 25,148
Liabilities:				
Accounts payable	3,294	65,529	58,629	\$ 10,194
Deposits	\$ 13,611	\$ 52,381	\$ 51,038	\$ 14,954
Total liabilities	\$ 16,905	\$ 117,910	\$ 109,667	\$ 25,148
Transit - Trona				
Assets:				
Cash and investments	\$ 34,152	\$ 90,388	\$ 84,006	\$ 40,534
Interest receivable	178	212	178	212
Total assets	\$ 34,330	\$ 90,600	\$ 84,184	\$ 40,746
Liabilities:				
Accounts payable	\$ 5,533	\$ 50,522	\$ 49,822	\$ 6,233
Deposits	28,797	40,078	34,362	34,513
Total liabilities	\$ 28,797	\$ 90,600	\$ 84,184	\$ 40,746

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STATISTICAL SECTION

This part of the City of Barstow’s 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 City.

Index	Page
Financial Trends	118
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	128
These schedules contain information to help the reader assess the City’s most significant local revenues source, the property tax.	
Debt Capacity	140
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability issues additional debt in the future.	
Demographic and Economic Information	147
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
Operating Information	150
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 3,154,343	\$ 11,779,469	\$ 27,704,096	\$ 75,092,771
Restricted	14,057,930	13,516,589	15,656,211	10,536,166
Unrestricted	21,693,217	25,190,652	26,233,234	25,416,537
Total Governmental Activities Net Assets	\$ 38,905,490	\$ 50,486,710	\$ 69,593,541	\$ 111,045,474
Business-type Activities:				
Invested in capital assets, net of related debt	\$ 5,612,500	\$ 5,612,500	\$ 5,365,622	\$ 13,069,478
Restricted	-	298,915	598,449	-
Unrestricted	5,498,328	7,198,612	8,887,135	8,376,130
Total Business-type Activities Net Assets	\$ 11,110,828	\$ 13,110,027	\$ 14,851,206	\$ 21,445,608
Primary Government:				
Invested in capital assets, net of related debt	\$ 8,766,843	\$ 17,391,969	\$ 33,069,718	\$ 88,162,249
Restricted	14,057,930	13,815,504	16,254,660	10,536,166
Unrestricted	27,191,545	32,389,264	35,120,369	33,792,667
Total Primary Government Net Assets	\$ 50,016,318	\$ 63,596,737	\$ 84,444,747	\$ 132,491,082

Source: Barstow Department of Finance

The City has elected to show nine 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.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 63,939,275	\$ 58,651,372	\$ 65,754,048	\$ 68,836,403	\$ 73,695,670
19,980,860	23,996,154	7,467,900	13,313,448	6,609,675
30,585,194	32,172,987	39,910,774	32,818,270	29,552,965
<u>\$ 114,505,329</u>	<u>\$ 114,820,513</u>	<u>\$ 113,132,722</u>	<u>\$ 114,968,121</u>	<u>\$ 109,858,310</u>
\$ 13,296,278	\$ 16,080,466	\$ 14,309,391	\$ 11,609,403	\$ 14,530,286
-	-	-	-	-
(881,594)	(2,300,969)	(3,002,623)	(1,046,331)	(4,779,780)
<u>\$ 12,414,684</u>	<u>\$ 13,779,497</u>	<u>\$ 11,306,768</u>	<u>\$ 10,563,072</u>	<u>\$ 9,750,506</u>
\$ 77,235,553	\$ 74,731,838	\$ 80,063,439	\$ 80,445,806	\$ 88,225,956
19,980,860	23,996,154	7,467,900	13,313,448	6,609,675
29,703,600	29,872,018	36,908,151	31,771,939	24,773,185
<u>\$ 126,920,013</u>	<u>\$ 128,600,010</u>	<u>\$ 124,439,490</u>	<u>\$ 125,531,193</u>	<u>\$ 119,608,816</u>

CITY OF BARSTOW
Changes in Net Assets
Last Nine 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	2012
2,852,043	5,186,329	7,328,056	6,094,918	5,419,817	4,372,577
6,971,475	7,169,661	7,755,294	8,431,831	11,379,248	13,910,834
-	1,839,427	2,522,146	2,169,160	1,651,047	2,226,201
3,755,588	4,503,709	3,811,039	5,631,968	3,284,720	4,976,071
4,628,881	3,308,455	3,208,592	3,394,422	4,390,903	3,233,598
-	-	-	-	-	-
880,548	977,402	1,014,907	470,703	571,721	373,524
19,088,535	22,984,983	25,640,034	26,193,002	26,697,456	29,092,805
2,746,749	13,033,007	2,901,787	3,247,228	3,514,998	4,398,844
4,195,541	3,974,067	4,045,892	4,011,446	4,213,429	3,989,240
2,678,016	3,168,024	3,237,953	3,372,469	2,890,641	2,943,943
-	-	-	-	-	-
298,069	386,788	297,942	398,573	343,653	336,203
9,918,375	20,561,886	10,483,574	11,029,716	10,962,721	11,668,230
29,006,910	43,546,869	36,123,608	37,222,718	37,660,177	40,761,035
1,609,778	1,973,746	1,648,299	1,560,775	1,502,836	1,200,799
3,796,362	3,353,033	2,705,247	2,188,144	2,977,984	595,522
2,217,854	1,001,826	903,617	950,770	54,290	4,099,782
7,623,994	6,328,605	5,257,163	4,699,689	4,535,110	5,896,103
3,273,734	3,473,018	3,195,509	3,069,587	3,221,304	4,025,728
3,522,318	3,746,302	3,748,330	3,634,446	3,876,407	4,062,908
239,540	252,459	351,130	253,898	610,343	688,374
165,914	160,244	106,903	130,852	49,508	34,136
1,980,839	2,698,498	2,694,980	2,580,170	2,018,897	2,044,518
91,237	960,443	1,462,475	419,872	151,117	-
9,273,582	11,290,964	11,559,327	10,088,825	9,927,576	10,855,664
16,897,576	17,619,569	16,816,490	14,788,514	14,462,686	16,751,767
(Continued)	(Continued)	(Continued)	(Continued)	(Continued)	(Continued)

CITY OF BARSTOW
Changes in Net Assets (Continued)
Last Nine 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	-	-	-
Extraordinary item - gain due to dissolution of RDA	-	-	-
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 nine 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 FY04 to FY06 net asset are not comparable to later years.

Fiscal Year					
2007	2008	2009	2010	2011	2012
(11,464,541)	(16,656,378)	(20,382,871)	(21,493,313)	(22,162,346)	(23,196,702)
(644,793)	(9,270,922)	1,075,753	(940,891)	(1,035,145)	(812,566)
(12,109,334)	(25,927,300)	(19,307,118)	(22,434,204)	(23,197,491)	(24,009,268)
5,129,433	5,734,799	7,894,148	8,359,770	10,106,231	9,581,086
6,662,596	5,925,848	6,084,702	5,802,928	6,589,010	6,942,387
2,281,494	2,455,043	2,484,223	2,392,610	2,541,970	2,626,389
1,181,430	1,153,309	1,150,982	1,110,266	1,107,418	1,213,263
1,651,504	1,889,772	63,143	110,643	110,786	24,459
2,396,289	2,483,993	2,537,309	1,775,846	1,903,747	1,297,074
770,348	419,527	483,548	253,459	334,103	91,654
80,768	-	-	-	-	-
-	-	-	-	(183,479)	-
-	-	-	-	1,487,959	-
-	-	-	-	-	311,238
-	-	-	-	-	-
20,153,862	20,062,291	20,698,055	19,805,522	23,997,745	22,087,550
-	-	-	-	-	-
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	22,087,550
8,689,321	3,405,913	315,184	(1,687,791)	1,835,399	(1,109,152)
(276,511)	(8,976,982)	1,364,813	(2,472,729)	(743,696)	(812,566)
8,412,810	(5,571,069)	1,679,997	(4,160,520)	1,091,703	(1,921,718)

CITY OF BARSTOW
Fund Balances of Governmental Funds
Last Nine 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 Finance Department

The City of Barstow has elected to show only nine 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	2012
\$ 218,659	\$ 1,623,614	\$ 1,075,061	\$ 3,119,315		
-	-	-	-	\$ 4,155,542	\$ 6,025,426
-	-	-	-	5,943,956	-
-	-	-	-	4,425,000	-
<u>29,774,340</u>	<u>13,397,822</u>	<u>14,077,368</u>	<u>7,403,967</u>	<u>18,756,466</u>	<u>25,449,432</u>
<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>	<u>\$ 31,474,858</u>
\$ 7,216,481	\$ 11,147,285	\$ 10,903,385	\$ 9,678,496		
-	-	-	-	\$ 5,150,568	\$ -
-	-	-	-	8,442,243	6,935,670
-	-	-	-	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>	<u>\$ 6,935,670</u>

CITY OF BARSTOW
Changes in Fund Balances of Governmental Funds
Last Nine 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	-	-	-	-
Extraordinary loss on dissolution of RDA	-	-	-	-
Total Other Financing	<u>28,816</u>	<u>13,003,071</u>	<u>(3,154,185)</u>	<u>128,704</u>
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 Finance Department

The City has elected to show nine 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;

Fiscal Year				
2008	2009	2010	2011	2012
\$ 17,158,769	\$ 17,677,199	\$ 17,776,217	\$ 20,455,415	\$ 20,387,584
330,523	157,319	131,610	160,411	196,868
189,967	111,180	131,389	129,349	106,341
-	-	-	-	-
8,970,828	3,131,095	3,141,460	2,977,499	4,915,206
1,416,576	1,261,364	1,232,865	1,156,934	677,688
2,484,002	2,537,309	1,775,849	1,903,747	990,102
463,290	593,469	326,843	332,229	91,654
<u>31,013,955</u>	<u>25,468,935</u>	<u>24,516,233</u>	<u>27,115,584</u>	<u>27,365,443</u>
4,438,516	6,360,460	6,398,855	5,122,706	3,076,341
7,169,661	7,693,503	11,504,311	10,698,792	13,338,769
1,643,649	1,670,133	1,929,250	2,505,479	2,746,018
1,839,427	1,877,647	1,816,436	1,300,759	1,547,172
3,308,455	3,207,583	3,391,348	3,278,264	3,035,640
-	-	-	-	-
870,210	1,103,698	1,190,588	490,000	510,000
858,029	870,144	656,716	578,895	382,583
2,230,093	2,010,835	3,437,099	8,090,746	9,775,072
<u>22,358,040</u>	<u>24,794,003</u>	<u>30,324,603</u>	<u>32,065,641</u>	<u>34,411,595</u>
8,655,915	674,932	(5,808,370)	(4,950,057)	(7,046,152)
1,592,942	1,849,139	1,500,963	10,988,832	24,557,219
(1,539,000)	(1,849,139)	(1,500,963)	(11,172,311)	(24,557,219)
13,597	-	-	23,107	41,770
-	-	-	-	-
-	173,517	414,484	3,128,993	264,473
-	-	-	-	-
-	-	-	653,570	-
-	-	-	-	(7,023,762)
<u>67,539</u>	<u>173,517</u>	<u>414,484</u>	<u>3,622,191</u>	<u>(6,717,519)</u>
<u>\$ 8,723,454</u>	<u>\$ 848,449</u>	<u>\$ (5,393,886)</u>	<u>\$ (1,327,866)</u>	<u>\$ (13,763,671)</u>
8.6%	8.7%	6.9%	4.5%	3.6%

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

Fiscal Year Ended	City of Barstow				City Net Value including RDA
	Secured	Unsecured	SBE Nonunitary	Less Exemptions:	
June 30					
2003	706,966,719	77,468,045	34,280,333	(20,928,852)	797,786,245
2004	732,700,856	79,034,569	29,948,086	(21,463,216)	820,220,295
2005	766,763,028	77,850,700	28,829,408	(21,165,153)	852,277,983
2006	808,484,167	80,494,969	29,256,752	(20,767,499)	897,468,389
2007	932,009,696	74,295,326	27,544,344	(20,094,320)	1,013,755,046
2008	1,091,641,646	87,057,908	2,234,731	(19,778,309)	1,161,155,976
2009	1,185,390,590	98,372,746	2,231,057	(19,779,533)	1,266,214,860
2010	1,191,331,204	109,266,545	2,140,972	(19,908,869)	1,282,829,852
2011	1,135,166,443	108,035,363	2,176,079	(20,144,454)	1,225,233,431
2012	1,105,173,976	105,571,293	2,186,442	(20,109,084)	1,192,822,627

Source: San Bernardino Co Assessor 2011/12 Combined Rolls-HdL,
Coren & Cone & Co of San Bernardino Agency Net Valuations

Redevelopment Agency				
RDA	RDA	RDA Total	Net Total	Net Total
Secured	Unsecured	Assessed	Assessed	Assessed
		Value	Value for City including RDA	Value
219,996,747	26,281,443	246,278,190	551,508,055	
219,768,741	23,995,779	243,764,520	576,455,775	2.81%
234,762,492	22,406,250	257,168,742	595,109,241	3.77%
243,370,721	24,198,061	267,568,782	629,899,607	5.13%
290,448,593	17,437,771	307,886,364	705,868,682	12.59%
337,932,432	25,969,727	363,902,159	797,253,817	14.23%
396,775,797	30,032,632	426,808,429	839,406,431	8.90%
414,820,330	36,887,692	451,708,022	831,121,830	1.30%
403,089,459	39,215,581	442,305,040	782,928,391	-4.40%
388,324,902	38,685,738	427,010,640	765,811,987	-2.61%

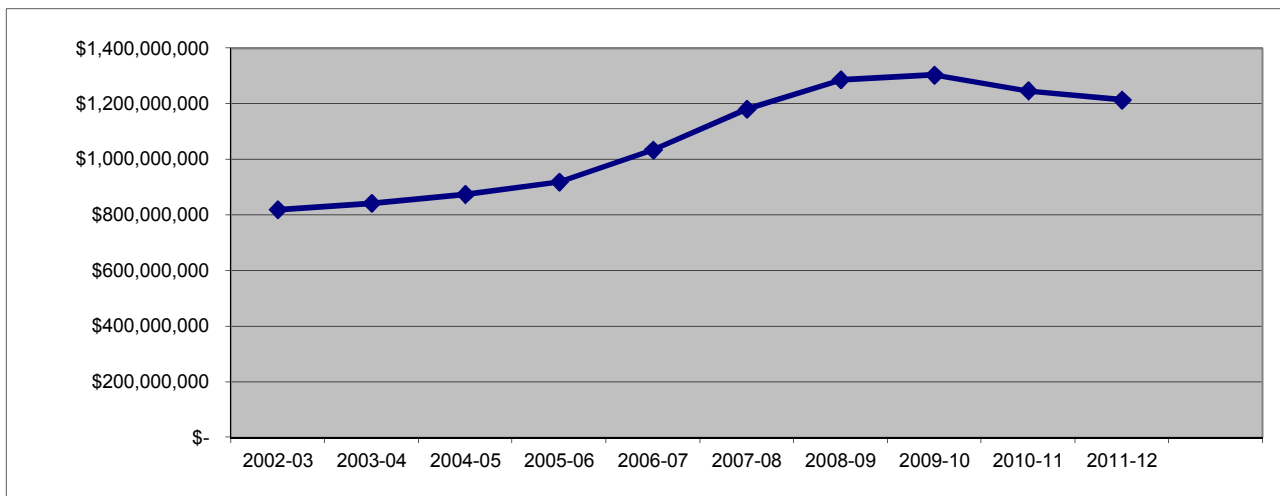
CITY OF BARSTOW
Assessed Value and Estimated Actual Value of Taxable Property by Class
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Vacant Land	SBE Non Unitary	Unsecured	Other	Total Taxable Assessed Value (a)	Total Direct TaxRate
2002-03	375,037,181	221,288,876	20,097,830	64,948,828	34,280,333	77,468,045	25,594,004	818,715,097	0.364%
2003-04	391,524,129	236,158,006	25,887,316	61,154,300	29,948,086	79,034,569	17,977,105	841,683,511	0.364%
2004-05	414,449,105	250,972,870	24,533,560	61,596,544	28,829,408	77,850,700	15,210,949	873,443,136	0.358%
2005-06	441,648,727	253,663,769	24,820,785	70,993,887	29,256,752	80,494,969	17,356,999	918,235,888	0.355%
2006-07	522,998,720	263,260,967	24,487,034	102,684,251	27,544,344	74,295,326	18,578,724	1,033,849,366	0.361%
2007-08	605,422,360	289,013,500	26,449,777	137,134,937	2,234,731	87,057,908	33,621,072	1,180,934,285	0.371%
2008-09	652,316,400	317,560,341	26,683,171	156,562,311	2,231,057	98,372,746	32,268,367	1,285,994,393	0.369%
2009-10	627,566,328	338,817,782	33,850,382	156,715,114	2,140,972	109,266,545	34,381,598	1,302,738,721	0.406%
2010-11	568,233,728	345,783,589	33,307,174	156,145,924	2,176,079	108,035,363	32,275,948	1,245,957,805	0.413%
2011-12	536,928,516	344,666,172	33,157,744	168,757,467	2,186,442	105,571,293	21,664,077	1,212,931,711	0.410%

Source: HdL Coren & Cone/San Bernardino Co Assessor 2002/03-2011/12 Combined Tax Rolls

Notes:

(a) Exempt values are not included in Total Assessed Value.



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

	Fiscal Year			
	2003	2004	2005	2006
City Direct Rates:				
City basic rate	\$ 0.0932	\$ 0.0932	\$ 0.0932	\$ 0.0932
Redevelopment agency	0.9068	0.9068	0.9068	0.9068
Total City Direct Rate	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
Overlapping Rates:				
Barstow Unified School Bond	0.0831	0.0579	0.0518	0.0489
Mojave Water Agency Land Only	0.1125	0.1125	0.1125	0.1125
Mojave Water Agency	<u>0.0550</u>	<u>0.0550</u>	<u>0.0550</u>	<u>0.0550</u>
Total Direct Rate	<u>\$ 1.2506</u>	<u>\$ 1.2254</u>	<u>\$ 1.2193</u>	<u>\$ 1.2164</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.

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 0.0932	\$ 0.0932	\$ 0.0904	\$ 0.0904	\$ 0.0904	\$ 0.0904
<u>0.9068</u>	<u>0.9068</u>	<u>0.9096</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>
0.0392	0.0378	0.0352	0.0312	0.0370	0.0401
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>\$ 1.2067</u>	<u>\$ 1.2053</u>	<u>\$ 1.2027</u>	<u>\$ 1.1987</u>	<u>\$ 1.2045</u>	<u>\$ 1.2076</u>

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

Owner	2011/12		2002/03	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
New Plan Factory Malls			\$ 37,111,029	4.53%
Burlington Northern & Santa Fe Railway			\$ 33,754,385	4.12%
Tanger Properties LP	\$ 24,640,388	2.03%	\$ 18,523,005	2.26%
Hospital of Barstow	\$ 18,422,807	1.52%		
Compass Bank	\$ 13,649,500	1.13%		
Meruelo Maddux Properties	\$ 13,388,052	1.10%		
Desert Heights LLC	\$ 11,380,220	0.94%		
Suk Hee Suh	\$ 10,823,512	0.89%		
Home Depot United States	\$ 10,496,528	0.87%		
Hospitality Express	\$ 10,422,281	0.86%		
Barstow Outlet	\$ 10,422,003	0.86%		
TVL Properties LLC	\$ 9,419,191	0.78%		
Fred and Robin Rosenberg Family Limited			\$ 11,269,799	1.38%
Yellow Freight System			\$ 10,116,802	1.24%
Rip Griffin Truck Service Center			\$ 9,893,953	1.21%
Walmart Stores			\$ 8,649,402	1.06%
Daniel L Plies			\$ 8,445,108	1.03%
Free II LLC			\$ 7,516,266	0.92%
Steadfast SVA			\$ 6,576,061	0.80%
	<u>\$ 133,064,482</u>	<u>10.98%</u>	<u>\$ 151,855,810</u>	<u>18.55%</u>

Source: Hdl Coren & Cone-San Bernardino County Assessor

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

**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
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%	216,000	6,476,853	91%
2012*	6,900,000	6,300,000	91%		6,300,000	

Source: San Bernardino Auditor-Controller Recorder

* FY12 amounts were estimated.

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)

	Calendar Year				
	2002	2003	2004	2005	2006
Apparel Stores	\$ 57,888	\$ 51,276	\$ 49,495	\$ 55,578	\$ 60,468
General Merchandise	\$ 43,108	\$ 44,029	\$ 46,291	\$ 49,075	\$ 49,458
Food Stores	\$ 13,369	\$ 12,853	\$ 13,259	\$ 12,938	\$ 14,708
Eating & Drinking Places	\$ 54,595	\$ 56,440	\$ 61,491	\$ 66,068	\$ 69,507
Building Materials	\$ 15,297	\$ 18,872	\$ 26,224	\$ 26,329	\$ 27,177
Auto Dealers & Supplies	\$ 38,872	\$ 43,774	\$ 49,791	\$ 52,093	\$ 54,015
Service Stations	\$ 131,708	\$ 140,711	\$ 153,424	\$ 208,009	\$ 248,844
Other Retail Stores	\$ 22,559	\$ 21,143	\$ 23,041	\$ 23,882	\$ 24,790
All Other Outlets	\$ 64,919	\$ 64,337	\$ 67,842	\$ 80,297	\$ 91,924
Total	\$ 442,315	\$ 453,435	\$ 490,858	\$ 574,269	\$ 640,891

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.

Calendar Year					
2007	2008	2009	2010	2011	
\$ 71,106	\$ 83,779	\$ 82,695	\$ 103,016	\$ 121,343	
\$ 47,911	\$ 47,120	\$ 45,383	\$ 43,381	\$ 41,781	
\$ 15,244	\$ 15,128	\$ 15,165	\$ 14,985	\$ 15,083	
\$ 70,708	\$ 69,973	\$ 69,450	\$ 69,825	\$ 70,833	
\$ 32,472	\$ 23,872	\$ 20,338	\$ 20,154	\$ 19,684	
\$ 49,027	\$ 34,877	\$ 24,509	\$ 25,126	\$ 30,253	
\$ 246,219	\$ 254,611	\$ 206,150	\$ 242,995	\$ 263,611	
\$ 24,607	\$ 23,734	\$ 20,461	\$ 21,656	\$ 24,153	
\$ 87,623	\$ 82,892	\$ 86,297	\$ 93,795	\$ 85,343	
<u>\$ 644,917</u>	<u>\$ 635,986</u>	<u>\$ 570,448</u>	<u>\$ 634,933</u>	<u>\$ 672,084</u>	

CITY OF BARSTOW
Top 25 Sales Tax Producers (Alphabetically)
For the Fiscal Year 2011/2012

<u>Business Name</u>	<u>Business Category</u>
Arco	Service Stations
Arco AM PM	Service Stations
Barstow Chevron Foodmart	Service Stations
Barstow Shell	Service Stations
Calvin Klein	Family Apparel
Chevron	Service Stations
Circle K	Service Stations
Coach	Women's Apparel
Del Taco	Restaurants No Alcohol
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
Soutars Ford/Nissan/Lincoln	New Motor Vehicle Dealers
Soutars Toyota/Chrysler/Dodge/Jeep	New Motor Vehicle Dealers
Terrible Herbst	Service Stations
Thrifty Oil	Service Stations
Tommy Hilfiger	Men's Apparel
Travel Centers of America	Service Stations
Union 76	Service Stations
Valero Corner Store	Service Stations
Valmont Newmark International	Energy/Utilities
Walmart	Discount Dept Stores

Percent of Fiscal Year Total Paid by Top 25 Accounts = 68.98

Period: April 2011 thru March 2012

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

CITY OF BARSTOW
Top 25 Sales Tax Producers (Alphabetically)
For the Fiscal Year 2002/2003

<u>Business Name</u>	<u>Business Category</u>
Arco AM PM Mini Mart	Service Stations
Chevron	Service Stations
Circle K	Service Stations
Del Taco	Restaurants No Alcohol
Flying J Travel Plaza	Service Stations
Gap Outlet	Family Apparel
H & E Home Builders City	Lumber/Building Materials
Ideal Chevrolet Pontiac Buick	New Motor Vehicle Dealers
Imperial Valley Lumber Company	Lumber/Building Materials
In N Out Burgers	Restaurants No Alcohol
Liz Claiborne	Family Apparel
McDonalds	Restaurants No Alcohol
Pilot Travel Center	Service Stations
Polo Ralph Lauren Factory Store	Family Apparel
Rip Griffin Truck Service	Service Stations
Rosanos Dry Gulch Shell	Service Stations
Service Rock Products	Contractors
Soutar's Ford/Nissan/Lincoln	New Motor Vehicle Dealers
Soutar's Toyota/Chrysler/Dodge/Jeep	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 = 60.18%

Period: April 2002 thru March 2003

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			Total Governmental Activities
	Tax Allocation Bonds	Loans	Capital Lease Agreements	
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	154,440	15,122,648
2010	8,335,000	5,094,383	465,845	13,895,228
2011	7,845,000	4,731,252	3,407,341	15,983,593
2012	-		3,197,150	3,197,150

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					
Wastewater Certificates of Participation	Wastewater Capital Lease Agreements	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
3,790,000	-	3,790,000	18,325,707	114.84%	810
3,630,000	-	3,630,000	17,956,078	110.74%	777
3,850,000	-	3,850,000	18,926,136	113.01%	813
3,620,000	-	3,620,000	18,338,278	106.25%	776
3,380,000	-	3,380,000	17,689,715	98.15%	748
3,140,000	-	3,140,000	17,713,784	95.59%	744
2,900,000	-	2,900,000	18,022,648	96.65%	757
2,650,000	-	2,650,000	16,545,228	90.51%	684
2,279,943	2,316,949	4,596,892	18,263,536	97.33%	752
2,028,159	2,137,571	4,165,730	4,165,730	21.24%	181

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
2003	10,017,340	1.82%	443
2004	9,807,629	1.70%	424
2005	10,486,631	1.76%	451
2006	10,325,349	1.64%	437
2007	10,125,210	1.43%	428
2008	10,610,209	1.33%	445
2009	9,525,588	1.13%	400
2010	8,335,000	1.00%	345
2011	7,845,000	1.00%	323
2012	-	0.00%	-

Source: Barstow Finance Department

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, 2012

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> <u>6/30/2012</u>	<u>Percentage</u> <u>Applicable (1)</u>	<u>Net Bonded</u> <u>Debt</u>
Barstow Unified School District	\$ 11,014,849	51.40%	\$ 5,661,743
Mojave Water Agency	16,755,000	3.86%	646,743
City of Barstow	-	100%	-
Total Overlapping Tax and Assessment Debt			<u>\$ 6,308,486</u>
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
San Bernardino County General Fund Obligations	\$ 613,235,000	0.690%	\$ 4,231,322
San Bernardino County Pension Obligations	547,885,591	0.690%	3,780,411
San Bernardino County Flood Control District Certificates of Participation	108,210,000	0.690%	746,649
			<u>8,758,381</u>
COMBINED TOTAL DEBT			<u>\$ 15,066,867</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 :	\$ 1,212,931,711
Redevelopment Incremental Valuation:	<u>427,010,640</u>
Adjusted Assessed Valuation:	<u>\$ 785,921,071</u>

Ratios to 2010-11 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.52%

Ratios to Adjusted Assessed Valuation

Combined Total Debt	1.92%
---------------------	-------

CITY OF BARSTOW
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Assessed valuation	\$ 818,715,097	\$ 841,683,511	\$ 873,443,136	\$ 918,235,888
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	204,678,774	210,420,878	218,360,784	229,558,972
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	30,701,816	31,563,132	32,754,118	34,433,846
Total net debt applicable to limit:	<hr/>	<hr/>	<hr/>	<hr/>
Legal debt margin	<u>\$ 30,701,816</u>	<u>\$ 31,563,132</u>	<u>\$ 32,754,118</u>	<u>\$ 34,433,846</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					
2007	2008	2009	2010	2011	2012
\$ 1,033,849,366	\$ 1,180,934,285	\$ 1,285,994,393	\$ 1,302,738,721	\$ 1,245,377,885	\$ 1,212,931,711
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
258,462,342	295,233,571	321,498,598	325,684,680	311,344,471	303,232,928
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
38,769,351	44,285,036	48,224,790	48,852,702	46,701,671	45,484,939
<u>\$ 38,769,351</u>	<u>\$ 44,285,036</u>	<u>\$ 48,224,790</u>	<u>\$ 48,852,702</u>	<u>\$ 46,701,671</u>	<u>\$ 45,484,939</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	<u>Debt Service (1)</u>	Coverage
	Increment (1)	Principal and Interest	
June 30	Increment (1)	Interest	Coverage
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
2012	-	-	-

Source: Barstow Finance Department

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.

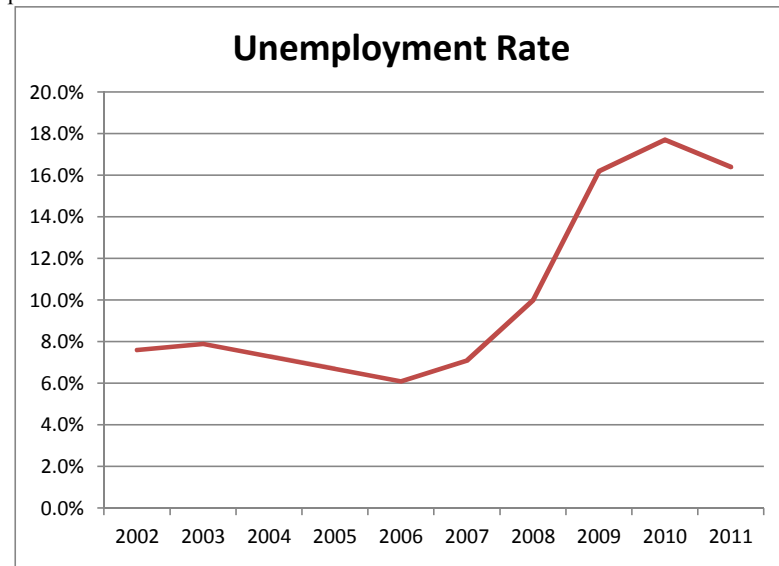
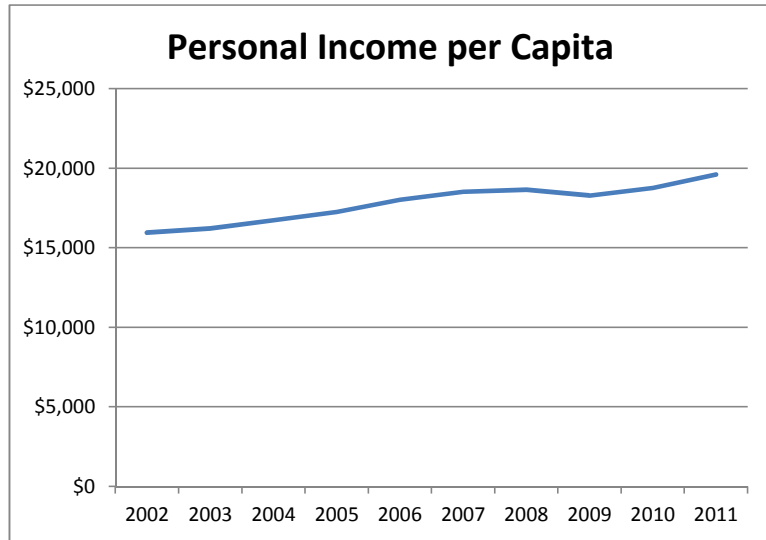
(1) Amounts have been rounded to the nearest thousand.

CITY OF BARSTOW
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar	Population	Personal Income	Per Capita	Unemployment	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
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%
2011	23,019	\$ 451,449	19,612	16.4%	33.1	78.9%	9.4%

Sources: HdL Coren & Cone

- (1) Population: California State Department of Finance
- (2) Unemployment Data: California Employment Development Department



CITY OF BARSTOW
Principal Employers
2011 and Ten Years Ago***

Employer	2011		2002	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ft. Irwin National Training Center*	5,665	27.6%	3,000	20.1%
Marine Corps Logistics Base*	1,600	7.8%	1,300	8.7%
Northrup Grunman (Vernell till 2002)*	1,192	5.8%	720	4.8%
BNSF Railroad	1,000	4.9%	820	5.5%
Barstow Unified School District	648	5.0%	700	4.7%
Raytheon Technical Services Co, LLC*	498	2.4%	500	3.4%
Tanger Outlet Stores	550	4.3%	400	2.7%
San Bernardino County	300	2.3%	200	1.3%
Barstow Community Hospital	290	2.2%	486	3.3%
Silver Valley School District*	293	1.4%	100	0.7%
Wal-Mart	200	1.5%	250	1.7%
Barstow Community College	320	2.5%	240	1.6%
ITT Industries-Goldstone NASA*	165	1.3%	700	4.7%
City of Barstow	183	1.4%	**	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 FY11 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 2011 was 12,922. 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	21	22.5	19.5	19.5	20	21	21	19	22	25
Public Safety										
Sworn	38	38	35	35	37	38	40	40	58	55
Non-Sworn	19	21	19	19	16	18	18	18	19	21
Recreation						15	15	15	16	37
Community Service	25	23	20	20	25	18	18	19	18	22
Community Development	12	12	9.5	9.5	12	12	12	12	7	13
Redevelopment	1	1	1	1	2	4	4	3	4	2
Solid Waste	1	1	1	1	1	1	1	2	2	1
Wastewater	1	1	1	1	1	1	1	1	1	7
Total	<u>118</u>	<u>119.5</u>	<u>106</u>	<u>106</u>	<u>114</u>	<u>128</u>	<u>130</u>	<u>129</u>	<u>147</u>	<u>183</u>

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	2008	2009	2010	2011	2012
Police:								
Arrests	2,320	2,394	2,703	2,907	2,915	3,223	2,766	2,795
Parking citations issued	710	1,039	995	431	366	666	313	201
Parks and recreation:								
Number of recreation classes	34	34	34	34	18	19	14	16
Number of facility rentals	27	26	40	39	52	60	68	70
Sewer:								
New connections	56	75	103	103	12	9	9	17
Average/Millions of Gallons Sewage Treatment	2.71	2.65	2.57	2.56	2.40	2.70	2.20	2.13
Building Department:								
Permits	*	*	392	301	402	555	558	663

Source: City of Barstow

* Data not available

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

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

	Fiscal Year			
	2003	2004	2005	2006
Police:				
Stations	1	2	2	2
Fire District **				
Stations	1	2	2	2
Public Works:				
Streets (miles)	88	88	88	88
Streetlights	*	*	*	*
Traffic signals	19	19	19	19
Parks and Recreation:				
Parks	1	10	10	10
Community pools		2	2	2
Community centers	1	3	3	3
Wastewater:				
Sanitary sewers (miles)	80	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					
2007	2008	2009	2010	2011	2012
2	2	2	2	2	2
2	2	2	2	3	3
88	88	88	89	89	90
*	*	1,001	1,001	1,001	1,001
19	19	19	20	20	21
10	10	10	10	10	10
2	2	1	1	1	1
3	3	3	3	3	3
80	80	113	113	113	117
2	2	2	2	2	15
4.5	4.5	4.5	4.5	4.5	4.5

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

To the Honorable Mayor and Members of City Council
of the City of Barstow
Barstow, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Barstow, California (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 3, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be a significant deficiencies in internal control over financial reporting as items FS2012-01 and FS2012-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

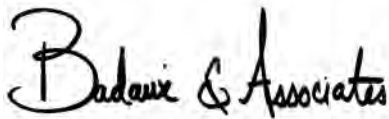
To the Honorable Mayor and Members of City Council
of the City of Barstow
Barstow, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item FS2012-02.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Oakland, California
June 3, 2013

City of Barstow
Schedule of Findings
For the year ended June 30, 2012

FS2012-01. Restatement of Previously Issued Financial Statements

Criteria:

The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Condition:

The City has restated its previously issued financial statements for the following transactions:

1. To accrue Measure I revenues related to the prior fiscal year.
2. To adjust deposits in the General Fund to exclude amounts that were related to the City's equity share in PERMA.
3. To accrue prior year expenditures for pavement coating to the fiscal year in which services were provided.
4. To adjust capital assets to exclude repair and maintenance expense that was capitalized in error.
5. To adjust the City's prepaid pension asset that was created from a pay-off of the City's safety plan CalPERS side fund.

Cause:

The City's internal controls over financial reporting did not identify the misstatements in a timely manner resulting in the restatement.

Context and Effect:

The City's previously issued financial statements were not fairly stated in conformity with accounting principles generally accepted in the United States of America.

Recommendation:

We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all nonroutine and nonsystematic transactions were accounted for, the appropriate accounting standards were applied, and transactions were accounted for in the proper period.

City of Barstow
Schedule of Findings
For the year ended June 30, 2012

FS2012-01. Restatement of Previously Issued Financial Statements, Continued

Management Response:

With respect to items 1, 3 and 4, the City identified these misstatements and requested the corrections and respectfully request that the finding reflect that fact. The City is actively self-auditing itself on an ongoing basis to ensure transparency and accuracy of reporting. The audit in which the reporting misstatements occurred was difficult to complete since both the auditors and the City went through major staffing changes during the reporting period (one new Finance Director, three different Audit Managers).

With respect to items 2 and 5, the reporting of this information was required by MGO, the previous audit firm. The City initially had recorded the information in the same manner as Badawi & Associates; subsequently the City was required to restate, in the same audit period, the information to comply with MGO's interpretation. The City views this as differences in interpretation by the respective audit firms.

FS2012-02. Late Submission of Single Audit Data Collection Form with Reporting Package

Criteria:

Per OMB Circular A-133, the City shall complete the Single Audit, and submit required data collection form with reporting package within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition:

The City was not able to complete the Single Audit and submit the required data collection form with reporting package before the specified due date for the fiscal year ended June 30, 2012.

Cause:

The City was not able to submit the required data collection form with reporting package as the City was untimely in closing the general ledger.

Context and Effect:

The City is not fully in compliance with OMB Circular A-133, which may cause the City to experience future difficulties in accessing federal grant funds.

City of Barstow
Schedule of Findings
For the year ended June 30, 2012

**FS2012-02. Late Submission of Single Audit Data Collection Form with Reporting Package,
Continued**

Recommendation:

We recommend that the City be aware of the Single Audit requirements and implement policies and procedures to be able to submit the required data collection form with reporting package on a timely basis.

Management Response:

The City experienced difficulty in completing the Single Audit timely due to the following unplanned events which delayed the City's closing process:

- Turnover in key staff who were responsible for performing significant accounting tasks as well as being involved in assisting with the Single Audit.
- The City could not, "in good faith", close its books with unresolved Meet and Confer determinations regarding Housing Assets as of June 30, 2012 – a process which began August 1, 2012 and was not finalized until February 20, 2013.